# China Soccer Holdings Co., Limited and its controlled entity

*(A Company incorporated in Hong Kong)*

# 2014 Consolidated ANNUAL REPORT

## For the year ended 31 December 2014

**China Soccer Holdings Co., Limited**

# Contents

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

## For the year ended 31 December 2014

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | RMB'000 | RMB'000 |
| Revenue | 2 | 416,587 | 329,229 |
| Cost of sales | | (278,962) | (219,169) |
| **Gross profit** | | **137,625** | **110,060** |
| | | | |
| Other revenues | 2 | 330 | 253 |
| Operating expenses | 3 | (16,420) | (7,925) |
| Administration expenses | 4 | (5,130) | (4,104) |
| Finance costs | 5 | (3,353) | (3,718) |
| **Profit before income tax** | | **113,052** | **94,566** |
| Income tax expense | 6 | (28,319) | (23,576) |
| | | | |
| **Profit for the year** | | **84,733** | **70,990** |
| | | | |
| Other comprehensive income | | | |
| *Items that may be reclassified to profit or loss:* | | | |
| Exchange difference on translating foreign operations | | - | - |
| **Total comprehensive income for the year** | | **84,733** | **70,990** |

# Consolidated Statement of Financial Position

## As at 31 December 2014

| | Note | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 63,366 | 31,763 |
| Trade and other receivables | 9 | 80,393 | 73,443 |
| Inventory | 10 | 30,061 | 32,445 |
| Prepayments | 11 | 2,844 | 6,437 |
| Total current assets | | 176,664 | 144,088 |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 36,377 | 38,663 |
| Land use right | 13 | 2,976 | 3,040 |
| Investment in associate | 14 | 74,800 | 20,000 |
| Total non-current assets | | 114,153 | 61,703 |
| **Total assets** | | **290,817** | **205,791** |
| **Current liabilities** | | | |
| Trade and other payables | 15 | 16,530 | 27,223 |
| Notes payable | 16 | 25,130 | 15,340 |
| Financial liabilities | 17 | 36,220 | 36,000 |
| Current tax liabilities | 18 | 9,413 | 8,464 |
| Total current liabilities | | 87,293 | 87,027 |
| **Total liabilities** | | **87,293** | **87,027** |
| **Net assets** | | **203,524** | **118,764** |
| **Equity** | | | |
| Issued capital | 19 | 15,008 | 14,983 |
| Reserves | 20 | 7,502 | 7,500 |
| Retained earnings | | 181,014 | 96,281 |
| **Total equity** | | **203,524** | **118,764** |

# Consolidated Statement of Changes in Equity

## For the year ended 31 December 2014

| | Share Capital<br>RMB'000 | Statutory Reserve<br>RMB'000 | Retained earnings<br>RMB'000 | Consolidated Total<br>RMB'000 |
|---|---|---|---|---|
| **Balance at 31 December 2012** | **14,983** | **4,653** | **28,138** | **47,774** |
| Reserves transferred from current year retained earning | - | 2,847 | (2,847) | - |
| Total profit or loss for the year | - | - | 70,990 | 70,990 |
| **Balance at 31 December 2013** | **14,983** | **7,500** | **96,281** | **118,764** |
| Additional capital | 25 | 2 | - | 27 |
| Reserves transferred from current year retained earning | - | - | - | - |
| Total profit or loss for the year | - | - | 84,733 | 84,733 |
| **Balance at 31 December 2014** | **15,008** | **7,502** | **181,014** | **203,524** |

# Consolidated Statement of Cash Flows

## For the year ended 31 December 2014

| | Note | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 396,466 | 291,766 |
| Payments to suppliers and employees | | (277,744) | (226,146) |
| Government grant received | | 2 | 68 |
| Interest received | | 308 | 185 |
| Finance costs | | (3,353) | (3,718) |
| Income tax paid | | (27,370) | (823) |
| VAT received / (paid) and other taxes | | (2,677) | (17,910) |
| Net cash provided by (used in) operating activities | **25** | **85,632** | **43,422** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (639) | (3,666) |
| Long-term investment | | (54,800) | (20,000) |
| Net cash provided by (used in) investing activities | | **(55,439)** | **(23,666)** |
| **Cash flows from financing activities** | | | |
| Cash received / (paid) to non-related parties | | - | (871) |
| Capital contribution by shareholders | | 25 | - |
| Proceeds / (repayment) of short-term borrowing | | 220 | (15,610) |
| Cash received / (paid) to related parties | | 1,165 | 2,645 |
| Net cash provided by (used in) financing activities | | **1,410** | **(13,836)** |
| Net change in cash and cash equivalents held | | 31,603 | 5,920 |
| Cash and cash equivalents at beginning of financial year | | 31,763 | 25,843 |
| Cash and cash equivalents at end of financial year | **8** | **63,366** | **31,763** |

# China Soccer Holdings Co., Limited
## Notes to the consolidated financial statements for the year ended 31 December 2014

### 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 and Hong Kong company law.

China Soccer Holdings Co., Limited ("China Soccer" "Company") is a company incorporated and domiciled in Hong Kong. Jinjiang Chaoda Shoes and Garment Co., Limited ("Chaoda"), wholly owned subsidiary of China Soccer is a company limited by registered capital contribution made by owners, incorporated and domiciled in PRC. Collectively known as the "Group"

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

The financial statements were authorised for issue by the directors on 2 April 2015.

**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 Group's presentational currency and the functional currency of the main operating subsidiary, Chaoda, unless otherwise noted.

**Third statement of financial position**

Two comparative periods are presented for the statement of financial position when the Group:

i Applies an accounting policy retrospectively,

ii Makes a retrospective restatement of items in its financial statements, or

iii Reclassifies items in the financial statements.

The management have determined that only one comparative period for the statement of financial position was required for the current reporting period.

**Significant accounting policies**

**a. Principle of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by China Soccer Holdings Co., Limited. A controlled entity is any entity that China Soccer Holdings Co., Limited has the power to control the financial and reporting policies of the entity so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 30 to the financial statements. All controlled entities have a December financial year end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year, where controlled entities have entered the Group during the year, their operating results have been included from the date control was obtained.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

**Business Combination**
China Soccer Holdings Co., Limited and Jinjiang Chaoda Shoes and Garment Co., Limited are owned and controlled by the same shareholders before and after the business combination, and the control is not transitory, therefore the business combination represents a common control combination.

Business combination involving entities under common control is scoped out under IFRS3 Business Combination. IFRS provides no guidance on the accounting for these types of transactions; however requires an entity to develop an accounting policy. The two most common methods utilised are the purchase method and the pooling of interest –type method (predecessor value method). A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties, both before and after the business combination, and control is not transitory.

Management have determined the pooling of interest-type method to be the most appropriate. The pooling of interest –type method requires the financial statements to be prepared using the predecessor book value without any step up to fair value. The difference between any consideration given and aggregate book value of the assets and liabilities of the acquired entity are recorded as an adjustment to equity. This may be recorded in retained earnings / reserve and no additional goodwill is created by the transaction. The comparatives have been presented as if the combination had occurred from the date when the combining entities first came under the control of the controlling parties.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

**Consolidated Financial Statement Presentation**
The consolidation financial statements (post combination) can be presented using one of two methods. The first method, being the consolidated financial statements can incorporate the acquired entity's results as if both entities (acquirer and acquiree) had always been combined. Alternatively the consolidated financial statements can incorporate the acquired entity's results only from the date on which the transaction occurred.

Management have determined to use option one – reporting comparatives as though the Group had always been combined.

### b. Income Tax

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

*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.

### c. 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 Group 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 Group 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.

### d. 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 Group 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.

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.

**e. 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.

**f. Investments in associates and joint arrangements**

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

**g. 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 Group 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.

**h. 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.

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 Group'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 Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group 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.

*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 Group'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 Group 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.

**i. Impairment of Non-Financial Assets**

At each reporting date, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**j. Employee Benefits**

Provision is made for the Group'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.

**k. 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.

**l. 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.

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).

**m. 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.

**n. 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.

**o. Comparative Figures**

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

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

**q. 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.

**r. 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 Group'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.

**s. Rounding of amounts**

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

# China Soccer Holdings Co., Limited

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 2 Revenue

| Operating activities | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Sales of goods | 416,587 | 329,229 |
| Total Revenue | **416,587** | **329,229** |
| **Non-operating activities** | | |
| Government Grant | 20 | 67 |
| Interest received | 308 | 185 |
| Others non-operating income | 2 | 1 |
| Total Other Income | **330** | **253** |

*During the year revenue from top ten customers amounted to RMB 224,344,145 (54%) (2013: RMB 177,716,462 (54%)) arising from wholesales of sports shoes.

### 3 Operating expenses

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **Operating expenses** | | |
| Salary expenses | 1,050 | 480 |
| Transportation expense | 537 | 551 |
| Advertising expense | 10,363 | 4,366 |
| Exhibition expense | 3,897 | 2,268 |
| Depreciation and amortisation | 21 | 29 |
| Other operating expenses | 552 | 231 |
| Total operating expenses | **16,420** | **7,925** |

### 4 Administration expenses

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **Administration expenses** | | |
| Salary expenses | 2,123 | 1,182 |
| Depreciation and amortisation | 883 | 922 |
| R&D expense* | 9 | 245 |
| Office expense | 87 | 88 |
| Other administration expense | 2,028 | 1,667 |
| Total administration expenses | **5,130** | **4,104** |

*Total Research & Development expense of RMB 6,122,000 incurred for the current financial year (2013: RMB 1,398,628). Majority of R&D expense (RMB 6,113,000) has been recognised as manufacturing overhead and allocated to finished goods.

### 5 Finance Costs

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **Finance costs** | | |
| Interest expense for short term borrowing | 3,194 | 3,268 |
| Other expenses | 159 | 450 |
| Total finance costs | **3,353** | **3,718** |

# China Soccer Holdings Co., Limited
## Notes to the consolidated financial statements for the year ended 31 December 2014

### 6 Income Tax Expense

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **The components of tax expense comprise:** | | |
| Current tax | 28,319 | 23,576 |
| Total income tax expense | **28,319** | **23,576** |
| | | |
| **Reconciliation of tax expense** | | |
| Profit before income tax | 113,052 | 94,566 |
| Prima facie tax payable on profit before income tax at China tax rate of 25% | 28,263 | 23,642 |
| | | |
| Add: | | |
| Adjustments of entities not taxed at 25% | | |
| Tax effect of tax adjustment during the period | 56 | (66) |
| Income tax attributable to the Group | **28,319** | **23,576** |
| The applicable weighted average effective tax rate are as follows: | 25% | 25% |

The Company is subject to the income tax law of Hong Kong and its subsidiary, Chaoda, is subject to income tax law of People's Republic of China (PRC).

### 7 Auditors' Remuneration

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Remuneration of the auditor of the Company | | |
| - auditing or reviewing the financial report | 326 | 360 |
| Total auditor's remuneration | **326** | **360** |

### 8 Cash and Cash Equivalents

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Cash on hand | 241 | 171 |
| Cash at bank | 47,933 | 25,456 |
| Security deposit for notes payable | 15,192 | 6,136 |
| Total cash and cash equivalent | **63,366** | **31,763** |

### 9 Trade and Other Receivables

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **Current** | | |
| Trade receivables | 80,061 | 70,397 |
| Other receivables | 332 | 3,046 |
| Total current trade and other receivables | **80,393** | **73,443** |

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements. The Group 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 Group and are expected to be recovered in full.

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

| | 2014 | 2013 |
|---|---|---|
| | RMB'000 | RMB'000 |
| 90 – 180 days | 199 | 23 |
| 181-365 days | - | 56 |
| Total | **199** | **79** |

## 10 Inventory

| | 2014 | 2013 |
|---|---|---|
| | RMB'000 | RMB'000 |
| **Current** | | |
| Raw material | 7,898 | 9,984 |
| Finished good | 5,238 | 7,932 |
| Work in progress | 16,925 | 14,529 |
| Net inventory | **30,061** | **32,445** |

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

## 11 Prepayments

| | 2014 | 2013 |
|---|---|---|
| | RMB'000 | RMB'000 |
| **Current** | | |
| Prepayments | 2,844 | 6,437 |
| Total prepayments | **2,844** | **6,437** |

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

## 12 Property, plant and equipment

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **Machinery and Office Equipment** | | |
| At cost | 9,276 | 8,850 |
| Accumulated depreciation | (3,823) | (3,140) |
| Total Machinery and Office Equipment | 5,453 | 5,710 |
| **Buildings** | | |
| At cost | 41,460 | 41,460 |
| Accumulated depreciation | (10,663) | (8,694) |
| Total Buildings | 30,797 | 32,766 |
| **Motor Vehicles** | | |
| At cost | 283 | 283 |
| Accumulated depreciation | (162) | (107) |
| Total Motor Vehicles | 121 | 176 |
| **Accounting Software** | | |
| At cost | 28 | 28 |
| Accumulated depreciation | (22) | (17) |
| Total Accounting Software | 6 | 11 |
| **Total property, plant and equipment** | **36,377** | **38,663** |

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 RMB'000 | Buildings RMB'000 | Motor Vehicles RMB'000 | Accounting Software RMB'000 | Construction in Progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Balance at 31 December 2012** | **2,584** | **34,735** | **229** | **17** | **162** | **37,727** |
| Addition | 3,828 | - | - | - | - | 3,828 |
| CIP written off | - | - | - | - | (162) | (162) |
| Depreciation expense | (702) | (1,969) | (53) | (6) | | (2,730) |
| **Balance at 31 December 2013** | **5,710** | **32,766** | **176** | **11** | **-** | **38,663** |
| Addition | 639 | - | - | - | - | 639 |
| Disposal | (12) | - | - | - | - | (12) |
| Depreciation expense | (884) | (1,969) | (55) | (5) | - | (2,913) |
| **Balance at 31 December 2014** | **5,453** | **30,797** | **121** | **6** | **-** | **36,377** |

## 13 Land use rights

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Cost | 3,239 | 3,239 |
| Accumulated Amortisation | (263) | (199) |
| Total Land use rights | **2,976** | **3,040** |

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 2012** | **3,105** |
| Amortisation expense | (65) |
| **Balance at 31 December 2013** | **3,040** |
| Amortisation expense | (64) |
| **Balance at 31 December 2014** | **2,976** |

1) 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 | 44 years (valid until 19 July 2060) |

## 14 Investment in associate

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Investment | 74,800 | 20,000 |
| | | |
| Opening balance | 20,000 | - |
| Group's initial capital contribution | 54,800 | 20,000 |
| Group's share of net profit for the period | - | - |
| **Closing balance** | **74,800** | **20,000** |

| Investment in Associate | Country of Incorporation | Percentage Owned 2014 | Percentage Owned 2013 |
|---|---|---|---|
| Henan Yuanlong Industrial Co., Ltd | People's Republic of China | 26% | 26% |

A new entity (Henan Yuanlong Industrial Co., Ltd ("Henan Yuanlong")) has been established by the Group and other business partners during the prior financial year. The new entity is located in Henan Province, China.

The investment in associate has been recorded at its original cost which represents 26% of share interest in Henan Yuanlong and funds advanced to Henan Yuanlong has been utilised for land acquisition and initial construction purposes. During the period additional capital of RMB 54.8 million was invested in Henan Yuanlong. The Group plans to lease the production facility from Yuanlong to set up a new manufacturing centre which will provide additional production capacity.

A letter of intent has been signed between the Group and Yuanlong in December 2014. Yuanlong agrees to lease certain premises to Chaoda after the completion of the production facility for 3 years with an option of additional 3 years renewal. The letter of intent gives Chaoda the first right of refusal to rent the premises from Yuanlong for footwear and apparel manufacturing purpose.

On the basis of the percentage of interest in Henan Yuanlong Limited held by the Group (26%), the associate was assessed to not be controlled by the Group yet elements of significant influence are present. As a result the investment is recognised as an associate and equity accounting of the Group's share of profit and loss will be accounted for once the investee start to operate.

The following financial information reflects the amounts presented in the financial statements of the associate under PRC GAAP.

| | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|
| Total current assets | 18,712 | - |
| Total non-current assets | 268,980 | 76,923 |
| **Total assets** | 287,692 | 76,923 |
| | | |
| Total current liability | - | - |
| Total non-current liability | - | - |
| **Total liabilities** | - | - |
| | | |
| **Net Assets** | 287,692 | 76,923 |
| | | |
| Group's share of net assets | 74,800.00 | 20,000.00 |

As at the end of 2014 financial year, the associate has estimated capital commitments of RMB 4.45million which relates to the construction of buildings on the Yuanlong site.

There is no profit or loss item recognised by the associate during the period given the manufacturing site is still under construction and all the costs incurred are capitalised as non-current assets.

## 15 Trade and Other Payables

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **Current** | | |
| Trade payables | 8,586 | 7,315 |
| Revenue received in advance | - | 12,031 |
| Other tax payable | 4,519 | 4,162 |
| Salary payable | 2,470 | 3,011 |
| Other payables | 955 | 704 |
| Total trade and other payables | **16,530** | **27,223** |

## 16 Notes Payable

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **Current** | | |
| Notes payable | 25,130 | 15,340 |

The notes payable mature from January 2015 to June 2015 (2013: from January 2014 to June 2014). The notes payable are guaranteed by an interest bearing short-term bank deposit of RMB 15,192,000 (2013: RMB 6,136,000) (Refer: Note 8).

## 17 Financial Liabilities

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **Current** | | |
| Short-term borrowings | 36,220 | 36,000 |
| Total financial liabilities | 36,220 | 36,000 |

Interest is payable on rates between 6.06% to 8.75% per annum for the current financial year (2013: 6.06% to 8.25% per annum). The current year weighted average interest rate for the loan balance is 7.78% per annum (2013: 7.40% per annum).

The borrowings are secured by the land and building belonging to the Group (Refer: Note 12 and Note 13), two non-related parties, personal guarantees by Chang Shui-Jiao (Director), Cai Yan Yan and Zhang Shao Hua.

## 18 Taxation

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| **Current** | | |
| Income tax payable | 9,413 | 8,464 |

## 19 Issued Capital

| | 2013 RMB | 2012 RMB |
|---|---|---|
| Share capital | 15,008 | 14,983 |

**Capital Management**

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

The Group'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, Chaoda 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 Group's capital by assessing the Group'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.

## 20 Reserves

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Statutory reserve | 7,502 | 7,500 |
| Total reserves | 7,502 | 7,500 |

*Statutory reserve*

Pursuant to the current People's Republic of China Company Law, Chaoda 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 2014.

### (b) Operating Commitments

No operating commitments existed as at 31 December 2014

## 22 Segment Reporting

*Identification of reportable segments*

The Group 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 Group is managed primarily on the basis of product category and service offerings as the diversification of the Group'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

The Group 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 Group.

*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 Group 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

| 31 December 2014 | Manufacturing RMB'000 | Own-brand RMB'000 | Contract third-party RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Revenue from external customers | - | 401,061 | 15,526 | 416,587 |
| Revenue from other segments | 278,962 | - | - | 278,962 |
| COGS for external sales | - | (266,993) | (11,969) | (278,962) |
| COGS for inter-segments transfer | (278,962) | - | - | (278,962) |
| **Segment Result** | **-** | **134,068** | **3,557** | **137,625** |
| Depreciation and amortisation of non-financial assets | (904) | - | - | (904) |
| Finance costs | - | - | - | (3,353) |
| Unallocated expense net of unallocated revenue | - | - | - | (20,316) |
| Profit/(loss) before income tax | (904) | 134,068 | 3,557 | 113,052 |
| Income tax expense | - | - | - | (28,319) |
| **Profit after income tax** | **(904)** | **134,068** | **3,557** | **84,733** |
| Segment assets | 290,817 | - | - | 290,817 |
| Segment liabilities | 87,293 | - | - | 87,293 |
| **Total net assets from continuing operations** | **203,524** | **-** | **-** | **203,524** |

| 31 December 2013 | Manufacturing RMB'000 | Own-brand RMB'000 | Contract third-party RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Revenue from external customers | - | 310,408 | 18,821 | 329,230 |
| Revenue from other segments | 219,169 | - | - | 219,169 |
| COGS for external sales | - | (205,897) | (13,272) | (219,169) |
| COGS for inter-segments transfer | (219,169) | - | - | (219,169) |
| **Segment Result** | **-** | **104,511** | **5,549** | **110,060** |
| Depreciation and amortisation of non-financial assets | (951) | - | - | (951) |
| Finance costs | - | - | - | (3,718) |
| Unallocated expense net of unallocated revenue | - | - | - | (10,825) |
| Profit/(loss) before income tax | (951) | 104,511 | 5,549 | 94,566 |
| Income tax expense | | - | - | (23,576) |
| **Profit after income tax** | **(951)** | **104,511** | **5,549** | **70,990** |
| Segment assets | 205,791 | - | - | 205,791 |
| Segment liabilities | 87,027 | - | - | 87,027 |
| **Total net assets from continuing operations** | **118,764** | **-** | **-** | **118,764** |

# China Soccer Holdings Co., Limited

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 23 Events After the Balance Sheet Date

Subsequent to the year end, the Company has issued 965 ordinary shares at USD$4,145.08 per share to ACA Partners Pte Ltd. ("ACA Partners") for total consideration of USD$4 million. The shares issued to ACA Partners represent 8.8% of the issued shares of the Company.

A share buyback guarantee has been provided by the company and Mr. Chang Shui-Jiao (Director) to ACA Partners in order to secure a firm underwriting commitment at a share price higher than the subscription price (USD 4,145.08 per share) and shares of the Company be listed on the ASX no later than 30 June 2015.

If the Company fail to be listed by 30 June 2015, on ACA Partners' written request, Mr Chang Shui-Jiao (Director) will purchase or cause the Company to purchase from ACA Partners all the issued shares at the issue price plus an amount equal to 6% per annum on the issue price, calculated from the issuing date to the completion of share buyback transaction.

Subsequent to the year end, the shareholders of the Company entered into a Share Sale Deed with XPD Soccer Gear Group Limited ("XPD Soccer") to sell 100% of share interest in the Company in exchange for 349,999,990 fully paid ordinary shares in XPD Soccer which represents 99.9% share interest in XPD Soccer.

Other than the matters noted above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in the future financial years.

### 24 Contingent Liabilities

Contingent liabilities represent items that, at 31 December 2014 and to the date of authorisation, are not recognised in the Statement of Financial Position because there is significant uncertainty at that date as to the necessity for the entity to receive or make payments in respect of them. Following are details of significant contingent liabilities:

| Description | USD |
|---|---|
| Payment required for share buyback to ACA Partners | 4,000,000 |

According to the Share Subscription Agreement, interest of 6% per annum on the subscription price (USD$4 million)(RMB24.6 million) will be charged from the date subscription shares were allotted and issued to the subscriber to the date of share buyback request.

The share buyback payment is contingent on the failure to complete the listing on the ASX by 30 June 2015 and request from the ACA Partners. Refer to Note 23 for more detail.

# China Soccer Holdings Co., Limited

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 25 Cash Flow Information

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

| | 2014 | 2013 |
|---|---|---|
| | RMB'000 | RMB'000 |
| **Operating Profit/(Loss) after income tax** | **84,733** | **70,990** |
| **Non-cash flows in operating surplus/(deficit)** | | |
| Depreciation/Amortisation | 2,988 | 2,795 |
| **Changes in assets and liabilities** | | |
| (Increase)/Decrease in trade receivables | (8,113) | (37,465) |
| (Increase)/Decrease in prepayments | 3,593 | (1,599) |
| (Increase)/Decrease in Inventory | 2,384 | (6,152) |
| (Increase)/Decrease in trade payables and accruals | 1,339 | (6,246) |
| Increase/(Decrease) in notes payable | 9,790 | 6,260 |
| Increase/(Decrease) in Income tax payable | 949 | 5,666 |
| Increase/(Decrease) in revenue received in advance | (12,031) | 9,173 |
| **Cash flows from operations** | **85,632** | **43,422** |

### 26 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

| | 2014 | 2013 |
|---|---|---|
| | RMB'000 | RMB'000 |
| **Jinjiang XPD Import and Export Ltd** | | |
| Sales made to the related party | 20,659 | 24,140 |
| Payment received from the related party | 32,013 | 55,791 |
| Cash advanced to the related party | 28,505 | 9,013 |
| **Fujian XPD Sports Products Ltd** | | |
| Payment made to the related party | - | 930 |
| Payment received from the related party | - | 930 |

| | 2014 | 2013 |
|---|---|---|
| | RMB'000 | RMB'000 |
| **Zhang Shao Hua** | | |
| Cash advanced to the related party | 5,717 | 38,799 |
| Payment received from the related party | 6,882 | 37,635 |
| **Henan Yuanlong Ltd** | | |
| Cash invested in the related party | 54,800 | 20,000 |

**b) Related party balances**

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

| 2014 | Receivable from related party RMB'000 | Investment in related party RMB'000 | Payable to related party RMB'000 |
|---|---|---|---|
| Jinjiang XPD Import and Export Ltd | 5,005 | - | |
| Zhang Shao Hua | - | - | - |
| Henan Yuanlong Ltd | - | 74,800 | - |
| | 5,005 | 74,800 | - |

| 2013 | Receivable from related party RMB'000 | Investment in related party RMB'000 | Payable to related party RMB'000 |
|---|---|---|---|
| Jinjiang XPD Import and Export Ltd | - | - | 12,145 |
| Zhang Shao Hua | 1,165 | - | - |
| Henan Yuanlong Ltd | - | 20,000 | - |
| | **1,165** | **20,000** | **12,145** |

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.

## 27 Financial Instrument Risk Management

### 27.1 Risk management objectives and policies

The Group 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 Group:

- 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 Group's objectives, policies and processes for managing and measuring these risks.

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group'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 Group 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 Group is exposed are described below.

### 27.2 Market risk analysis

The Group 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 Group's borrowings are within 1 year, and hence are subject to minimal fair value changes.

*Customer concentration risk*

The Group's exposure to customer concentration risk relates to its dependence on major customers. The Group's top 10 customers in 2014 generated 54% (RMB 224,344,145) (2013: 54% RMB 177,716,462) of the Group's revenues during the financial period.

*Liquidity risk*

Liquidity risk arises from the Group might be unable to meet its obligations. The Group 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 Group'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.

# China Soccer Holdings Co., Limited
## Notes to the consolidated financial statements for the year ended 31 December 2014

*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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | % | % | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Financial Assets:** | | | | | | | | | | |
| - Cash and cash equivalents (Variable interest rate) | 0.35% p.a | 0.35% p.a | 63,125 | 31,592 | | - | 241 | 171 | 63,366 | 31,763 |
| - Trade and other receivables | - | - | | - | | - | 80,393 | 73,443 | 80,393 | 73,443 |
| - Security deposits to suppliers | - | - | | - | | - | 2,844 | 6,437 | 2,844 | 6,437 |
| **Total Financial Assets** | | | **63,125** | **31,592** | **-** | **-** | **83,478** | **80,051** | **146,603** | **111,643** |
| **Financial Liabilities:** | | | | | | | | | | |
| - Trade and other payables | - | - | | - | | - | 16,530 | 27,223 | 16,530 | 27,223 |
| - Short-term borrowing | 7.78% p.a | 7.40% p.a | 36,220 | 36,000 | | - | | - | 36,220 | 36,000 |
| -Notes payable | | | | - | | - | 25,130 | 15,340 | 25,130 | 15,340 |
| **Total Financial Liabilities** | | | **36,220** | **36,000** | **-** | **-** | **41,660** | **42,563** | **77,880** | **78,563** |
| **Net Financial Assets** | | | | | | | | | **68,723** | **33,080** |

**Credit risk analysis**

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

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.

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

| | 2014 | 2013 |
|---|---|---|
| | RMB'000 | RMB'000 |
| Classes of financial assets - | | |
| Carrying amounts: | | |
| Cash and cash equivalents | 63,366 | 31,763 |
| Cash advanced to suppliers | 2,844 | 6,437 |
| Trade and other receivables | 80,393 | 73,443 |
| **Total** | **146,603** | **111,643** |

The Group'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 Group'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.

### 28 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 Group does not hold any financial assets or liabilities carried at fair value as at 31 December 2014. All financial assets and liabilities are carried at amortised cost

The carrying amounts of current receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities approximates the carrying amount as the impact of discounting is not significant.

### 29 Key Management Personnel Compensation

The directors received personal compensation of RMB 237,887 (2013: RMB 136,000) during the year.

### 30 Controlled Entities

| Controlled Entities Consolidated | Country of Incorporation | Percentage Owned (%)[1] | |
|---|---|---|---|
| **Subsidiary of China Soccer Holdings Co., Limited** | | **2014** | **2013** |
| - Jinjiang Chaoda Shoes and Garment Co., Limited | China | 100% | - |

Note:
[1] *Percentage of voting power is in proportion to ownership;*

a. Cross guarantee
There is no deed of cross guarantee as at 31 December 2014 or 31 December 2013.

b. Non-controlling interest
No subsidiaries have a non-controlling interest.

## 31 Business Combination

Pursuant to a Share Sale Agreement dated 29 December 2014, 100% of the share capital of Jinjiang Chaoda Shoes and Garment Co., Limited ("Chaoda") was transferred to China Soccer Holdings Co., Limited ("China Soccer"). This transaction is one referred to as a common control transaction.

Through this transaction effective control of Chaoda passed to the shareholders of China Soccer. The transaction is one referred to in AASB 3 Business Combinations as a common control transaction, the nature and substance of this transaction is a group restructure where following the reconstruction China Soccer took control of Chaoda with no change in underlying control.

As China Soccer was incorporated specifically for the purpose of this transaction and the subsequent equity raising, the fair value of the equity instruments issued has been estimated by reference to the value of historical (Chaoda's) net assets.

The following has been extracted from the audited financial information of Chaoda as at 31 December 2014.

| | **RMB'000** |
|---|---|
| The assets and liabilities of Chaoda as at 31 December 2014 were: | |
| Cash and cash equivalents | 63,358 |
| Trade and other receivables | 80,393 |
| Inventory | 30,061 |
| Prepayments | 2,844 |
| Property, plant and equipment | 36,377 |
| Land use right | 2,976 |
| Investment in associate | 74,800 |
| Trade and other payables | (16,530) |
| Notes payable | (25,130) |
| Financial liabilities | (36,220) |
| Current tax liabilities | (9,413) |
| **Total net assets acquired** | **203,516** |
| Accounted for as: | |
| Issued capital | 15,000 |
| Reserves | 7,502 |
| Retained earnings | 181,014 |
| | **203,516** |

# China Soccer Holdings Co., Limited

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 32 Parent Information

| Statement of Financial Position | RMB'000<br>2014 | RMB'000<br>2013 |
|---|---|---|
| **Assets** | | |
| Current assets | 8 | - |
| Non-current assets | 203,516 | - |
| **Total assets** | **203,524** | **-** |
| **Liabilities** | | |
| Current liabilities | - | - |
| Non-current liabilities | - | - |
| **Total liabilities** | **-** | **-** |
| **Net assets** | **203,524** | **-** |
| **Equity** | | |
| Issued capital | 8 | - |
| Other reserves | 203,516 | - |
| **Total equity** | **203,524** | **-** |

| | RMB'000<br>2014 | RMB'000<br>2013 |
|---|---|---|
| **Statement of Profit or Loss and Other Comprehensive Income** | | |
| **Total profit (loss)** | - | - |
| **Total comprehensive income** | - | - |

China Soccer Holdings Co., Limited (Parent Entity) was incorporated on 10 November 2014 and has not traded from incorporation to the 31 December 2014.

### 33 Company Details

The registered office of the Company is:

China Soccer Holdings Co., Limited
Suite 1203
12th floor Ruttonjee House
11 Duddell Street
Hong Kong

# Director's declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 1 to 32, are in accordance with International Financial Reporting Standards present fairly the financial position as at 31 December 2014 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
Chang Shui-Jiao

Dated this 2nd day of April 2015

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67 Greenhill Rd
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## INDEPENDENT AUDITOR'S REPORT
## TO THE MEMBERS OF CHINA SOCCER HOLDINGS CO., LIMITED

We have audited the accompanying financial report of China Soccer Holdings Co., Limited (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### 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 Accounting 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 International 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.

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 audit opinion.

**Independence**

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

**Auditor's Opinion**

In our opinion,

a the financial report of China Soccer Holdings Co., Limited,

   i presents fairly, in all material respects, the consolidated entity's financial position as at 31 December 2014 and of its performance and cash flows for the year then ended; and

   ii complies with International Accounting Standards.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S J Gray
Partner – Audit & Assurance

Adelaide, 2 April 2015