

Jinjiang Chaoda Shoes and Garment Co., Limited

HALF-YEAR FINANCIAL REPORT **For the period ended 30 June 2014**

Jinjiang Chaoda Shoes and Garment Co., Limited

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Statement of Profit or Loss and Other Comprehensive Income

For the period ended 30 June 2014

	Note	June 2014 RMB'000	June 2013 RMB'000
Revenue	2	167,383	108,175
Cost of sales		(115,457)	(73,528)
Gross profit		51,926	34,647
Other revenues	2	119	140
Operating expenses	3	(4,789)	(3,916)
Administration expenses	4	(1,752)	(2,187)
Finance costs	5	(1,649)	(1,915)
Profit before income tax		43,855	26,769
Income tax expense	6	(10,780)	(6,897)
Profit for the year		33,075	19,872
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange difference on translating foreign operations		-	-
Total comprehensive income for the year		33,075	19,872

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

Statement of Financial Position

As at 30 June 2014

	Note	June 2014 RMB'000	2013 RMB'000
Current assets			
Cash and cash equivalents	8	22,971	31,763
Trade and other receivables	7	67,749	73,443
Inventory	10	48,990	32,445
Prepayments	11	16,181	6,437
Total current assets		155,891	144,088
Non-current assets			
Property, plant and equipment	8	37,288	38,663
Land use right	13	3,008	3,040
Investment	9	45,000	20,000
Total non-current assets		85,296	61,703
Total assets		241,187	205,791
Current liabilities			
Trade and other payables	15	17,461	27,223
Notes payable	16	28,100	15,340
Financial liabilities	17	39,000	36,000
Current tax liabilities	18	4,768	8,464
Total current liabilities		89,329	87,027
Total liabilities		89,329	87,027
Net assets		151,858	118,764
Equity			
Issued capital	10	15,000	14,983
Reserves	21	7,502	7,500
Retained earnings		129,356	96,281
Total equity		151,858	118,764

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

Statement of Changes in Equity

For the period ended 30 June 2014

	Share Capital RMB'000	Statutory Reserve RMB'000	Retained earnings RMB'000	Capital Reserve RMB'000	Consolidated Total RMB'000
Balance at 1 January 2013	14,983	4,653	28,138	-	47,774
Additional capital	-	-	-	-	-
Reserves transferred from current year retained earning	-	-	-	-	-
Total comprehensive income for the year	-	-	19,872	-	19,872
Balance at 30 June 2013	14,983	4,653	48,010	-	67,646
Balance at 1 January 2014	14,983	7,500	96,281	-	118,764
Additional capital	17	-	-	2	19
Reserves transferred from current year retained earning	-	-	-	-	-
Total comprehensive income for the year	-	-	33,075	-	33,075
Balance at 30 June 2014	15,000	7,500	129,356	2	151,858

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

Statement of Cash Flows

For the year ended 30 June 2014

	Note	30 June 2014 RMB'000	30 June 2013 RMB'000
Cash flows from operating activities			
Receipts from customers		170,860	101,105
Payments to suppliers and employees		(142,018)	(76,635)
Government grant received		20	68
Interest received		97	72
Finance costs		(1,649)	(1,915)
Income tax paid		(14,476)	(5,870)
VAT received / (paid) and other taxes		(1,801)	(1,605)
Net cash provided by (used in) operating activities		11,033	15,220
Cash flows from investing activities			
Purchase of property, plant and equipment		(64)	(135)
Long-term investment		(25,000)	-
Net cash provided by (used in) investing activities		(25,064)	(135)
Cash flows from financing activities			
Cash received / (paid) to non-related parties		941	70
Capital contribution received		18	-
Proceeds / (repayment) of short-term borrowing		3,000	(10,460)
Cash received / (paid) to related parties		1,280	(8,413)
Net cash provided by (used in) financing activities		5,239	(18,803)
Net change in cash and cash equivalents held		(8,792)	(3,718)
Cash and cash equivalents at beginning of financial year		31,763	25,843
Cash and cash equivalents at end of financial year		22,971	22,125

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

1 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.

The general purpose interim financial statements have been prepared in accordance with the requirements of IAS34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB) and not in accordance with any applicable PRC company law. They do not include all of the information required in annual financial statements in accordance with International Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2013 and any public announcements made by the Company during the half-year.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 17 December 2014.

2 Nature of operations

The principal activity of Jinjiang Chaoda Shoes and Garment Co., Limited was the manufacturing and sale of sports shoes and apparel products.

There were no other significant changes in the nature of the Company's principal activities during the half year of 2014.

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

3 Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 31 December 2013.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

4 Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Company's last annual financial statements for the year ended 31 December 2013. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5 Significant events and transactions

During the period additional fund of RMB 25 million was invested in Henan Yuanlong Limited. The investment fund is recorded at its original cost which represents 26% of share interest in Henan Yuanlong and fund advances to the group for land acquisition and initial construction purposes.

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

6 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

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.

Jinjiang Chaoda Shoes and Garment Co., Limited

Notes to the Interim Consolidated Financial Statements

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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

30 June 2014	Manufacturing	Own-brand	Contract third-party	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	-	159,181	8,202	-	167,383
Revenue from other segments	115,457	-	-	-	115,457
COGS for external sales	-	(108,968)	(6,489)	-	(115,457)
COGS for inter-segments transfer	(115,457)	-	-	-	(115,457)
Segment Result	-	50,213	1,713	-	51,926
Finance costs		-	-	(1,649)	(1,649)
Depreciation and amortisation of non-financial assets	(452)	-	-	-	(452)
Other expenses		-	-	(5,970)	(5,970)
Profit/(loss) before income tax	(452)	50,213	1,713	(7,619)	43,855
Income tax expense		-	-	(10,780)	(10,780)
Profit after income tax	(452)	50,213	1,713	(18,399)	33,075
Segment assets	241,187	-	-	-	241,187
Segment liabilities	89,329	-	-	-	89,329
Total net assets from continuing operations	151,858	-	-	-	151,858

Jinjiang Chaoda Shoes and Garment Co., Limited
Notes to the Interim Consolidated Financial Statements

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30 June 2013	Manufacturing	Own-brand	Contract third-party	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	-	103,302	4,873	-	108,175
Revenue from other segments	73,528	-	-	-	73,528
COGS for external sales	-	(70,216)	(3,312)	-	(73,528)
COGs for inter-segments transfer	(73,528)	-	-	-	(73,528)
Segment Result	-	33,086	1,561	-	34,647
Finance costs		-	-	(1,915)	(1,915)
Depreciation and amortisation of non-financial assets	(481)	-	-	-	(481)
Other expenses		-	-	(5,482)	(5,482)
Profit/(loss) before income tax	(481)	33,086	1,561	(7,397)	26,769
Income tax expense		-	-	(6,897)	(6,897)
Profit after income tax	(481)	33,086	1,561	(14,294)	19,872
Segment assets	148,243	-	-	-	148,243
Segment liabilities	80,598	-	-	-	80,598
Total net assets from continuing operations	67,645	-	-	-	67,645

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Notes to the Interim Consolidated Financial Statements

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7 Trade and Other Receivables

	June 2014 RMB'000	2013 RMB'000
Current		
Trade receivables	65,467	70,397
Other receivables	2,282	3,046
Total current trade and other receivables	67,749	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 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:

	June 2014 RMB'000	2013 RMB'000
90 – 180 days	2,141	23
181-365 days	-	56
Total trade receivable past due but not impaired	2,141	79

Jinjiang Chaoda Shoes and Garment Co., Limited

Notes to the Interim Consolidated Financial Statements

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8 Property, plant and equipment

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 2012	2,584	34,735	229	17	162	37,727
Addition	3,828	-	-	-	-	3,828
CIP written off	-	-	-	-	(162)	(162)
Disposal	-	-	-	-	-	-
Depreciation expense	(702)	(1,969)	(53)	(6)	-	(2730)
Balance at 31 December 2013	5,710	32,766	176	11	-	38,663
Addition	64	-	-	-	-	64
Disposal	-	-	-	-	-	-
Depreciation expense	(424)	(985)	(27)	(3)	-	1,439
Balance at 30 June 2014	5,350	31,781	149	8	-	37,288

9 Investment

	June 2014	2013
	RMB'000	RMB'000
Non-current		
Investment	45,000	20,000

A new entity (Henan Yuanlong Ltd) was established by the Company and other business partners during the prior financial year. The new entity is located in Henan Province, China.

The investment fund is recorded at its original cost which represents 26% of share interest in Henan Yuanlong and fund advances to the group for land acquisition and initial construction purposes. During the period additional capital of RMB 25 million was invested in Henan Yuanlong Ltd.

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

10 Issued Capital

	June 2014	2013
	RMB	RMB
Share capital	15,000	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.

11 Contingent liabilities

The Company has no contingent liabilities or contingent assets as at 30 June 2014. (2013: \$nil).

12 Events After the Balance Sheet Date

Between 30 June 2014 and the date of this report, the company has made an additional investment of RMB 9.8 million to Henan Yuanlong Ltd and the investment is recorded as long-term investment by the Company.

The Company's financial statements for the financial years ended 31 December 2011, 31 December 2012, 31 December 2013 and period ended 30 June 2014 have been signed on the same date, 7 November 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 result 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

Notes to the Interim Consolidated Financial Statements

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13 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

	June 2014 RMB'000	June 2013 RMB'000
Jinjiang XPD Import and Export Ltd		
Sales made to the related party	16,076	7,833
Payment received from the related party	8,468	5,948
Cash advanced to the related party	10,030	8,413
Fujian XPD Sports Products Ltd		
Payment made to the related party	-	930
Payment received from the related party	-	930
Zhang Shaohua (Director)		
Cash advanced to the related party	2,240	15,550
Payment received from the related party	3,405	15,244
Henan Yuanlong Ltd		
Cash invested in the related party	25,000	-

b) Related party balances

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

30 June 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	15,374		-
Henan Yuanlong Ltd	-	45,000	-
	15,374	45,000	-

31 December 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	-	-	2,264
Zhang Shaohua (Director)	1,164	-	-
Henan Yuanlong Ltd	-	20,000	-
	1,164	20,000	2,264

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.

14 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.

15 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 to13, are in accordance with International Financial Reporting Standards and present fairly the financial position as at 30 June 2014 and of the performance for the period 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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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF JINJIANG CHAODA SHOES AND GARMENT CO., LIMITED

We have reviewed the accompanying half-year financial report of Jinjiang Chaoda Shoes and Garment Co., Limited ("Company"), which comprises the statement of financial position as at 30 June 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a description of accounting policies, other explanatory information and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of Jinjiang Chaoda Shoes and Garment Co., Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with International Accounting Standards and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ISRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have not become aware of any matter that makes us believe that the half-year financial report is not: giving a true and fair view of the Jinjiang Chaoda Shoes and Garment Co., Limited financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard IAS 34 Interim Financial Reporting. As the auditor of Jinjiang Chaoda Shoes and Garment Co., Limited, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements in relation to the review of the financial report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Jinjiang Chaoda Shoes and Garment Co., Limited is not:

- a presents fairly the financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard IAS 34 Interim Financial Reporting.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S J Gray
Partner – Audit & Assurance

Adelaide, 17 December 2014