Financial statements

# Xingquan International Sports Holdings Limited and its subsidiaries

For the financial year ended 30 June 2015

Bermuda Company Registration No: 42756
(Malaysia Foreign Company Registration No: 995177-V)

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# Directors' report
## for the financial year ended 30 June 2015

The Directors have pleasure in submitting their report together with the audited financial statements of the Group for the financial year ended 30 June 2015.

### Principal activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 20 to the financial statements.

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

### Results

| | RMB'000 |
|---|---|
| Profit for the financial year attributable to owners of the Company | 250,536 |

There were no material transfers to or from reserves or provisions during the financial year, other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

### Dividends

| | RMB'000 |
|---|---|
| Tax exempt dividend paid in respect of the financial year ending 30 June 2015 of RM0.02 (equivalent to RMB0.03) per ordinary share | 11,375 |

## Directors

Directors who served since the date of the last report are:-

Dato' Wu Qingquan
Wu Lianfa
Ng Sio Peng
Zhou Liyi
Tan Eng Choon
Dato' Haji Ramly Bin Haji Zahari (appointed on 5 June 2015)
Ooi Guan Hoe (resigned on 5 June 2015)

## Directors' benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

## Directors' Interest

According to the Register of Directors' Shareholdings, none of the Directors who held office at the end of the financial year had interests in shares or debentures of the Company or its related corporations, except as follows:-

| | Holdings registered in the name of Director | | | Holdings in which Director is deemed to have an interest | | |
|---|---|---|---|---|---|---|
| The Company<br>Xingquan International Sports Holdings Limited | As at 1.7.2014 | **Bought** | **As at 30.6.2015** | As at 1.7.2014 | **Bought** | **As at 30.6.2015** |
| | | | Number of ordinary shares | | | |
| Ng Sio Peng[(1)] | - | **-** | **-** | 179,608,411 | **-** | **179,608,411** |
| Wu Qingquan | 20,000 | **15,000** | **35,000** | - | **-** | **-** |

| | Holdings registered in the name of Director | | | Holdings in which Director is deemed to have an interest | | |
|---|---|---|---|---|---|---|
| The Company<br>Xingquan International Sports Holdings Limited | As at 1.7.2014 | **Bought** | **As at 30.6.2015** | As at 1.7.2014 | **Sold** | **As at 30.6.2015** |
| | | | Number of warrants | | | |
| Ng Sio Peng[(1)] | - | **-** | **-** | 89,804,205 | **51,106,600** | **38,697,605** |
| Wu Qingquan | 10,000 | **-** | **10,000** | - | **-** | **-** |

(1) Deemed interest by virtue of her substantial interest in Tai Zhen Xiang Holdings Limited.

## Issue of shares and debentures

The Company had not issued any new shares or debentured during the financial year.

## Warrants

There was no issuance of new warrants during the financial year.

The salient features of the warrants are disclosed in Note 10 to the financial statements.

## Information on financial statements

Before the financial statements of the Group were made out, the Directors took reasonable steps:-

(a) to ascertain that action had been taken in relation to writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no bad debts to be written off and no allowance for doubtful debts was required; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

(a) which would render it necessary to write off any bad debts or to make any amount of allowance for doubtful debts in financial statements of the Group; or

(b) which would render the values attributed to current assets in the financial statements of the Group misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:-

(a) any charge on assets of the Group which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group which has arisen since the end of the financial year.

## Information on financial statements (cont'd)

In the opinion of the Directors:-

(a) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group to meet their obligations as and when they fall due; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group for the current financial year in which this report is made.

## Significant event during the financial year

The significant event during the financial year is disclosed in Note 24 to the financial statements.

**Auditors**

The auditors, Messrs SJ Grant Thornton, have expressed their willingness to continue in office.

On behalf of the Board of Directors

.............................................................................
DATO' WU QINGQUAN

.............................................................................
WU LIANFA

Dated: 23 September 2015

# Statement by directors
## for the financial year ended 30 June 2015

In the opinion of the Directors, the accompanying consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, are drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 30 June 2015 and of their financial performance and cash flows of the Group for the financial year ended on that date, and at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

In the opinion of the Directors, the supplementary information set out on Note 25 in page 43 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board of Directors

DATO' WU QINGQUAN

WU LIANFA

Dated: 23 September 2015

# Statutory declaration
## for the financial year ended 30 June 2015

Pursuant to Paragraph 9.27 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:

I, Teo Cern Yong, being the Officer primarily responsible for the financial management of Xingquan International Sports Holdings Limited, do solemnly and sincerely declare that the financial statements set out on pages 10 to 42 and the supplementary information set out on page 43 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovementioned

at Kuala Lumpur in the Federal Territory

this day of 23 September 2015

...............................................

TEO CERN YONG

Before me:

Commissioner for Oaths

PESURUHJAYA SUMPAH
No : W520
Nama : MOHAMED FUDZIL BIN HJ MOHD WAHI
MALAYSIA

Tingkat Bawah Wisma Pahlawan
Jln Sultan Sulaiman
50000 Kuala Lumpur

Grant Thornton
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# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

# XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED

**Bermuda Company Registration No: 42756**
**(Malaysia Foreign Company Registration No: 995177-V)**

**SJ Grant Thornton** (AF:0737)
Level 11 Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia
T +603 2692 4022
F +603 2691 5229
www.gt.com.my

**Report on the Financial Statements**

We have audited the financial statements of Xingquan International Sports Holdings Limited, which comprise consolidated statement of financial position as at 30 June 2015 of the Group, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 42.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 statements.

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

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**Bermuda Company Registration No: 42756**
**(Malaysia Foreign Company Registration No: 995177-V)**

**Report on the Financial Statements (cont'd)**

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group as at 30 June 2015 and the financial performance and cash flows of the Group for the financial year then ended in accordance with International Financial Reporting Standards.

*Other Reporting Responsibilities*

The supplementary information set out on Note 25 in page 43 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

*Other Matters*

This report is made solely to the members of the Company, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**SJ GRANT THORNTON**
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

**OOI POH LIM**
(NO: 3087/10/15(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
23 September 2015

# Consolidated statement of financial position
## as at 30 June 2015

| | Note | 30 June 2015 RMB'000 | 30 June 2014 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | 4 | **12,707** | 12,990 |
| Property, plant and equipment | 5 | **250,419** | 251,612 |
| | | **263,126** | 264,602 |
| **Current assets** | | | |
| Inventories | 6 | **44,055** | 42,259 |
| Trade and other receivables | 7 | **253,536** | 356,401 |
| Cash and bank balances | 8 | **1,456,947** | 1,156,243 |
| | | **1,754,538** | 1,554,903 |
| **Total assets** | | **2,017,664** | 1,819,505 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 9 | **230,886** | 230,886 |
| Reserves | 10 | **1,690,525** | 1,496,571 |
| **Total equity** | | **1,921,411** | 1,727,457 |
| **Non-current liability** | | | |
| Deferred tax liability | 11 | **3,233** | 3,237 |
| **Current liabilities** | | | |
| Trade and other payables | 12 | **68,017** | 58,301 |
| Borrowings | 13 | **18,000** | 18,000 |
| Current tax payable | | **7,003** | 12,510 |
| | | **93,020** | 88,811 |
| **Total liabilities** | | **96,253** | 92,048 |
| **Total equity and liabilities** | | **2,017,664** | 1,819,505 |

Approved by the Board of Directors and signed on its behalf by:

Dato' Wu Qingquan
Director

Date: 23 September 2015

Wu Lianfa
Director

Date: 23 September 2015

# Consolidated statement of profit or loss and other comprehensive income
## for the financial year ended 30 June 2015

| | Note | Financial year ended 30 June 2015 RMB'000 | Financial year ended 30 June 2014 RMB'000 |
|---|---|---|---|
| Revenue | 3 | **1,292,858** | 1,229,418 |
| Cost of sales | | **(824,449)** | (811,442) |
| **Gross profit** | | **468,409** | 417,976 |
| Other income | 3 | **50,671** | 6,905 |
| Selling and distribution expenses | | **(142,908)** | (126,404) |
| Administrative expenses | | **(49,191)** | (55,043) |
| Finance costs | 14 | **(1,067)** | (986) |
| **Profit before tax** | 15 | **325,914** | 242,448 |
| Tax expense | 16 | **(75,378)** | (65,808) |
| **Profit for the financial year attributable to owners of the Company** | | **250,536** | 176,640 |
| **Other comprehensive income:** | | | |
| **Item that may be subsequently reclassified to profit or loss** | | | |
| Currency translation differences | | **(45,207)** | (3,371) |
| **Total comprehensive income attributable to the owners of the Company** | | **205,329** | 173,269 |
| **Earnings per share (RMB cents)** | | | |
| - Basic | 17 | **74.11** | 56.78 |

Approved by the Board of Directors and signed on its behalf by:

Dato' Wu Qingquan
Director

Date: 23 September 2015

Wu Lianfa
Director

Date: 23 September 2015

# Consolidated statement of changes in equity
## for the financial year ended 30 June 2015

| | Share capital RMB'000 (Note 9) | Share premium RMB'000 (Note 10) | Merger reserve RMB'000 (Note 10) | Statutory reserve RMB'000 (Note 10) | Warrant reserve RMB'000 (Note 10) | Discount on shares RMB'000 (Note 10) | Foreign currency translation reserve RMB'000 (Note 10) | Retained profits RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 July 2013 | 211,715 | 233,499 | (81,403) | 119,771 | - | - | 31,438 | 979,645 | 1,494,665 |
| Total comprehensive income for the financial year | - | - | - | - | - | - | (3,371) | 176,640 | 173,269 |
| Transfer to statutory reserve | - | - | - | 16,425 | - | - | - | (16,425) | - |
| **Transactions with owners:-** | | | | | | | | | |
| Issuance of ordinary shares | 19,171 | 40,352 | - | - | - | - | - | - | 59,523 |
| Issuance of warrants | - | - | - | - | 71,923 | (71,923) | - | - | - |
| Total transactions with owners | 19,171 | 40,352 | - | - | 71,923 | (71,923) | - | - | 59,523 |
| Balance at 30 June 2014 | 230,886 | 273,851 | (81,403) | 136,196 | 71,923 | (71,923) | 28,067 | 1,139,860 | 1,727,457 |
| Total comprehensive income for the financial year | **-** | **-** | **-** | **-** | **-** | **-** | **(45,207)** | **250,536** | **205,329** |
| Transfer to statutory reserve | **-** | **-** | **-** | **10,542** | **-** | **-** | **-** | **(10,542)** | **-** |
| **Transaction with owners:-** | | | | | | | | | |
| Dividends (Note 18) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(11,375)** | **(11,375)** |
| Total transaction with owners | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(11,375)** | **(11,375)** |
| **Balance at 30 June 2015** | **230,886** | **273,851** | **(81,403)** | **146,738** | **71,923** | **(71,923)** | **(17,140)** | **1,368,479** | **1,921,411** |

# Consolidated statement of cash flows
## for the financial year ended 30 June 2015

| | Note | **Financial year ended 30 June 2015 RMB'000** | Financial year ended 30 June 2014 RMB'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | **325,914** | 242,448 |
| Adjustments for:- | | | |
| Amortisation of land use rights | 4 | **283** | 282 |
| Depreciation | 5 | **24,912** | 26,371 |
| Interest expense | 14 | **1,067** | 986 |
| Loss on disposal on property, plant and equipment | 15 | **728** | 9,084 |
| Property, plant and equipment written off | 15 | **120** | 1,084 |
| Unrealised gain on foreign exchange differences | 3 | **(45,830)** | (3,192) |
| Interest income | 3 | **(4,618)** | (3,578) |
| Operating profit before working capital changes | | **302,576** | 273,485 |
| (Increase)/Decrease in inventories | | **(1,796)** | 14,384 |
| Decrease/(Increase) in receivables | | **102,865** | (2,672) |
| (Decrease)/Increase in payables | | **10,340** | (16,080) |
| Net cash generated from operations | | **413,985** | 269,117 |
| Interest paid | 14 | **(1,067)** | (986) |
| Income tax paid | | **(80,885)** | (67,299) |
| Interest received | 3 | **4,618** | 3,578 |
| Net cash generated from operating activities | | **336,651** | 204,410 |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment | 5 | **(25,206)** | (8,014) |
| Proceeds from disposal of property, plant and equipment | | **639** | 2,650 |
| Net cash used in investing activities | | **(24,567)** | (5,364) |
| **Financing activities** | | | |
| Drawdown of bank loans | | **18,000** | 18,000 |
| Repayment of bank loans | | **(18,000)** | (14,700) |
| Dividends paid | 18 | **(11,375)** | - |
| Proceeds from issuance of ordinary shares | | **-** | 59,523 |
| Net cash (used in)/generated from financing activities | | **(11,375)** | 62,823 |
| Net increase in cash and cash equivalents | | **300,709** | 261,869 |
| Translation differences | | **(5)** | (2) |
| Cash and cash equivalents at beginning | | **1,156,243** | 894,376 |
| Cash and cash equivalents at end | 8 | **1,456,947** | 1,156,243 |

# Notes to the financial statements
for the financial year ended 30 June 2015

## 1 General information

The financial statements of the Group for the financial year ended 30 June 2015 were authorised for issue in accordance with a resolution of the Directors on the date of the Statement by Directors.

The Company (Bermuda Company Registration No. 42756 and Malaysia Foreign Company Registration No. 995177-V) was incorporated in Bermuda on 15 December 2008 under the Bermuda Companies Act as an exempted company with limited liability under the name of Xingquan International Sports Holdings Limited and was listed on the Main Market of Bursa Malaysia Securities Berhad on 10 July 2009.

The registered office of the Company in Bermuda and Malaysia are Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and 802, 8th Floor, Block C Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia respectively. The principal places of business of the Company are located at South China Industrial Zone, Huian, Quanzhou City, Fujian Province 362100, the People's Republic of China ("PRC") and Houyang Industrial Zone, Yanshang Village, Chendai Town, Jinjiang City, Quanzhou City, Fujian Province 362211, PRC.

## 2(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The Group's principal operations are conducted in the PRC and thus the financial statements are presented in Renminbi (RMB) and all values are rounded to the nearest thousand (RMB'000) except when otherwise stated.

**Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the asset or liability at the measurement date. Fair value for measurement and/or disclosure purpose in these consolidated financial statements is determined in such a basis except for measurements that have some similarities to fair value but are not fair value such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurement are categorised into Level 1, 2 or 3 based on the degree to which it inputs to the fair value measurement, in its entirely, which are described below:-

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date,
- Level 2 inputs are inputs, other than quoted prices within Level 1, that are observable for the assets or liabilities either directly or indirectly, and
- Level 3 inputs are unobservable inputs for the assets or liabilities.

## 2(a) Basis of preparation (cont'd)

### Significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and area involving a high degree of judgements are described below:-

**Critical assumption used and accounting estimates in applying accounting policies**

Depreciation of property, plant and equipment
Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment according to the common life expectancies applied in the industry. The carrying amounts of the Group's property, plant and equipment as at 30 June 2015 were RMB250,419,000 (30 June 2014: RMB251,612,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

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

Allowance for inventory obsolescence
The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable values for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

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

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

## 2(b) Interpretations and amendments to published standards effective in 2015

On 1 July 2014, the Group adopted the new or amended International Accounting Standard ("IAS"), IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that are mandatory for application from that date. The nature and effect of each relevant new standard, interpretation and amendment adopted by the Group is detailed below:-

**Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets**

The Group has applied the amendments to IAS 36 for the first time in the current financial year. The amendments to IAS 36 clarify that the Group is required to disclose the recoverable amount of an assets (or cash generating unit) whenever an impairment loss has been recognised or reserved in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including:-

- additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made,

- the discount rates used if fair value less cost of disposal is measured using a present value technique.

These additional disclosures are in line with the disclosure required by IFRS13 Fair Value Measurement.

The amendment has been applied retrospectively in accordance with its transitional provisions. Other than the additional disclosures, this amendment has not had any material impact on the amounts recognised in the consolidated financial statements. The additional disclosures are provided in the individual notes relative to the assets and liabilities whose fair values were determined.

## 2(c) IFRS not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board ("IASB") but are not yet effective, and have not been adopted by the Group.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other relevant new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

## 2(c) IFRS not yet effective (cont'd)

**Amendments to IFRS 9 Financial Instruments**

IFRS 9 issued by IASB in July 2014. This standard replaces earlier versions of IFRS 9 and introduces a number of improvements such as classification and measured model, single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

Classification and measurement

Financial instrument is classified and measured according to the entity's business model and cash flow characteristics of the instrument held. If the instrument is held to collect its contractual cash flow, the financial asset is measured at amortised cost. However, if financial instrument is held in a business model the objective of which is achieved by both collecting contractual cash flow and selling financial assets, it is measured at fair value in the consolidated statement of financial position and amortised cost information is provided through profit or loss. If the business model of the entity is neither one of the above, fair value is provided both in the profit or loss and in the consolidated statement of financial position.

New expected loss impairment model

The standard introduces a new expected loss impairment model requiring more timely recognition of expected credit losses by an entity. This new forward looking model requires an entity to recognise expected credit losses when financial instruments are first recognised and to recognise expected credit losses at all times and to update the amount of expected credit risk losses recognised at each reporting date to reflect changes in the credit of financial instruments. It replaces the approach of recognising credit losses when an event triggers it has occurred.

This standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of the adoption of this standard in relation to the new requirements for classification and measurement and impairment.

**IFRS 15 Revenue from contracts with Customers**

IFRS 15 establish a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance in IAS 18 Revenue.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the applications of IFRS 15.

## 2(d) Summary of significant accounting policies

### Consolidation

The financial statements of the Group include the financial statements of its subsidiaries made up to the end of the financial year. Information on its subsidiaries is disclosed in Note 20 to the financial statements.

The Group was formed as a result of the reorganisation exercise undertaken in 2009 for the purpose of the Company's listing on the Main Market of the Bursa Malaysia Securities Berhad. The acquisition of 100% equity in Addnice Holdings Limited by Xingquan International Sports Holdings Limited pursuant to the reorganisation exercise under common control has been accounted for using the pooling-of-interests method of consolidation. Under the pooling-of-interest method, the consolidated financial statements of the Group have been presented as if the Group structure immediately after the reorganisation has been in existence since the earliest financial year presented. The assets and liabilities were brought into the consolidated statement of financial position at their existing carrying amounts. The pooling-of-interest method will continue to be used for the entities in existence up to the Group's next reorganisation exercise.

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from profit or loss from the effective date in which control is transferred to the Group or in which control ceases, respectively.

Business combination is accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in profit and loss on the date of acquisition.

Where the accounting policies of a subsidiary do not conform to those of the Group, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

### Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses, if any.

Amortisation is charged so as to write off the cost of land use rights, using the straight-line method, over its remaining useful life of fifty years. Land use rights represent up-front payment to acquire long-term interests in the usage of land.

## 2(d) Summary of significant accounting policies (cont'd)

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed using the straight-line method to write off the cost of these assets over their estimated useful lives as follows:-

| | |
|---|---|
| Plant and machinery | 5 to 10 years |
| Furniture, fixtures and office equipment | 5 to 10 years |
| Mould equipment | 5 years |
| Buildings | 20 years |
| Motor vehicles | 10 years |

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at end of each reporting period as a change in estimates.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

### Subsidiaries

A subsidiary is an entity controlled by the Group. Controls exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

## 2(d) Summary of significant accounting policies (cont'd)

**Financial assets**

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value and not include directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least once at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Loan and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides monies, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables include trade and other receivables. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or writeback is recognised in profit or loss.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

## 2(d) Summary of significant accounting policies (cont'd)

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and bank deposits.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of cash management.

**Share capital**

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

**Warrants**

The fair value of the warrants arising from the issuance of warrants, net of issue costs, are credited to warrants reserve which is non-distributable. Warrants reserve is transferred to the discount on shares account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be transferred to discount on shares account.

**Dividends**

Interim dividends are recognised as liability when they are declared.

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

**Financial liabilities**

The Group's financial liabilities include trade payables, accrued liabilities, other payables and bank borrowings.

Financial liabilities are recognised when the Group becomes a party to the contractual agreement of the instruments. All interest related charges are recognised as an expense in "finance costs" in profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit and loss over the period of the borrowings using the effective interest method. The interest expense is charged on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the amortisation process.

## 2(d) Summary of significant accounting policies (cont'd)

**Financial liabilities (cont'd)**

Borrowings which are due to be settled within twelve months after the end of the reporting period are included in current borrowings in the consolidated statement of financial position even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period. Borrowings to be settled within the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the end of the reporting period are included in non-current borrowings in the consolidated statement of financial position.

Trade and bills payables, accrued liabilities and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

**Contingencies**

Where it is not probable that an inflow or an outflow of economic benefits will occur, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the consolidated statement of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

**Operating leases**

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in profit or loss when incurred.

## 2(d) Summary of significant accounting policies (cont'd)

### Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:-

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

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

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

- VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and

- Receivables and payables are stated with the amount of VAT included.

## 2(d) Summary of significant accounting policies (cont'd)

### Employee benefits

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries in the PRC are required to contribute a certain percentage of the basic salaries of their employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

<u>Key management personnel</u>

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain general managers are considered key management personnel.

### Impairment of non-financial assets

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

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss.

## 2(d) Summary of significant accounting policies (cont'd)

### Revenue recognition and cost of sales

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Cost of goods sold includes direct material costs, direct labour costs, design costs and direct manufacturing overheads including depreciation of production equipment and electricity consistent with revenue earned. Cost of goods sold excludes warehousing cost, which historically have not been significant.

Dividend income from investments is recognised gross when the right to receive the dividend has been established.

Interest income is recognised on a time-apportioned basis using the effective interest rate method.

### Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is Malaysia Ringgit. The financial statements are presented in Renminbi instead of Malaysia Ringgit as the primary economic environment in which the Group operates is the PRC.

### Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Non-monetary items that are measured in term of historical cost in a foreign currency are translated using the exchange rates at the date of the translation.

## 2(d) Summary of significant accounting policies (cont'd)

### Conversion of foreign currencies (cont'd)

Group entities

The results and financial positions of all the entities within the Group that have functional currencies different from the presentation currency are translated into the presentation currency as follows:-

(i) Assets and liabilities are translated at the closing rate at the reporting date;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised as a separate component of equity.

### Operating segments

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the chief executive officer who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.

### Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statement ("the reporting entity"). A related party transaction is a transfer of resources, services or obligations between the reporting entity and its related party, regardless of whether price is charged.

(a) A person or a close member of that person's family is related to the reporting entity if that person:-
 (i) has control or joint control over the reporting entity;
 (ii) has significant influence over the reporting entity; or
 (iii) is a member of the key management personnel of the reporting entity.

(b) An entity is related to the reporting entity if any of the following conditions applies:-
 (i) the entity and the reporting entity are member of the same group;
 (ii) one entity is an associate or joint venture of the reporting entity;
 (iii) both the entities are joint ventures of the same third party;
 (iv) one entity is a joint venture of a third entity and the other entity is an associate of third entity.
 (v) the entities controlled or jointly-controlled by a person identified in the preceding paragraph above; or
 (vi) a person who has control or joint control over the reporting entity has significant influence over the entity or is a member of the key management personnel of the entity.

## 3 Revenue and other income

Revenue represents the net invoiced value of goods sold, after allowance for returns and trade discounts.

An analysis of the Group's revenue and other income is as follows:-

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Revenue | | |
| Sale of goods | **1,292,858** | 1,229,418 |
| Other income | | |
| Interest income | **4,618** | 3,578 |
| Realised gain on foreign exchange differences | **223** | 135 |
| Unrealised gain on foreign exchange differences | **45,830** | 3,192 |
| | **50,671** | 6,905 |

## 4 Land use rights

| | Land use rights RMB'000 |
|---|---|
| Cost | |
| At 1 July 2013, 30 June 2014 and **30 June 2015** | **14,134** |
| Accumulated amortisation | |
| At 1 July 2013 | 862 |
| Amortisation for the financial year | 282 |
| **At 30 June 2014** | 1,144 |
| Amortisation for the financial year | **283** |
| **At 30 June 2015** | **1,427** |
| Net carrying amount | |
| **At 30 June 2015** | **12,707** |
| At 30 June 2014 | 12,990 |

| Amount to be amortised | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Not later than one year | **283** | 282 |
| Later than one year and not later than five years | **1,132** | 1,128 |
| Later than five years | **11,292** | 11,580 |
| | **12,707** | 12,990 |

Land use rights represent leasehold interests in land located in Fujian province, PRC.

The net carrying amount of land use right amounted to RMB32,875 (2014: RMB33,705) is pledged for banking facilities granted to one of the subsidiaries.

## 5 Property, plant and equipment

| | Plant and machinery RMB'000 | Furniture, fixtures and office equipment RMB'000 | Mould equipment RMB'000 | Buildings RMB'000 | Motor vehicles RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| At 1 July 2013 | 106,668 | 4,960 | 56,423 | 221,670 | 1,386 | 391,107 |
| Additions | 7,300 | 5 | 709 | - | - | 8,014 |
| Disposals | (2,976) | - | (28,728) | - | (267) | (31,971) |
| Written off | - | (119) | (21,542) | - | - | (21,661) |
| At 30 June 2014 | 110,992 | 4,846 | 6,862 | 221,670 | 1,119 | 345,489 |
| Additions | **24,245** | **-** | **-** | **-** | **961** | **25,206** |
| Disposals | **(5,091)** | **-** | **-** | **-** | **-** | **(5,091)** |
| Written off | **-** | **-** | **(2,385)** | **-** | **-** | **(2,385)** |
| **At 30 June 2015** | **130,146** | **4,846** | **4,477** | **221,670** | **2,080** | **363,219** |
| Accumulated depreciation | | | | | | |
| At 1 July 2013 | 38,668 | 2,043 | 39,358 | 27,827 | 424 | 108,320 |
| Depreciation for the financial year | 10,409 | 907 | 3,679 | 11,248 | 128 | 26,371 |
| Disposals | (2,208) | - | (17,938) | - | (91) | (20,237) |
| Written off | - | (113) | (20,464) | - | - | (20,577) |
| At 30 June 2014 | 46,869 | 2,837 | 4,635 | 39,075 | 461 | 93,877 |
| Depreciation for the financial year | **12,137** | **895** | **748** | **11,003** | **129** | **24,912** |
| Disposals | **(3,724)** | **-** | **-** | **-** | **-** | **(3,724)** |
| Written off | **-** | **-** | **(2,265)** | **-** | **-** | **(2,265)** |
| **At 30 June 2015** | **55,282** | **3,732** | **3,118** | **50,078** | **590** | **112,800** |
| Net carrying amount | | | | | | |
| **At 30 June 2015** | **74,864** | **1,114** | **1,359** | **171,592** | **1,490** | **250,419** |
| At 30 June 2014 | 64,123 | 2,009 | 2,227 | 182,595 | 658 | 251,612 |

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

### Depreciation expense

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Depreciation expense is charged as follows:- | | |
| Cost of sales | **18,717** | 20,180 |
| Administrative expenses | **6,172** | 6,191 |
| Selling and distribution expenses | **23** | - |
| | **24,912** | 26,371 |

All property, plant and equipment held by the Group are located in Fujian province, PRC.

The net carrying amount of buildings amounted to RMB2,028,585 (2014: RMB2,559,863) is pledged for banking facilities granted to one of the subsidiaries.

## 6 Inventories

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Raw materials | **10,174** | 10,813 |
| Work-in-progress | **4,671** | 4,988 |
| Finished goods | **29,210** | 26,458 |
| | **44,055** | 42,259 |

## 7 Trade and other receivables

Trade receivables generally have credit terms ranging from 30 to 90 days (2014: 60 to 90 days).

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Trade receivables | **204,275** | 258,956 |
| **Other receivables** | | |
| Deposits | **1,061** | 26,070 |
| Prepayments | **2,552** | 2,431 |
| Advances paid to suppliers | **45,648** | 68,944 |
| | **253,536** | 356,401 |

The aging analysis of trade receivables are neither past due nor impaired as at 30 June 2014 and 30 June 2015 respectively.

## 7 Trade and other receivables (cont'd)

Deposits mainly consist of rental deposits paid for rental of premises. In previous year, deposits included payments made for acquisition of property, plant and equipment. However, the contract was terminated and the deposit has been refunded during the financial year.

Prepayments mainly consist of prepaid rental.

Advances paid to suppliers relate to deposits paid to outsource manufacturers for apparels, accessories and shoes.

Trade and other receivables are denominated in Renminbi.

## 8 Cash and bank balances

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Cash and bank balances | **1,456,947** | 1,156,243 |
| | **1,456,947** | 1,156,243 |

For the purpose of the consolidated statement of cash flows, the financial year end's cash and cash equivalents comprise the following:-

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Cash on hand | **214** | 257 |
| Cash at bank | **1,456,733** | 1,155,986 |
| | **1,456,947** | 1,156,243 |

Cash and bank balances are denominated in the following currency:-

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Renminbi | **1,456,836** | 1,156,115 |
| Ringgit Malaysia | **26** | 39 |
| Hong Kong Dollar | **85** | 89 |
| | **1,456,947** | 1,156,243 |

The Renminbi is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

## 9 Share capital

| | Number of shares'000 | | Amount USD'000 | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| **Authorised:** | | | | |
| Ordinary share at par value USD0.10 each | | | | |
| Balance at beginning/end of year | **1,000,000** | 1,000,000 | **100,000** | 100,000 |
| **Issued and fully paid** | | | | |
| Ordinary share at par value USD0.10 each | | | | |
| Balance at beginning/end of year | **338,063** | 338,063 | **33,806** | 33,806 |
| | | | **RMB'000** | RMB'000 |
| Equivalent to RMB | | | **230,886** | 230,886 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All shares rank equally with regards to the Company's residual assets.

## 10 Reserves

Share premium

The share premium represents the excess of issue price over the par value of the shares issued, net of share issue expenses.

Merger reserve

The merger reserve arises from the difference between the nominal value of shares issued and the nominal value of shares of subsidiaries acquired under the pooling of interests method of accounting.

Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiaries established in the PRC are required to transfer 10% of its profits after tax prepared in accordance with the accounting regulation in the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

Warrant reserve and Discount on shares

The warrants reserve is in respect of the allocated fair value of the 169,031,500 free warrants issued on the basis of one free warrant for every two ordinary shares of USD0.10 each at an exercise price of RM1.00 each.

The fair value allocated to the warrants reserve is derived by adjusting the proceeds of the above issuance to the fair value of the shares and warrants on a proportionate basis. The discount on shares is a reserve account that is created to preserve the par value of the ordinary shares.

## 10 Reserves (cont'd)

Warrant reserve and Discount on shares (cont'd)

As at the end of the financial years ended 30 June 2015 and 30 June 2014, no warrants were exercised.

The salient terms of the warrants are set out as follows:-

| Terms | | Details |
|---|---|---|
| Total Issue | : | 169,031,500 |
| Tenure | : | 5 years |
| Exercised Period | : | The warrants shall be exercisable at any time during the tenure of the warrants of five (5) years commencing on, and inclusive of, the date of issue of the warrants and ending on the date preceding the fifth (5th) anniversary of the date of admission of the warrants to the Official List, or if such date is not a Market Day (any day between Monday to Friday, which is not a public holiday and on which Bursa Securities is open for the trading for securities), then it shall be the Market Day immediately preceding the said non-Market Day.<br><br>Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purposes. |
| Exercise Price | : | RM1.00 for each warrant. |
| Mode of Exercise | : | The registered holder of the warrants shall pay cash at the Exercise Price when subscribing for the new Shares. |
| Valuation model | : | Black-Scholes Option Pricing Model |
| Volatility based on | : | Xingquan's share price |
| Volatility rate | : | 30.70% |
| Risk free rate | : | 4.01% |
| Cut-off date | : | 16 May 2014 |
| Period of volatility assessment | : | Volatility of Xingquan's share price from 16 May 2012 to 16 May 2014 |
| Fair value per warrant | : | RM0.22 |
| Number of warrants | : | 169,031,500 |
| Warrant reserve | : | RM37,186,930 (equivalent to RMB71,923,000) |

Foreign currency translation reserve

Foreign currency translation reserve arises from the translation of the financial statements of foreign entities with functional currencies different from the presentation currency of the Group.

## 11 Deferred tax liability

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| At 1 July | **3,237** | 3,222 |
| Translation difference | **(4)** | 15 |
| At 30 June | **3,233** | 3,237 |

The above deferred tax liability is made up from the withholding tax imposed on dividend declared.

Under the Enterprise Income Tax Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax liability has not been provided for in the consolidated financial statements in respect of temporary differences associated with undistributed earnings of the PRC subsidiaries amounting to approximately RMB1,379,688,000 (2014: RMB1,215,540,000) as at 30 June 2015 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 12 Trade and other payables

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Trade payables | **27,701** | 21,131 |
| **Other payables** | | |
| VAT payable | **8,350** | 8,936 |
| Salary payable | **7,176** | 7,333 |
| Deposits from distributors | **1,300** | 1,300 |
| Withholding tax payable | **11,272** | 6,850 |
| Accruals and other payables | **12,218** | 12,751 |
| | **68,017** | 58,301 |

Trade payables are generally settled within 60 days (2014: 30 to 60 days).

Accruals mainly comprise accrued marketing expenses and accrued sales rebates. Other payables mainly relate to amount payable for social security insurance.

Trade and other payables are denominated in the following currencies:-

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Renminbi | **67,126** | 56,985 |
| Ringgit Malaysia | **851** | 1,256 |
| Hong Kong Dollar | **40** | 60 |
| | **68,017** | 58,301 |

## 13 Borrowings

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Bank loans | | |
| Secured and repayable within one year | **18,000** | 18,000 |

The Group's borrowings are secured by charge on a subsidiary's building, a subsidiary's land use rights and guaranteed by a third party, a Director and a subsidiary of the Group.

Short-term bank borrowings bear effective interest rate at 5.6% to 6% (2014: 6%) per annum. Short-term bank borrowings which are at fixed interest rates are contractually repriced at intervals of 12 months.

Borrowings are denominated in Renminbi.

## 14 Finance costs

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Interest expense | | |
| Bank loans | **1,067** | 986 |

## 15 Profit before tax

| | Note | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| Profit before tax has been arrived at after charging:- | | | |
| Depreciation | 5 | **24,912** | 26,371 |
| Amortisation of land use rights | 4 | **283** | 282 |
| Property, plant and equipment written off | 5 | **120** | 1,084 |
| Loss on disposal on property, plant and equipment | | **728** | 9,084 |
| Cost of inventories included in cost of sales | | **647,870** | 633,536 |
| Research and development cost | | **2,946** | 3,869 |
| Directors' remuneration | | | |
| - salaries and related costs | | **8,037** | 14,707 |
| - retirement scheme contribution | | **16** | 16 |
| - fees | | **125** | 290 |
| Key management personnel (other than Directors) | | | |
| - salaries and related costs | | **3,418** | 3,459 |
| - retirement scheme contribution | | **178** | 96 |
| Other than Directors and key management personnel | | | |
| - salaries and related costs | | **89,882** | 86,875 |
| - retirement scheme contribution | | **19,031** | 19,181 |
| Marketing expenses * | | **100,794** | 84,279 |
| Operating lease expense | | **5,849** | 5,558 |

* The expense is charged to selling and distribution expenses in the profit or loss.

## 16 Tax expense

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Current year provision | | |
| - PRC income tax | **75,001** | 65,436 |
| Underprovision of tax expense in respect of prior year | **377** | 372 |
| | **75,378** | 65,808 |

Reconciliation between tax expense and accounting profit at applicable tax rates is as follows:-

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Profit before tax | **325,914** | 242,448 |
| Tax at applicable tax rate of 25% (2014 : 25%) | **81,479** | 60,612 |
| Tax effect on non-deductible expenses | **4,276** | 4,957 |
| Income not subject to tax | **(10,754)** | (133) |
| Underprovision of tax expense in respect of prior year | **377** | 372 |
| | **75,378** | 65,808 |

Note:-

Xingquan International Sports Holding Limited was incorporated in Bermuda as an exempted company with limited liability under the Companies Law of the Bermuda and accordingly, is exempted from payment of Bermuda Income Tax.

Addnice HK and XIIL are incorporated in Hong Kong. No provision for Hong Kong profits tax was made as the Group has no assessable profits subject to Hong Kong profits tax.

In accordance with China Corporate Income tax Law, which came into effect from 1 January 2008, Addnice (China) Co., Ltd., Fujian Aidinaisi Sports Goods Co., Ltd., Xingquan (Fujian) Shoes Plastic Co., Ltd., Xingquan Footwear Material Co., Ltd., Germany Top (Fujian) Sports Products Co., Ltd. and Xingquan (China) Co., Ltd. are subject to corporate income tax of 25%.

## 17 Earnings per share

| | 2015 | 2014 |
|---|---|---|
| Profit after tax (RMB'000) | **250,536** | 176,640 |
| Weighted average number of ordinary shares outstanding ('000) | **338,063** | 311,119 |
| Basic earnings per share (RMB cents) | **74.11** | 56.78 |

Basic earnings per share is calculated based on the consolidated profit after tax and the weighted average number of shares in issue of 338,063,000 shares (2014: 311,119,000 shares) during the financial year. There were no diluted earnings per share is presented as the effect is anti-dilutive.

## 18 Dividends

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Tax exempt dividend paid in respect of the financial year ending 30 June 2015 of RM0.02 (equivalent to RMB0.03) per ordinary share | **11,375** | - |

## 19 Capital commitments

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Authorised and contracted for:- | | |
| -Land use rights with buildings | **-** | 37,800 |
| -Purchase of plant and machinery | **2,217** | - |
| | **2,217** | 37,800 |

The above contract to acquire land use rights with buildings had been terminated in July 2014. Further details are disclosed in Note 7 to the financial statements.

## 20 Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:-

| Name | Country of incorporation/ Principal place of business | Percentage of equity held 2015 % | 2014 % | Principal activities |
|---|---|---|---|---|
| Directly Held | | | | |
| Xingquan International Investment Limited ("XIIL") (1) * | Hong Kong | **100** | 100 | Investment holding |
| Addnice Holdings Limited ("Addnice HK") (1) * | Hong Kong | **100** | 100 | Investment holding |
| Gertop International Holdings Limited ("GIHL") Δ | Bermuda | **100** | - | Dormant |
| Indirectly Held | | | | |
| Gertop Europa International Ltd. ("GEIL")@ | Hungary | **100** | 100 | Dormant |
| Addnice (China) Co., Ltd ("Addnice China") (2) * | PRC | **100** | 100 | Manufacturing of shoes and sales of shoes, apparels and accessories |
| Fujian Aidinaisi Sports Goods Co., Ltd ("Addnice Sports") (2) * | PRC | **100** | 100 | Sales of shoes, apparels and accessories |
| Xingquan (Fujian) Shoes Plastics Co., Ltd ("Xingquan Plastics") (2) * | PRC | **100** | 100 | Manufacturing and sales of shoe soles |

## 20 Subsidiaries (cont'd)

Details of the Group's subsidiaries at the end of the reporting period are as follows (cont'd):-

| Name | Country of incorporation/ Principal place of business | Percentage of equity held | | Principal activities |
|---|---|---|---|---|
| | | **2015 %** | 2014 % | |
| Indirectly Held (cont'd) | | | | |
| Xingquan Footwear Material Co., Ltd ("Xingquan Footwear") (2) * | PRC | **100** | 100 | Lease of factory and land |
| Germany Top (Fujian) Sports Products Co., Ltd ("GERTOP") (2) * | PRC | **100** | 100 | Sales of shoes, apparels and accessories |
| Xingquan (China) Co., Ltd ("XCL") (2) * | PRC | **100** | 100 | Manufacturing of shoe soles |

(1) Audited by S.W Chan & Co, Certified Public Accountant for statutory purposes.

(2) Audited by Quanzhou Fengzhe Minghua LianHe, Certified Public Accountant for statutory purposes.

* Audited by SJ Grant Thornton for the purpose of expressing an opinion on the consolidated financial statements.

Δ Dormant company which no statutory audit was required under Bermuda Companies Act.

@ Dormant company which no statutory audit was required under Hungary Company Act 4 of 2006.

## 21 Segment information

### 21.1 Business segments

The Group's primary format for reporting segment information is business segments, with each segment representing a product category. The Group's business segment is organised into three main business segments.

- Design, manufacturing and sales of shoe soles.
- Design, manufacturing and sales of leisure footwear.
- Design and sale of apparels and accessories.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Group other income, expenses and income taxes are managed on a group basis and are not allocated to operating segments except for segment results.

Group assets and liabilities that are not related to any of the operating segments are not allocated to operating segments.

## 21 Segment information (cont'd)

### 21.1 Business segments (cont'd)

| Financial year ended 30 June 2015 | Shoe soles RMB'000 | Leisure footwear RMB'000 | Apparels and accessories RMB'000 | Eliminated RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| External revenue | **233,959** | **391,472** | **667,427** | **-** | **1,292,858** |
| Inter-segment revenue | **16,339** | **52,891** | **52,492** | **(121,722)** | **-** |
| | **250,298** | **444,363** | **719,919** | **(121,722)** | **1,292,858** |
| **Results** | | | | | |
| Segment results | **67,712** | **133,094** | **267,603** | **-** | **468,409** |
| Other income | | | | | **50,671** |
| Selling and distribution expenses | | | | | **(142,908)** |
| Administrative expenses | | | | | **(49,191)** |
| Finance costs | | | | | **(1,067)** |
| Profit before tax | | | | | **325,914** |
| Tax expense | | | | | **(75,378)** |
| Profit after tax | | | | | **250,536** |
| **Other information** | | | | | |
| Segment assets | **147,615** | **131,662** | **224,472** | **(5,000)** | **498,749** |
| Unallocated assets | | | | | |
| - Land use rights | | | | | **12,707** |
| - Other receivables | | | | | **49,261** |
| - Cash and bank balances | | | | | **1,456,947** |
| Total assets | | | | | **2,017,664** |
| Segment liabilities | **14,203** | **4,990** | **8,508** | **-** | **27,701** |
| Unallocated liabilities | | | | | |
| - Borrowings | | | | | **18,000** |
| - Other payables | | | | | **40,316** |
| - Current tax payable | | | | | **7,003** |
| - Deferred tax liability | | | | | **3,233** |
| Total liabilities | | | | | **96,253** |
| Capital expenditure | **24,065** | **422** | **719** | **-** | **25,206** |
| Depreciation of property, plant and equipment | **9,391** | **5,738** | **9,783** | **-** | **24,912** |
| Property, plant and equipment written off | **119** | **-** | **1** | **-** | **120** |
| Loss on disposal on property, plant and equipment | **728** | **-** | **-** | **-** | **728** |
| Amortisation of land use rights | | | | | **283** |

## 21 Segment information (cont'd)

### 21.1 Business segments (cont'd)

| Financial year ended 30 June 2014 | Shoe soles RMB'000 | Leisure footwear RMB'000 | Apparels and accessories RMB'000 | Eliminated RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| External revenue | 209,295 | 334,683 | 685,440 | - | 1,229,418 |
| Inter-segment revenue | 20,299 | 43,281 | 41,734 | (105,314) | - |
| | 229,594 | 377,964 | 727,174 | (105,314) | 1,229,418 |
| **Results** | | | | | |
| Segment results | 54,188 | 112,112 | 255,676 | (4,000) | 417,976 |
| Other income | | | | | 6,905 |
| Selling and distribution expenses | | | | | (126,404) |
| Administrative expenses | | | | | (55,043) |
| Finance costs | | | | | (986) |
| Profit before tax | | | | | 242,448 |
| Tax expense | | | | | (65,808) |
| Profit after tax | | | | | 176,640 |
| **Other information** | | | | | |
| Segment assets | 128,019 | 147,681 | 284,127 | (7,000) | 552,827 |
| Unallocated assets | | | | | |
| - Land use rights | | | | | 12,990 |
| - Other receivables | | | | | 97,445 |
| - Cash and bank balances | | | | | 1,156,243 |
| Total assets | | | | | 1,819,505 |
| Segment liabilities | 9,714 | 3,905 | 7,512 | - | 21,131 |
| Unallocated liabilities | | | | | |
| - Borrowings | | | | | 18,000 |
| - Other payables | | | | | 37,170 |
| - Current tax payable | | | | | 12,510 |
| - Deferred tax liability | | | | | 3,237 |
| Total liabilities | | | | | 92,048 |
| Capital expenditure | 8,009 | 2 | 3 | - | 8,014 |
| Depreciation of property, plant and equipment | 11,680 | 5,024 | 9,667 | - | 26,371 |
| Property, plant and equipment written off | 1,077 | 2 | 5 | - | 1,084 |
| Loss on disposal on property, plant and equipment | 9,084 | - | - | - | 9,084 |
| Amortisation of land use rights | | | | | 282 |

### 21.2 Geographical segments

As the business of the Group is engaged entirely in the PRC, no reporting by geographical location of operations is presented.

### 21.3 Major customers

The Group does not have any revenue from a single external customer which represents 10% or more of the Group's revenue.

## 22 Financial instruments

### (a) Risk management objectives and policies

The Group does not have written risk management policies and guidelines. However, the Board of Directors meet periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

As at reporting date, the Group's financial instruments consisted mainly of cash and bank balances, trade and other receivables, trade and bills payables, accrued liabilities and other payables and bank borrowings.

### 22(a).i Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group’s financial instruments will fluctuate because of changes in market interest rates. The Group’s exposure to interest rate risk arises primarily from short-term bank borrowings and deposits with banks. The Group’s policy is to maintain all its borrowings on a fixed rate basis. The Group’s exposure to investment in other financial assets with floating rate is not expected to be significant. Thus, fluctuations in the interest rate will not have an impact on the Group’s net profit for the financial year ended 30 June 2015 and 30 June 2014. Accordingly, no sensitivity analysis is presented.

### 22(a).ii Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises when transactions are denominated in foreign currencies. The Group does not expect major exposure to foreign currency risk in the future as majority of the cash held are denominated in Renminbi and the Group conducts its sale and purchase transactions in Renminbi. As the cash held in foreign currency is minimal and immaterial to the Group, as such, no sensitivity analysis is presented.

### 22(a).iii Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group’s exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group’s objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities. The table below analyses the maturity profile of the Group’s financial liabilities based on contractual undiscounted cash flows:-

## 22 Financial instruments (cont'd)

### (a) Risk management objectives and policies (cont'd)

### 22(a).iii Liquidity risk (cont'd)

| | Less than 1 year RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **As at 30 June 2015** | | | | |
| Trade and other payables | **68,017** | **-** | **-** | **68,017** |
| Borrowings | **18,000** | **-** | **-** | **18,000** |
| | **86,017** | **-** | **-** | **86,017** |
| As at 30 June 2014 | | | | |
| Trade and other payables | 58,301 | - | - | 58,301 |
| Borrowings | 18,000 | - | - | 18,000 |
| | 76,301 | - | - | 76,301 |

The Group ensures that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Group maintains sufficient level of cash and cash equivalents and has available adequate amount of committed credit facilities from financial institutions to meet its working capital requirements.

### 22(a).iv Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables and bank deposits. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The carrying amounts of trade and other receivables and cash and bank balances represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group's top 10 trade receivables contributed in aggregate to 46.62% (2014: 45.63%) of the total trade receivables balances as at reporting period. The Group performs ongoing credit evaluation of their customers' financial condition and requires no collateral from its customers. Cash and bank balances of the Group are held by reputable financial institutions.

### 22(a).v Market risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group does not hold any quoted or marketable financial instrument, hence is not exposed to any movement in market prices. Accordingly, no sensitivity analysis is presented.

## 22 Financial instruments (cont'd)

### (b) Fair value measurement

The carrying amount of the financial assets and financial liabilities with a maturity of less than one year is assumed to approximate their fair values.

The Group does not anticipate that the carrying amounts recorded at the end of the financial year would be significantly different from the values that would eventually be received or settled.

### (c) Fair values hierarchy

No fair value hierarchy had been disclosed for financial assets and financial liabilities as the Group does not have financial instruments measured at fair value.

## 23 Capital management

The Group's objectives when managing capital are:-

(a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(b) To support the Group's stability and growth; and

(c) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders returns, taking into consideration the future capital requirements of the Group and capital efficiency. The Group currently does not adopt any formal dividend policy.

## 24 Significant events during the financial year

On 10 July 2014, the Company had incorporated a new wholly-owned subsidiary, GIHL in Bermuda with authorised share capital of AUD10,000 divided into 1,000,000 shares of AUD0.01 equivalent to RM29,800 and paid up share capital of AUD0.01 dividend into 1 share of AUD0.01 equivalent to RM0.03. The intended principal activity of GIHL will be investment holding.

## 25 Supplementary information – disclosure of realised and unrealised profit/loss

The breakdown of the retained profits of the Group as at 30 June 2015 and 30 June 2014 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1., Determination of Realised and Unrealised Profits or Losses as issued by the Malaysian Institute of Accountants.

| | 30 June 2015 RMB'000 | 30 June 2014 RMB'000 |
|---|---|---|
| Total retained profits of the Company and its subsidiaries | | |
| - Realised | **1,337,730** | 1,153,759 |
| - Unrealised | **42,597** | (45) |
| | **1,380,327** | 1,153,714 |
| Consolidation adjustments | **(11,848)** | (13,854) |
| | **1,368,479** | 1,139,860 |