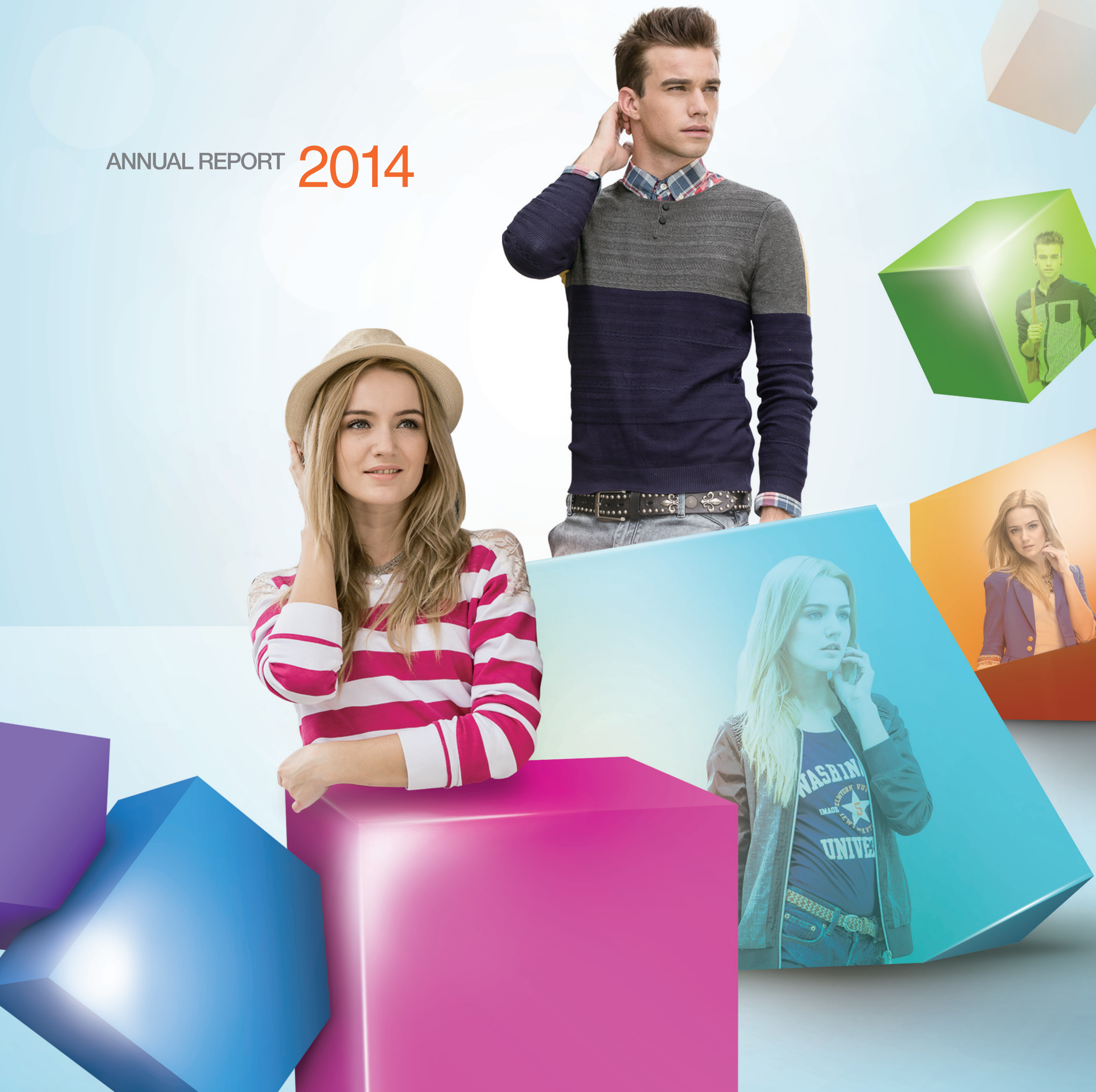
美克國際控股有限公司
MEIKE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 00953

ANNUAL REPORT 2014



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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Ding Siqiang *(Chairman and President)*
Ms. Ding Xueleng
Ms. Ding Jinzhu
Mr. Lin Yangshan
Mr. Li Dongxing
Mr. Ding Minglang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yang Chengjie *(resigned on 31 October 2014)*
Mr. Lin Jiwu
Ms. Qiu Qiuxing
Mr. Liu Qiuming *(appointed on 31 October 2014)*

BOARD COMMITTEES

AUDIT COMMITTEE

Ms. Qiu Qiuxing *(Chairman)*
Mr. Yang Chengjie *(resigned on 31 October 2014)*
Mr. Lin Jiwu
Mr. Liu Qiuming *(appointed on 31 October 2014)*

NOMINATION COMMITTEE

Mr. Ding Siqiang *(Chairman)*
Mr. Yang Chengjie *(resigned on 31 October 2014)*
Mr. Lin Jiwu
Mr. Liu Qiuming *(appointed on 31 October 2014)*

REMUNERATION COMMITTEE

Mr. Lin Jiwu *(Chairman)*
Mr. Ding Siqiang
Ms. Qiu Qiuxing

COMPANY SECRETARY

Mr. Li Yik Sang

AUTHORISED REPRESENTATIVES

Mr. Li Dongxing
Mr. Li Yik Sang

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

Meike Industrial Park
Xibian Village, Chendai Town
Jinjiang City, Fujian Province,
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1602, 16/F
Harcourt House
39 Gloucester Road
Wanchai, Hong Kong

STOCK CODE

00953

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Tower
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

SHINEWING (HK) CPA Limited

LEGAL ADVISER AS TO HONG KONG LAW

Loong & Yeung

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Agricultural Bank of China

COMPANY WEBSITE

www.meike.cn

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Meike International Holdings Limited (the "Company"), I hereby present the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014 (the "Year").

RESULTS HIGHLIGHTS

During the Year, the turnover of the Group amounted to approximately RMB163,029,000 (2013: approximately RMB230,521,000), representing a year-on-year decrease of approximately 29.3% or approximately RMB67,492,000. Loss for the Year amounted to RMB165,175,000, approximately decreased by 35.1% as compared to loss of approximately RMB254,624,000 in the same period of 2013. Loss per share amounted to approximately RMB0.139 (2013: Loss per share approximately RMB0.215).

During the Year, the domestic sales of the Group had decreased from approximately RMB142,763,000 for the year ended 31 December 2013 to approximately RMB63,517,000 for the Year. This is mainly due to a slowdown in the demand in the sportswear industry and the intensifying competition pressure, like deeper discounting or intensive promotional sales, from the major local brands. Besides, under the integration programme conducted by the Group, certain outlets of our distribution had been closed due to high operational cost with law efficiency, thus, the total number of outlets of the Group had decreased from 562 outlets as at 31 December 2013 to 306 outlets as at 31 December 2014. On the other hand, more resources have been devoted by the Group to explore the overseas market in order to increase the volume of export sales and as a results, revenue from export sales increased by approximately 13.4% as compared to the same period of 2013.

FUTURE PROSPECTS

Although economy of the People's Republic of China (the "PRC" or "China") has experienced steady growth through different economic reforms conducted by the Chinese Government, China's economy was still affected by the shrinkage of the domestic consumption.

Despite the recovery of some of the major sportswear brands during the Year, the board of Directors (the "Board") believes that the growth of sportswear of the sportswear industry would still be low in the short-term, especially those small-to-medium sportswear brands, due to the pressure from the major brands intense competition, lack of products differentiation, and the change of consumption pattern from customers, etc..

Under such unfavourable market condition, the Group will continue to enhance the capabilities of products research and development in order to differentiate from other industry players. Besides, the Group will closely monitor the operation of the existing distributor in order to avoid pile up of inventories and work with them to enhance profits from their operation of our Meike brands outlets. Moreover, the Group will continue to devote more resources to explore the overseas market in order increase the export volume.

Finally, on behalf of the Board, I would like to thank the management and all the staff for their hard work and dedication to the Group, as well as the shareholders and customers for their support to the Group over the years.

Ding Siqiang
Chairman

Hong Kong, 27 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

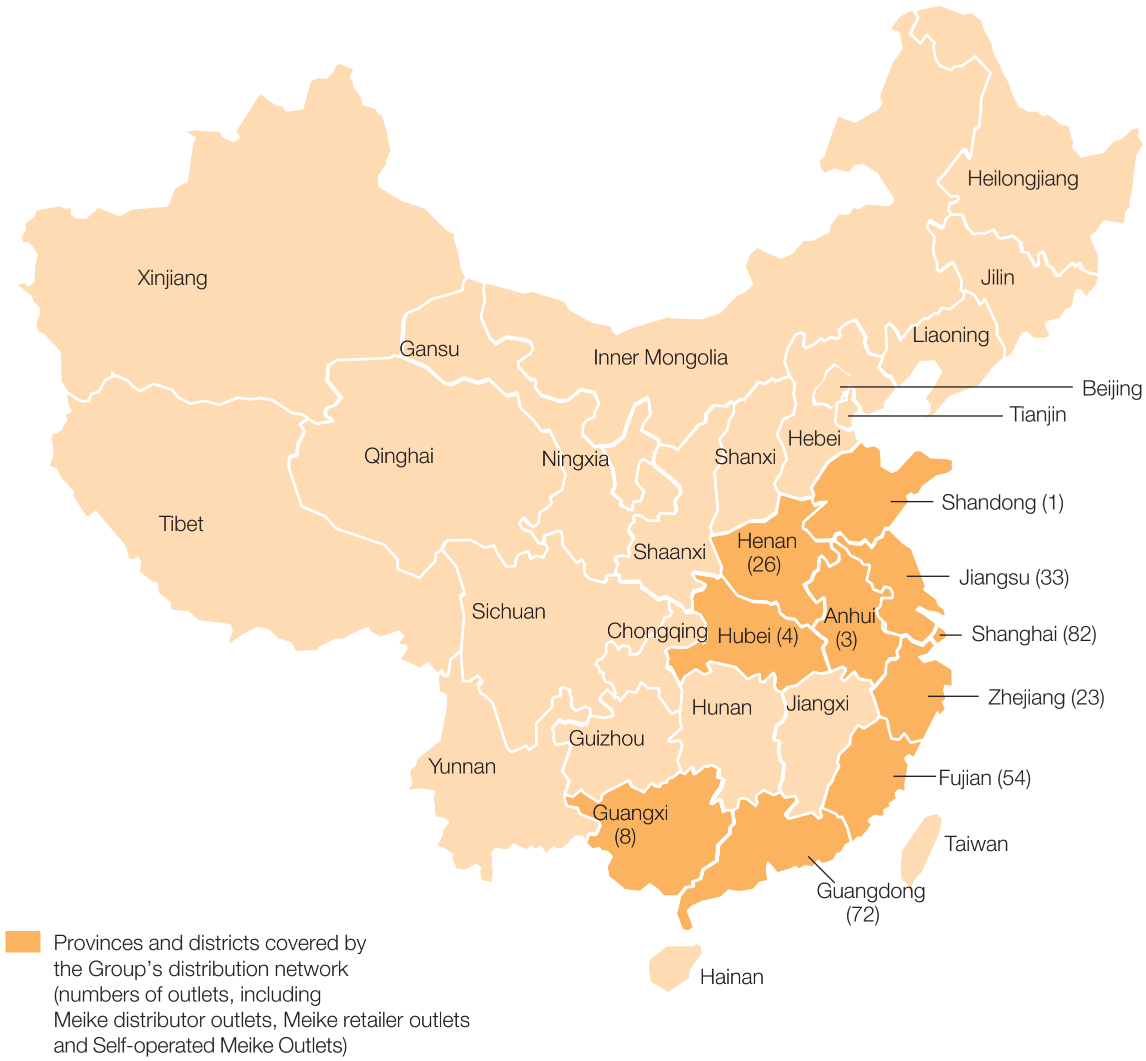
Despite the steady local economy growth through the continuous economic reforms conducted by the PRC Government, competition in the sportswear in the industry remained intense. Certain major sportswear brands have recovered from the downturn in past few years but small to medium brands are still struggling from the path of recovery due to the pressure from the major brands, lack of products differentiation and the change in the domestic customers' consumption pattern, etc..

BUSINESS REVIEW

During the Year, sales of the group was decreased by approximately 29.3% from approximately RMB230,521,000 to approximately RMB163,029,000 as compared to the same period of 2013. This is mainly due to the decrease in sales of our own brand in the domestic makets by approximately 55.5%. This is because the Group had terminated the distributorship of 10 distributors and closed down 158 Meike distributor outlets and 98 Meike retailer outlets with the distributors in order to avoid piling up of inventories and account receivables in the distribution channels as sales of such distributors remained low and some of their retail outlets recorded loss in operation during the Year. Besides, the changed in the domestic customers' consumption pattern like online shopping via Taobao, Tmall, etc., had greatly affected the sales of some of our distributors. On the other hand, revenue from export sales of non Meike brand products increased by approximately 74.3% as compared to the same period of 2013, this is because more resources have been devoted by the Group to explore the overseas market in order to increase the volume of export sales.

During the Year, the Group had terminated the distributorship with 10 distributors and worked with the distributors to close down 256 retail stores with significant loss or significant drop in sales during the Year. As at 31 December 2014, the Group has 5 distributors, overseeing 306 outlets which comprised 30 Meike distributor outlets and 276 Meike retailer outlets. These outlets located in 9 provinces, autonomous regions and municipalities and more than 150 districts, counties and county-level cities in the PRC.

The following diagram map sets out the Group's distribution network in China as at 31 December 2014.



MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out the total number of the Group's distributors and outlets (including Meike distributor outlets and Meike retailer outlets) in China as at 31 December 2014 and 31 December 2013, respectively by geographical locations:

	As at 31 December			
	2014		2013	
	Distributors	**Outlets**	Distributors	Outlets
East China[1]	**2**	**186**	9	447
Central South China[2]	**3**	**120**	4	97
Northeast China[3]	**–**	**–**	1	14
North China[4]	**–**	**–**	1	4
Total	**5**	**306[6]**	15	562[5]

Notes:

[1] East China includes Shanghai, Jiangsu, Zhejiang, Anhui, Fujian and Shandong;

[2] Central South China includes Hunan, Hubei, Henan, Guangdong and Guangxi;

[3] Northeast China includes Liaoning and Heilongjiang;

[4] North China includes Inner Mongolia;

[5] 434 were Meike distributor outlets and 128 were Meike retailer outlets;

[6] 276 were Meike distributor outlets and 30 were Meike retailer outlets.

For export products, the Group mainly sells footwear products through export companies or directly to overseas customers. Before 2007, export products have been a major source of revenue of the Group. In 2006, as the Group adjusted its strategy to further develop the "Meike" brand, the Group changed its operation focus from export products to the development of "Meike" brand products.

Through the export companies and overseas customers, the Group's export products were ultimately sold to 13 overseas countries, including Germany, Canada, the United States, Turkey, Holland, Russia, Australia and Italy. As many of the local export company customers and overseas customers have long term relationships with the Group, the Group believes that they have been and will continue to be our loyal customers. The Group will continue to enhance its product design capacity, gain a better control of its production costs and maintain the high quality of its products to meet the demand of the export company customers and overseas customers.

PRODUCT DEVELOPMENT AND DESIGN

Currently, each of the footwear and apparel segments has its own dedicated in-house design team to design products that meet the tastes and preferences of the Group's target consumers. The core members of the Group's design teams have extensive experience in the design industry and graduated from design or art institutes in the PRC. Almost all of the Group's design team members graduated from colleges in the PRC and possess design or art related diplomas and have more than 9 years design related experience after joining the Group. To maintain an international perspective to the Group's designs, each product design team visits the leading fashion stores, shopping centres and attends fashion shows in South Korea, North America and Europe from time to time, which in the Group's belief, have been, and will continue to be, influential in setting the fashion trends in the PRC. The Group believes that this practice enables the design team to catch up with the latest fashion trends while echoing thematic elements from the Group's integrated marketing campaigns to establish a consistent image for the Group's brand and products.

As at 31 December 2014, the Group had a total of 43 full-time employees in its design and development department.

FINANCIAL REVIEW

REVENUE BY PRODUCT CATEGORY

	2014	2013		**2014**	2013
	RMB'000	RMB'000	Change (%)	% of total revenue	
Domestic					
Footwear	**16,185**	53,288	(69.6)	**9.9**	23.1
Apparel	**36,012**	69,924	(48.5)	**22.1**	30.3
Accessories, shoe soles and others	**11,320**	19,551	(42.1)	**6.9**	8.5
	63,517	142,763	(55.5)	**38.9**	61.9
Export					
Footwear	**81,522**	46,353	75.9	**50.0**	20.1
Footwear (Meike brand)	**12,841**	21,159	(39.3)	**7.9**	9.2
Apparel (Meike brand)	**5,149**	20,246	(74.6)	**3.2**	8.8
	99,512	87,758	13.4	**61.1**	38.1
Total	**163,029**	230,521	(29.3)	**100**	100
Gross profit margin (%)	**10.0**	1.3			

For the Year, the revenue of the Group decreased by approximately 29.3% to approximately RMB163,029,000 (for the year ended 31 December 2013: approximately RMB230,521,000) and the gross profit margin increased by approximately 669.2% to approximately 10.0% (for the year ended 31 December 2013: approximately 1.3%). The gross profit margin of 2013 was low mainly due to inventories of approximately RMB105,920,000 which were off-season and slow-moving were written-down by the Group in the second half of 2013 and were sold through various independent third party export companies and resulting in loss of approximately RMB64,515,000 in 2013, thus reducing the gross profit margin of 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from domestic sales of footwear products decreased by approximately 69.6% from approximately RMB53,288,000 for the year ended 31 December 2013 to approximately RMB16,185,000 for the Year, mainly as a result of the intensified competition, like deeper discounting, intensive promotional sales from major local brands and the closure of our 256 retail outlets, thus reducing demand for our "Meike" products.

Revenue from the domestic sales of apparel products decreased by approximately 48.5% from approximately RMB69,924,000 for the year ended 31 December 2013 to approximately RMB36,012,000 for the Year, mainly due to the decrease in the average selling price from approximately RMB69 for the year of 2013 to approximately RMB66 for the Year and the decrease in the demand of the Group's apparel products due to the intensified competition from major local brands and the closure of our retail outlets.

Revenue from domestic sales of accessories and shoe soles decreased by approximately 42.1% from approximately RMB19,551,000 for the year ended 31 December 2013 to approximately RMB11,320,000 for the Year, primarily due to the decrease in the sales of shoe soles during the Year.

Revenue from export sales increased by approximately 13.4% from approximately RMB87,758,000 for the year ended 31 December 2013 to approximately RMB99,512,000 for the Year. This is because more resources have been devoted by the Group to explore the overseas market in order to increase the volume of export sales.

The following table sets out the revenue from the sales of the Group's products in China by geographical location:

	2014		2013	
	RMB'000	%	RMB'000	%
Central South China	21,581	34.0	76,972	53.9
East China	41,936	66.0	55,593	38.9
Southwest China	–	–	5,332	3.7
Northeast China	–	–	3,508	2.5
Northwest China	–	–	1,208	0.9
North China	–	–	150	0.1
Total	63,517	100	142,763	100

The following table sets out the number of units and average selling price of products sold to the customers:

	2014		2013	
	Total units sold '000	Average selling price RMB	Total units sold '000	Average selling price RMB
Sales to distributors				
Footwear (pairs)	261	62	730	73
Apparel (pieces)	544	66	1,013	69
Accessories (pieces)	111	6	600	6
Shoe soles (pairs)	3	10	3	13
Sales to export companies and overseas customers				
Footwear (pairs)	2,104	45	1,716	39
Apparel (pieces)	163	32	1,100	18

Revenue from domestic sales of footwear products of the Group decreased by approximately 69.6% to approximately RMB16,185,000 in the Year (2013: approximately RMB53,288,000), mainly attributable to the decrease in the sales volume of footwear products by approximately 64.2% to approximately 0.26 million pairs (2013: approximately 0.73 million pairs).

Revenue from domestic sales of apparel products of the Group decreased by approximately 48.5% to approximately RMB36,012,000 in the Year (2013: approximately RMB69,924,000), mainly attributable to the decrease in the sales volume of apparel products by approximately 46.3% to approximately 0.54 million pieces (2013: approximately 1.01 million pieces) and the decrease in the average selling price of approximately 4.3% to approximately RMB66 (2013: approximately RMB69).

COST OF SALES

Cost of sales decreased by approximately 35.5% to approximately RMB146,669,000 in 2014 (2013: approximately RMB227,451,000), primarily as a result of the decrease in sales of the Group's products.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by approximately 83.2% from approximately RMB55,530,000 in 2013 to approximately RMB9,336,000 in the Year, primarily as a result of a one-off subsidy has been granted to our distributors in the second half 2013.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately 17.4% from approximately RMB46,575,000 in 2013 to approximately RMB38,489,000 in the Year, primarily due to the decrease in staff salary, welfare payment and research and development expenses.

INCOME TAX CREDIT

The income tax credit of the Group for the Year was approximately was nil (2013: income tax credit of approximately RMB2,648,000).

TOP FIVE SUPPLIERS

For the Year, the purchases from the Group's top five suppliers accounted for approximately 14.9% of the total purchases from all of the Group's suppliers.

	2014			2013		
Top five suppliers	Number of suppliers	RMB million	%	Number of suppliers	RMB million	%
Raw materials suppliers	3	12.5	6.6	2	11.0	5.2
Apparel contract manufacturers	2	6.6	8.3	3	25.6	12.1
Total	5	19.1	14.9	5	36.6	17.3

INVENTORIES AND PROVISION FOR INVENTORIES

The following table sets out the ageing analysis of inventories net of allowance for inventories:

	As at 31 December 2014				As at 31 December 2013			
	Raw Materials RMB'000	Work-in-progress RMB'000	Finished Goods RMB'000	Total RMB'000	Raw Materials RMB'000	Work-in-progress RMB'000	Finished Goods RMB'000	Total RMB'000
0-90 days	6,832	417	15,017	22,266	10,463	3,212	39,273	52,948
91-180 days	8,138	–	7,419	15,557	3,139	–	–	3,139
181-365 days	2,413	–	1,986	4,399	1,750	–	–	1,750
Over 365 days	1,373	–	–	1,373	2,961	–	–	2,961
	18,756	417	24,422	43,595	18,313	3,212	39,273	60,798

The Group generally procures raw materials and commences production after having confirmed purchase orders with our distributors subsequent to our sales fairs. This practice can help us to control the levels of raw materials and keep finished goods inventories at an optimal level to meet our production and sales needs.

Inventories decreased by approximately 28.3% from approximately RMB60.8 million as at 31 December 2013 to approximately RMB43.6 million as at 31 December 2014, and number of days of inventory turnover decreased from 127.3 days for the year ended 31 December 2013 to 116.9 days for the Year.

The Group made specific provision on inventories. The Group has conducted physical counts from time to time to identify obsolete, damaged or slow-moving inventories. Provision will be made on an inventory item if its carrying amount is lower than the net realisable value.

No provision has been made on finished goods as at 31 December 2014.

No provision was made for work-in-progress as those work-in-progress was still in progress and for orders of early 2015.

TRADE AND OTHER RECEIVABLES AND PROVISION FOR IMPAIRMENT LOSS

The Group generally grants to each of our distributors a credit period of no more than 180 days. However, the Group has extended the credit period for certain distributors up to 270 days during the Year upon negotiation after considering their financial strength, past credit history and business performance history. The Group believed that this would enhance the flexibility of these distributors, which in turn might encourage them to sustain their development of our brand and/or enhance their sales even in market with intensified competition but reduction in demand. This measure was adopted by the Group temporarily in the Year and will be adjusted from time to time according to the market situation.

Trade receivables, net of provision for impairment loss, decreased by approximately 36.1% from approximately RMB178.6 million as at 31 December 2013 to approximately RMB114.2 million as 31 December 2014. Besides, turnover day of trade receivables decreased from approximately 381.1 days for the year ended 31 December 2013 to approximately 327.8 days for the Year. The reason for the decrease in the number of turnover day of trade receivables was mainly due to a significant amount of impairment loss in respect of trade receivables, amounting to RMB114.5 million, was further recognised as at the end of the Year. This was because starting from the second half of 2011, the demand in the sportswear was significantly reduced but at the same time the sportswear industry experienced an intensive competition as certain major players have repurchased inventories from their distributors and re-sold with deeper discount in their factory outlets or discount stores in order to reduce their excessive inventory level. Sales of the Group's distributors have been greatly affected and deteriorated significantly, who then, delayed their payment of outstanding balances due to the Group.

Other receivables mainly represented the prepayment to the Group's suppliers as the Group had to retain sufficient materials to cope with the Group's production plans.

The Group estimated impairment loss on trade and other receivables resulting from the inability of customers to make the required payments and there was objective evidence that the Group would not be able to collect all amounts due. The Group made the estimates based on the payment history, customer's credit worthiness, historical write-off experience and default or delinquency in payments. During the Year, impairment loss in respect of trade receivables was recognised in the consolidated statement of comprehensive income amounting to approximately RMB114.5 million.

No impairment loss was recognised in respect of other receivables.

Details of trade and other receivables as at 31 December 2014 are set out in Note 20 to the consolidated financial statements in this annual report.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, net cash outflow from operating activities of the Group amounted to approximately RMB36.5 million (2013: net cash outflow of approximately RMB7.6 million). This is mainly attributable to the substantial decrease in the trade, bills and other receivables and inventories which was in turn due to the substantial decrease in the Group's sale and the Group's fasten pace to clear the excessive level of inventories during the Year. As at 31 December 2014, bank balances and cash in hand and short-term bank deposits amounted to approximately RMB230.3 million, representing a net decrease of approximately RMB24.7 million as compared to the position as at 31 December 2013. As at 31 December 2014, the Group's cash balances were denominated in Renminbi and Hong Kong Dollars only.

PLEDGE OF ASSETS

As at 31 December 2014, the Group secured its bank borrowings by prepaid land lease payments and buildings held for own uses with a carrying amount of approximately RMB67.2 million (2013: approximately RMB74.4 million), trade receivables of approximately RMB6.3 million (2013: approximately RMB70.3 million) and bank deposits of approximately RMB1.6 million (2013: Nil).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments of the Group as at 31 December 2014 are set out in Note 28 to the consolidated financial statements in this annual report. As at 31 December 2014, the Group did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

LOSS ATTRIBUTABLE TO SHAREHOLDERS AND NET LOSS MARGIN

For the Year, loss attributable to the owners of the Company amounted to approximately RMB165,175,000, representing a decrease of approximately 35.1% as compared to that in the same period of 2013 (2013: loss attributable to the owners of the Company amounted to approximately RMB254,624,000). Net loss margin of the Group dropped to approximately 101.3% (2013: net loss margin approximately 110.5%).

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars.

During the Year, the Group did not hedge any exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may cause financial impacts on the Group.

GEARING RATIO

As at 31 December 2014, the gearing ratio of the Group was approximately 34.7% (2013: approximately 24.5%), which was derived by dividing interest-bearing debt incurred in the ordinary course of business by total assets.

INTEREST-BEARING BANK LOANS

As at 31 December 2014, the Group's bank loans balance amounted to approximately RMB202,980,000, bearing interest rates from 5.66% to 7.80%, which were all due within one year.

HUMAN RESOURCES

As at 31 December 2014, the Group had a total of 1,102 employees (as at 31 December 2013: 1,434 employees).

The basic remunerations of the employees are determined with reference to the industry's remuneration benchmark, the employees' experience and their performance, and equal opportunities will be offered to all staff. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Apart from the basic remuneration and statutory benefits required by laws, the Group also provides discretionary bonuses based upon the Group's results and the individual performance of the staff.

The Group adopted a share option scheme as incentive for its employees, further details of which are set out in the paragraph headed "Share Option Scheme" in page 34 in this annual report.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition and disposal during the Year.

USE OF NET PROCEEDS FROM THE SHARE OFFER

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 February 2010 (the "Listing Date") with net proceeds from the Share Offer and exercise of the over-allotment option received by the Company of approximately HK$335.4 million (approximately RMB295.2 million), and approximately HK$46.3 million (approximately RMB40.7 million) respectively (after deducting underwriting commission and related expenses). The following table sets out the status of the use of net proceeds as at 31 December 2014:

Use of Net Proceeds (RMB million)	Available to utilise (as at 1 January 2014)	Utilised (as at 31 December 2014)	Unutilised (as at 31 December 2014)
Expansion of production capacity	14.9	2.3	12.6
Expansion of the sales network and market penetration	2.6	1.2	1.4
Develop and increase brand awareness	33.3	2.0	31.3
	50.8	5.5	45.3

FUTURE PROSPECTS

2014 is a challenging year for the Group as the domestic demand for our Meike brand is still low and the competition in the industry is still intense. In order to cope with the current unfavourable market condition, the Group will continue to enhance the capabilities of products research and development in order to differentiate from other industry players. Besides, the Group will closely monitor the operation of the existing distributor in order to avoid piling up of inventories and work with them to enhance profits from their operation of our "Meike" brands outlets. Moreover, the Group will continue to devote more resources to explore the overseas market in order to increase the export volume.

CORPORATE GOVERNANCE REPORT

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Directors continuously observe the principles of good corporate governance in the interests of shareholders and devote considerable effort to identifying and formalising best practice.

The Group's corporate governance practices are based on the principles and the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "Listing Rules").

Save as disclosed in this Corporate Governance Report, the Board considered that the Group had complied with all the code provisions as set out in the Code during the period from 1 January 2014 to 31 December 2014.

Details of the Group's corporate governance are summarised as below.

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

The Board currently comprises nine Directors including six executive Directors and three independent non-executive Directors. During the Year and up to the date of this annual report, the Directors are:

Executive Directors:
Mr. Ding Siqiang *(Chairman and President)*
Ms. Ding Xueleng
Ms. Ding Jinzhu
Mr. Lin Yangshan
Mr. Li Dongxing
Mr. Ding Minglang

Independent non-executive Directors:
Mr. Yang Chengjie (resigned on 31 October 2014)
Mr. Lin Jiwu
Ms. Qiu Qiuxing
Mr. Liu Qiuming (appointed on 31 October 2014)

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 23 to 26 of this annual report. The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that may contribute to the business of the Group. The Company has complied with the requirements under Rule 3.10(1) and (2) of the Listing Rules since the Listing Date. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

Mr. Ding Siqiang is the spouse of Ms. Ding Xueleng. Mr. Ding Minglang is the elder brother of Ms. Ding Xueleng and the father of Ms. Ding Jinzhu. Mr. Lin Yangshan is the son of the younger sister of Mr. Ding Siqiang. Save as disclosed above, there are no other relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

During the Year, the Board maintained a high level of independence, with one-third of the Board comprised of independent non-executive Directors, who had exercised independent judgments. The independent non-executive Directors are expressly identified in all corporate communications whenever the names of the Directors are disclosed.

CODE PROVISION A.2.1

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". This deviated from code provision A.2.1 of the Code.

Mr. Ding Siqiang, who acts as the chairman and the president of the Company, is responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The roles of the respective executive Directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

The Company understands the importance to comply with code provision A.2.1 of the Code and will continue to consider the feasibility to comply. If compliance is determined, appropriate persons will be nominated to assume the different roles of the chairman and chief executive officer.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of Mr. Ding Siqiang, Ms. Ding Xueleng, Ms. Ding Jinzhu, Mr. Lin Yangshan and Mr. Li Dongxing, all being executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 11 February 2013 and may be terminated by either party by giving not less than three months' prior written notice. Mr. Ding Minglang, being an executive Director, has entered into a service contract with the Company for a term of two years commencing from 26 July 2013 and may be terminated by either party by giving not less than three month's prior written notice.

Each of Mr. Lin Jiwu, Ms. Qiu Qiuxing and Mr. Liu Qiuming, all being independent non-executive Directors, has entered into a service contract with the Company for a term of two years commencing from 26 July 2013, 21 September 2014 and 31 October 2014 respectively and may be terminated by either party by giving at least one months' written notice.

In accordance with Article 84 of the Articles of Association of the Company, at each annual general meeting, at least one-third of the Directors are required to retire from office by rotation. Each Director shall retire from office at least once every three years and shall include those who have been longest in office since their last election or re-election.

In accordance with Article 83 of the Articles of Association of the Company, new Directors appointed by the Board during the year shall retire and may submit themselves for re-election at the next general meeting immediately following their appointments.

Mr. Ding Siqiang, Mr. Ding Minglang, Mr. Lin Jiwu and Mr. Liu Qiuming will retire as Directors at the forthcoming annual general meeting of the Company and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions from the Listing Date and up to the date of this annual report.

BOARD DIVERSITY POLICY

Pursuant to the new code provision of the Code relating to board diversity which has come into effect since 1 September 2013, the Board has adopted a new board diversity policy in August 2013. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointment will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to code provision A.6.5 of the Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the Year, all Directors namely, Mr. Ding Siqiang, Ms. Ding Xueleng, Ms. Ding Jinzhu, Mr. Lin Yangshan, Mr. Li Dongxing, Mr. Ding Minglang, Mr. Liu Qiuming, Mr. Lin Jiwu and Ms. Qiu Qiuxing, have participated in continuous professional development by attending training courses conducted by the legal advisor of the Company, which covered topics including the Code and the Listing Rules to develop and refresh their knowledge and skills and provided their training records for the financial year ended 31 December 2014 to the Company.

FUNCTIONS OF THE BOARD

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders. The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board approves the Group's strategic plan, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks. Daily business operations and administrative functions of the Group are delegated to the management.

BOARD MEETINGS AND PROCEDURES

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. Notice, agenda and board papers of regular Board meetings are sent to all Directors within reasonable time and at least 3 days prior to the meetings. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comment on the final version of which are endorsed in the subsequent Board meeting and kept by Company Secretary of the Company and open for inspection at any reasonable time on reasonable notice by any director.

All independent non-executive Directors have been appointed for a fixed term. Every Director is subject to re-election on retirement by rotation in accordance with the Articles of Association of the Company. The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and still considers the independent non-executive Directors to be independent as at the date of this annual report.

Details of the attendance of the meetings of the Board, audit committee of the Company (the "Audit Committee"), remuneration committee of the Company (the "Remuneration Committee") and nomination committee of the Company (the "Nomination Committee") and general meetings held during the Year are summarised as follows:

	Board meeting	Audit committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. Ding Siqiang *(Chairman and President)*	4/4	N/A	2/2	2/2	1/1
Ms. Ding Xueleng	4/4	N/A	N/A	N/A	1/1
Ms. Ding Jinzhu	4/4	N/A	N/A	N/A	0/1
Mr. Lin Yangshan	4/4	N/A	N/A	N/A	1/1
Mr. Li Dongxing	4/4	N/A	N/A	N/A	1/1
Mr. Ding Minglang	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Yang Chengjie (Note 1)	3/4	2/2	N/A	2/2	1/1
Mr. Lin Jiwu	3/4	2/2	2/2	2/2	0/1
Ms. Qiu Qiuxing	3/4	2/2	2/2	N/A	1/1
Mr. Liu Qiuming (Note 2)	1/4	N/A	N/A	N/A	N/A

Note 1: Mr. Yang Chengjie resigned as an independent non-executive Director of the Company on 31 October 2014. Mr. Yang attended three out of four Board Meetings held during his tenure in the Year.

Note 2: Mr. Liu Qiuming was appointed as an independent non-executive Director of the Company on 31 October 2014. No meeting of the Audit Committee and Nomination Committee was held during his tenure in the Year.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, with written terms of reference which are available for viewing on the website of the Company to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

AUDIT COMMITTEE

The Company established the Audit Committee on 6 January 2010 with written terms of reference which are in compliance with the code provisions of the Code. The primary duties of the Audit Committee are mainly to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control of the Company. The Audit Committee currently has three members comprising Ms. Qiu Qiuxing (Chairman), Mr. Lin Jiwu and Mr. Liu Qiuming, all being independent non-executive Directors.

During the Year, the Audit Committee had reviewed the interim results and final results of the Group for the Year. The Group's final results for the Year had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this annual report, and confirmed that this annual report complies with the applicable standard, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

The Audit Committee held 2 meetings during the Year. Details of the attendance of the Audit Committee meetings are as follows:

	Attendance/Meetings held
Ms. Qiu Qiuxing *(Chairman)*	2/2
Mr. Yang Chengjie (Note 1)	2/2
Mr. Lin Jiwu	2/2
Mr. Liu Qiuming (Note 2)	0/0

Note 1: Mr. Yang Chengjie resigned as an independent non-executive Director on 31 October 2014. Mr. Yang attended two out of two Audit Committee meetings held during his tenure in the Year.

Note 2: Mr. Liu Qiuming was appointed as an independent non-executive Director on 31 October 2014. No Audit Committee meeting was held during his tenure in the Year.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 6 January 2010 with written terms of reference which are in compliance with the code provisions of the Code. The primary duties of the Remuneration Committee are to consult the chairman of the Board about their remuneration proposals for other executive Directors, make recommendation to the Board on the Company's remuneration policy and structure for all Directors' and senior management and make recommendation to the Board on the remuneration packages of individual Directors' and senior management. No Director shall participate in any discussion about his or her own remuneration. The Remuneration Committee currently consists of three members, namely, Mr. Lin Jiwu (Chairman), Ms. Qiu Qiuxing and Mr. Ding Siqiang, the majority of which are independent non-executive Directors. The remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions.

The Remuneration Committee held 2 meetings during the Year. Details of the attendance of the Remuneration Committee meeting are as follows:

	Attendance/Meetings held
Mr. Ding Siqiang	2/2
Mr. Lin Jiwu *(Chairman)*	2/2
Ms. Qiu Qiuxing	2/2

At the meeting, the Remuneration Committee had reviewed the remuneration policies of the Directors and the senior executives and reviewed the remuneration packages and performance of the Directors for the Year.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 6 January 2010 with written terms of reference which is available on the websites of the Stock Exchange and the Company are in compliance with paragraph A.4.5 of the Code. The primary duties of the Nomination Committee include the review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to make recommendations to the Board regarding any proposed change, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors. The Nomination Committee consists of three members, namely, Mr. Ding Siqiang (Chairman), Mr. Lin Jiwu and Mr. Yang Chengjie, the majority of which are independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

The Nomination Committee held 2 meetings during the Year. Details of the attendance of the Nomination Committee meeting are as follows:

	Attendance/Meetings held
Mr. Ding Siqiang *(Chairman)*	2/2
Mr. Yang Chengjie (Note 1)	2/2
Mr. Lin Jiwu	2/2
Mr. Liu Qiuming (Note 2)	0/0

Note 1: Mr. Yang Chengjie resigned as an independent non-executive Director on 31 October 2014. Mr. Yang attended two out of two Nomination Committee meetings held during his tenure in the Year.

Note 2: Mr. Liu Qiuming was appointed as an independent non-executive Director on 31 October 2014. No Nomination Committee meeting was held during his tenure in the Year.

At the meeting, the Nomination Committee had reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors and other related matters of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent to the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the function set out in the code provision D.3.1 of the Code by reviewing the Company's corporate governance policies and practices, the compliance of the Model Code, disclosure in this Corporate Governance Report, etc.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements which give a true and fair view of the state of affairs of the Group, in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The statement by the auditor of the Company about his responsibilities for the consolidated financial statements is set out in the independent auditor's report contained in this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal action against its Directors and officers before the date of this report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Group paid or accrued total Directors' remuneration amounts of approximately RMB575,000, RMB518,000, RMB90,000, RMB156,000, RMB246,000, RMB137,000, RMB33,000, RMB40,000, RMB40,000 and RMB7,000 to Mr. Ding Siqiang, Ms. Ding Xueleng, Ms. Ding Jinzhu, Mr. Lin Yangshan, Mr. Li Dongxing, Mr. Ding Minglang, Mr. Yang Chengjie, Mr. Lin Jiwu, Ms. Qiu Qiuxing and Mr. Liu Qiuming respectively, for the Year.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. As at 31 December 2014, there was no arrangement in which the Directors waived their remuneration.

Senior management's remuneration payment of the Group in the year ended 31 December 2014 falls within the following bands:

	Number of Individuals
RMB500,000 or below	2
RMB500,001 to RMB1,000,000	1

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged SHINEWING (HK) CPA Limited as its external auditor for the Year. Analysis of the remuneration in respect of audit services provided by the external auditor is included in Note 13 to the consolidated financial statements in this annual report. For the Year, the total fee paid to the external auditors in respect of the non-audit services such as review of the interim results and internal control system of the Group is RMB250,000.

COMPANY SECRETARY

The Company does not engage an external service provider as its company secretary. Mr. Li Yik Sang, being the Company Secretary of the Company, has taken no less than 15 hours of relevant professional training during the year ended 31 December 2014 and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements.

The Company Secretary reports directly to the Board. All the Directors have easy access to the Company Secretary and the responsibility of the Company Secretary is to ensure the board meetings are properly held and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for giving advices with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of discloseable transactions, connected transactions and inside information. The Company Secretary shall provide advices to the Board with respect to strict compliance with the laws, requirements and the Company's articles of association at appropriate times. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance code so as to bring the best long term value to shareholders. In addition, the Company Secretary also provides relevant information updates and continuous professional development to the Directors with respect to legal, supervisory and other continuous obligations for being a director of a listed company at appropriate times. The Company Secretary is also responsible for supervising and managing the Group's relationship with investors.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

The Board is responsible for ensuring the effectiveness of the Group's internal control systems. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed.

Procedures have been set up for safeguarding investors' investment and the Group's assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management of the Group maintains and monitors the internal control systems on an ongoing basis.

The Board and the Audit Committee have delegated an external independent professional body to conduct an annual review of the effectiveness of the internal control systems of the Group, covering all material controls, including financial, operational, compliance controls and risk management functions. Based on the assessment made by the external independent professional body, the Board considers that the internal control systems of the Group are effective and the Audit Committee has found no material deficiencies on the internal control systems.

INVESTOR RELATIONS

The Company places great emphasis on its relationship and communication with investors. In order to keep shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the shareholders through financial reports and announcements. The Company has established its own corporate website www.meike.cn as a channel to facilitate effective communication with its shareholders and the public.

During the Year, the Company did not make any significant changes to its Memorandum and Articles of Association.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company endeavors to maintain an on-going dialogue with the Shareholders and in particular, through annual general meetings or other general meetings to communicate with the Shareholders and encourage their participation.

The Company's annual general meeting allows the Directors to meet and communicated with shareholders. The Company ensures that shareholders' views are communicated to the Board. The Chairman of the annual general meeting proposes separate resolutions for each issue to be considered.

The forthcoming annual general meeting of the Group will be held on 29 May 2015.

The Group will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirement.

Annual general meeting proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of annual general meeting is distributed to all shareholders prior to the annual general meeting and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the annual general meeting exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the Company's website on the day of the annual general meeting.

PROCEDURES FOR CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to Article 58 of the Articles of the Company, extraordinary general meetings shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transactions of any business specified in such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisition(s) may do so in the same manner.

Pursuant to Article 85 of the Articles of the Company, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Any such proposals by shareholder shall be made directly to the Company through the following e-mail: ad@meike.cn, or may send written enquiries or requests in respect of their rights to the following principal place of business of the Company in Hong Kong: Meike International Holdings Limited, Room 1602, 16/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong
Email: enquiry@meikehk.com Tel No.: 2810-9800 Fax No.: 2810-9380

ENQUIRES PUT TO THE BOARD

Shareholders can make enquiries directly to the Company through the following e-mail: ad@meike.cn, or may send written enquiries or requests in respect of their rights to the following principal place of business of the Company in Hong Kong:

Meike International Holdings Limited
Room 1602, 16/F
Harcourt House
39 Gloucester Road
Wanchai, Hong Kong
Email: enquiry@meikehk.com
Tel No.: 2810-9800
Fax No.: 2810-9380

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Ding Siqiang (**丁思強**), aged 52, is the Chairman and President of the Company. He was appointed as a Director on 25 June 2009 and redesignated as an executive Director on 6 January 2010. He is primarily responsible for making key decisions on the Group's overall strategies, plans and business development. Mr. Ding has 22 years of experience in the sportswear industry since he started to operate Fujian Jinjiang Hengqiang Shoes and Plastics Company (福建省晉江市恒強鞋塑有限公司) in 1993. He joined the Group in 1999 as the vice chairman of Fujian Meike Leisure Sports Goods Co., Ltd. (福建美克休閒體育用品有限公司) ("Fujian Meike"), one of the subsidiaries of the Company. He served as the legal representative and general manager of Fujian Meike since February 2003 and became the president of Fujian Meike since August 2007. He has been a member of the Ninth and Tenth Fujian Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議福建省第九屆和第十屆委員) since December 2002. He was appointed as a Standing Director of the First Session of the Jinjiang City Overseas Friendship Association (晉江市海外聯誼會第一屆常務理事) in December 2002. He was appointed as a Honorary Chairman of the First Council of the Jinjiang City Charity Federation (晉江市慈善總會首屆理事會榮譽會長) in December 2002. He was appointed as a director of the Fifth Board of Directors of Huaqiao University (華僑大學第五屆董事會董事) in December 2002. He was appointed as a Honorary Chairman of the Third Council of the Quanzhou City Footwear Chamber of Commerce (泉州市鞋業商會第三屆理事會名譽會長) in January 2006. He was appointed as the Honorary Leader of Chinese Women Hockey Team (中國女子曲棍球隊榮譽領隊) by Chinese Hockey Association (中國曲棍球協會) in October 2007. He also received his diploma in a course for chief executive officer in China (中國企業總裁高級研修班) from Peking University (北京大學) in September 2003. Mr. Ding is Ms. Ding Xueleng's husband. Mr. Ding did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to the date of this annual report. Mr. Ding is the sole director of Glory Hill Enterprises Limited ("Glory Hill") which is a controlling shareholder (as defined under the Listing Rules) of the Company.

Ms. Ding Xueleng (**丁雪冷**), aged 50, was appointed as an executive Director on 6 January 2010 and is the Vice President of the Company. She is primarily responsible for the management of footwear and apparel operations, design, research and development, financial management and overall administration management of the Group. Ms. Ding has 22 years of experience in the sportswear industry since she became the director of Fujian Jinjiang Hengqiang Shoes and Plastics Company (福建省晉江市恒強鞋塑有限公司). Ms. Ding joined the Group in February 1999 and was appointed as a director of Fujian Meike in 1999. She has also been the manager of Fujian Meike starting from February 1999 and was then appointed as the deputy general manager since February 2003. In August 2007, Ms. Ding was appointed as the general manager of Fujian Meike. Ms. Ding is a director of each of Fujian Meike and Quanzhou Meike Sports Goods Co., Ltd. (泉州市美克體育用品有限公司) ("Quanzhou Meike") which is a subsidiary of the Company. Ms. Ding did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to the date of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Ding Jinzhu (丁錦珠), aged 37, was appointed as an executive Director on 6 January 2010 and is the assistant to Ms. Ding Xueleng, an executive Director. She is primarily responsible for the management of the accessory operation of the Company. Ms. Ding has 16 years of experience in the sportswear industry as she joined the Group in February 1999 as the deputy general manager of Fujian Meike. She served as the assistant to the deputy manager of Fujian Meike since February 2003 and as the assistant to the manager of Fujian Meike since October 2007. She became a director of Fujian Meike since October 2006. Ms. Ding's early responsibilities include communicating with government authorities and coordinating with administrative matters. Ms. Ding received her diploma in financial accounting (財務會計) from Jinjiang City Chendai Town Vocational Middle School (晉江市陳埭職業中學) in July 1995. Ms. Ding is the daughter of the elder brother of Ms. Ding Xueleng, an executive Director. Ms. Ding Jinzhu did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to the date of this annual report.

Mr. Lin Yangshan (林陽山), aged 35, was appointed as an executive Director on 6 January 2010 and is the head of the sales and marketing department of the Company. He is primarily responsible for the management of the marketing matters of the Company. Mr. Lin has 13 years of experience in sportswear industry as he joined the Group in 2002 as the sales manager of Fujian Meike. He is a director of Fujian Meike. He served as an executive director and manager of Jinhairuo (Fujian) Investment Industrial Co., Ltd. (金海若(福建)投資實業有限公司) since August 2007. Mr. Lin received his bachelor's degree in economics from Xiamen University (廈門大學) in July 2002. Mr. Lin is the son of the younger sister of Mr. Ding. Mr. Lin did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to the date of this annual report.

Mr. Li Dongxing (李東星), aged 40, was appointed as an executive Director of on 6 January 2010 and is the assistant to the chairman of the Company. He is primarily responsible for assisting the chairman in making decisions on overall strategies, planning and business development and he is responsible for the human resources of the Group. Mr. Li has 12 years of experience in the footwear industry. He served as a tax officer in Jinjiang City State Tax Bureau (晉江市國家税務局) from November 1997 to August 2007. Starting from 2003, his tax practice has focused on footwear companies. He joined the Group in August 2007 and has served as the secretary of the board of directors of Fujian Meike since then. Mr. Li received his bachelor's degree in taxation from Xiamen University (廈門大學) in May 1997. He obtained a qualification certificate of taxation execution of the PRC issued by the State Administration of Taxation of the PRC in April 2003. Mr. Li did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to the date of this annual report.

Mr. Ding Minglang (丁明郎), aged 60, was appointed as an executive Director on 25 July 2011 and is currently the purchasing manager of Fujian Meike Leisure Sports Goods Co., Ltd. (福建美克休閒體育用品有限公司) ("Fujian Meike"), one of the subsidiaries of the Company. Prior to joining the Group as the purchasing manager of Fujian Meike in April 2010, Mr. Ding was the purchasing manager of Hengqiang (Fujian) Shoes and Plastics Development Company Limited (恆強(福建)鞋塑發展有限公司), the predecessor of Fujian Meike, from April 2005 to March 2010. Mr. Ding has more than 21 years of experience in purchasing and management. Mr. Ding is the elder brother of Ms. Ding Xueleng, an executive Director, and the father of Ms. Ding Jinzhu, an executive Director. Mr. Ding did not hold any directorship in any public companies the securities of whose securities are listed on a stock exchange during the three years prior to the date of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lin Jiwu (林紀武), aged 44, was appointed as an independently non-executive Director on 25 July 2011. He served as a project manager and the deputy managing director of Xing Ye Securities Company Limited (興業證券股份有限公司) since 2000. Mr. Lin received a Master Degree in Laws from the University of Xiamen (廈門大學) and a Bachelor Degree in Laws from Zhongnan University of Politics and Law (中南政法學院). Mr. Lin obtained the qualification as a lawyer practicing securities law in July 1996 accredited by the Ministry of Judiciary, The People's Republic of China and the China Securities Regulatory Commission. Mr. Lin did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three year prior to the date of this annual report.

Ms. Qiu Qiuxing (邱秋星), aged 51, was appointed as an independent non-executive Director on 21 September 2012 graduated from Jimei financial institute (集美財經學校) in China in 1984 and graduated from Peking University (北京大學) in 1988. Ms. Qiu is a senior member of the Chinese Institute of Certified Public Accountants. Ms. Qiu is currently the responsible person of BDO China Zhonglian Mindu Shu Lun Pan CPAs Co., Ltd (立信中聯閩都會計師事務所有限公司福建分所) (which is formerly known as BDO China Fujian Shu Lun Pan CPAs (福建立信閩都會計師事務所有限公司)). Ms. Qiu does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Liu Qiuming (劉秋明), aged 41, was appointed as an independent non-executive director of the Company. Mr. Liu worked in 興業證券股份有限公司 (Industrial Securities Co., Ltd) during 1999 to 2007 and 國金證券股份有限公司 (Sinolink Securities Co., Ltd.). Mr. Liu served as an executive director of 福建翰鼎投資管理有限公司 (Fujian Handing Capital Management Co., Ltd.) since September 2011. Mr. Liu obtained a bachelor degree in accounting in 1997 and a master degree in management in 2000 from Fuzhou University in the People's Republic of China. He also obtained a doctorate degree in management (accounting) from Xiamen University in the People's Republic of China in 2006. Mr. Liu did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Li Yik Sang (李奕生), aged 40, joined the Group in August 2009 and is the chief financial officer, authorized representative and company secretary of the Company. Mr. Li served as an audit assistant and a semi-senior auditor in Grant Thornton from November 2000 to December 2002. He served as a staff accountant, senior accountant and manager in Ernst & Young from January 2003 to January 2007. He had been the chief financial officer of China Packaging Group Company Limited (stock code: 572) from January 2007 to July 2009. Mr. Li has approximately 14 years of experience in auditing, finance and accounting. He received his bachelor's degree in commerce from the University of Queensland, Australia in December 1998. He received his master's degree in commerce (information systems) from the University of Queensland, Australia in August 2000. Mr. Li has been a member of CPA Australia since April 1999 and was granted a certificate of certified practicing accountant of CPA Australia in November 2006 and he has been a member of HKICPA since February 2007.

Mr. Luo Zhenye (羅振業), aged 39, is the head of the marketing department of the Company. He joined the Group as the marketing manager of Fujian Meike since March 2006. Mr. Luo has about 18 years of experience in the marketing industry. From March 1997 to January 2000, he served as an operating officer in Guangzhou New Era Exhibition Co., Ltd. (廣州市新紀元展覽有限公司). From March 2000 to December 2002, he served as a customer manager in Guangzhou Jindi Cultural Propagation Advertisement Co., Ltd. (廣州金蒂文化傳播廣告有限公司). From March 2003 to December 2005, he served as a customer manager in Longjuanfeng Film and Television Advertisement Planning Co., Ltd. (龍卷風影視廣告策劃有限公司). Mr. Luo received his diploma in mechanical and electrical engineering (機電工程專科學位) from Nanchang Higher Junior College (南昌高等專科學校) in June 1996.

Mr. Lin Kongfeng (林孔鳳), aged 43, is the head of the accounting department of the Company. He joined the Group in March 2006 as a manager of Fujian Meike's accounting department. From August 1991 to December 2003, he worked in the finance department in Fujian Provincial Datian Taoyuan State-owned Forest Farm (福建省大田桃源國有林場). From April 2005 to February 2006, he served as an accounting manager in K-boxing Men's Wear Stock Limited Company (勁霸男裝股份有限公司). Mr. Lin received his diploma in accounting from Xiamen University (廈門大學) in June 1999. He obtained the qualification certificate of middle level of accountant issued by the Ministry of Finance of the PRC in December 2000.

COMPANY SECRETARY

Mr. Li Yik Sang is the Company Secretary of the Company and please refer to his biography in the paragraphs headed "Senior Management" above for details.

DIRECTORS' REPORT

The Directors are pleased to present to the shareholders this annual report and the audited consolidated financial statements for the Year.

GROUP REORGANIZATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 25 June 2009. Pursuant to a reorganization scheme to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 10 September 2009.

The shares of the Company have been listed on the Main Board of the Stock Exchange since 1 February 2010.

USE OF PROCEEDS

As part of the preparation for listing of the shares of the Company, the Company implemented a capitalization issue of 749,000,000 shares and an issue of 250,000,000 new shares during the Share Offer in 2010. All such shares issued were ordinary shares and the 250,000,000 new shares were issued at HK$1.43 per share. On 17 February 2010, the lead manager of the Share Offer fully exercised the over-allotment option and the Company issued an additional 37,500,000 new shares at HK$1.43 per share. The net proceeds of the Share Offer and from the exercise of the over-allotment option received by the Company were approximately HK$335.4 million and HK$46.3 million respectively. For detailed use of the aforesaid proceeds, please refer to the paragraph headed "Use of Net Proceeds from the Share Offer" under the section headed "Management Discussion and Analysis" in this annual report.

PRINCIPAL ACTIVITIES

The principal business activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in Note 35 to the consolidated financial statements in this annual report.

FINAL DIVIDEND

No final dividend was recommended by the Board for the year ended 31 December 2014.

RESULTS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 39 of this annual report.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 27 May 2015 to 29 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 26 May 2015.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in Note 17 to the consolidated financial statements in this annual report.

BANK BORROWINGS

Details of bank borrowings of the Group as at 31 December 2014 are set out in Note 24 to the consolidated financial statements in this annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the consolidated financial statements in this annual report and the prospectus of the Company dated 19 January 2010 (the "Prospectus"), is set out on pages 98 to 99. This summary does not form part of the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the Company's paid up capital for the Year are set out in Note 25 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

Save as disclosed below, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the Year.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

TRANSFER TO RESERVES

Loss attributable to equity shareholders, before dividends, of RMB165,175,000 (2013: loss attributable to equity shareholders RMB254,624,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity in this annual report.

RELATED PARTIES TRANSACTIONS

PROPERTY LEASE AGREEMENTS

On 6 January 2010, Hengqiang (China) Co., Ltd. (恒強(中國)有限公司) (the "Lessor") and Fujian Meike, a subsidiary of the Company, entered into a property lease agreement pursuant to which Fujian Meike agreed to lease from the Lessor premises of a gross floor area of approximately 10,172.50 square meters situated at Xibian Village, Chendai Town, Jinjiang City, Fujian Province, the PRC for use as warehouse and workshop for a term commencing on 1 January 2010 and ended on 31 December 2012 at an aggregate rental of approximately RMB610,350, RMB610,350 and RMB610,350 for the three years ended 31 December 2010, 2011 and 2012, respectively.

On 6 January 2010, the Lessor and Fujian Meisike Sports Goods Co., Ltd. (福建省美斯克體育用品有限公司) ("Fujian Meisike"), a subsidiary of the Company, entered into a property lease agreement pursuant to which Fujian Meisike agreed to lease from the Lessor premises of a gross floor area of approximately 3,001.25 square meters situated at Xibian Village, Chendai Town, Jinjiang City, Fujian Province, the PRC for use as warehouse and workshop for a term commencing on 6 January 2010 and ended on 31 December 2012 at an aggregate rental of approximately RMB180,075, RMB180,075 and RMB180,075 for the three years ended 31 December 2010, 2011 and 2012, respectively.

On 19 October 2012, the Lessor and Fujian Meike has renewed the property lease agreement for a term commencing on 1 January 2013 and ending on 31 December 2015 and the aggregate rental remains unchanged.

On 19 October 2012, the Lessor and Fujian Meisike has renewed the property lease agreement for a term commencing on 1 January 2013 and ending on 31 December 2015 and the aggregate rental remains unchanged.

The Lessor is wholly-owned by Heng Qiang (International) Limited (恒強(國際)有限公司), which is owned as to 80% and 20% by Mr. Ding Siqiang ("Mr. Ding") and Mr. Huang Tzu Jan (黃自然先生), respectively. Mr. Ding is the Chairman of the Company, an executive Director and one of the Company's substantial shareholders, and is therefore a connected person of the Company for the purpose of the Listing Rules. Mr. Huang Tzu Jan is the brother-in-law of Mr. Ding. The transactions contemplated under the aforesaid property lease agreements constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules but are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

PROVISION OF FINANCIAL ASSISTANCE

As at 31 December 2013, a guarantee of RMB46,000,000 was jointly provided by Mr. Ding Siqiang and Ms. Ding Xueleng, the executive Directors, to secure certain banking facilities of the Group. The provision of guarantee by Mr. Ding Siqiang and Ms. Ding Xueleng constitutes financial assistance to the Company which was for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance, which is exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules. Such guarantee was released on 1 April 2014 upon the expiry of the relevant banking facility.

KEY MANAGEMENT COMPENSATION

The material related party transactions in relation to the key management compensation as disclosed in Note 32(B) to the consolidated financial statements in this annual report are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, the Directors consider that those material related party transactions disclosed in note 32 to the consolidated financial statements in this annual report did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 51.0% of the total sales for the Year and sales to the largest customer included therein amounted to 17.6% of the total sales for the Year. Purchases from the Group's five largest suppliers accounted for approximately 14.9% of the total purchases for the Year and purchase from the Group's largest supplier included therein amounted to 4.0% of the total purchases for the Year.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors are:

EXECUTIVE DIRECTORS:

Mr. Ding Siqiang *(Chairman)*
Ms. Ding Xueleng
Ms. Ding Jinzhu
Mr. Lin Yangshan
Mr. Li Dongxing
Mr. Ding Minglang

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Yang Chengjie (resigned on 31 October 2014)
Mr. Lin Jiwu
Ms. Qiu Qiuxing
Mr. Liu Qiuming (appointed on 31 October 2014)

In accordance with Article 83 of the Company's Article of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and any Director appointed by the Board as an additional Director shall hold office only until the next following annual general meeting of the Company.

Pursuant to Article 84 of the Articles of the Association of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation.

Mr. Ding Siqiang, Mr. Ding Minglang, Mr. Lin Jiwu and Mr. Liu Qiuming will retire as Directors at the forthcoming annual general meeting, and being eligible, will offer themselves for re-election at the annual general meeting.

DIRECTORS' REPORT

Each of Mr. Ding Siqiang, Ms. Ding Xueleng, Ms. Ding Jinzhu, Mr. Lin Yangshan and Mr. Li Dongxing, all being executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 11 February 2013 and may be terminated by either party by giving not less than three months' prior written notice.

Mr. Ding Minglang, being an executive Director has entered into a service contract with the Company for a term of two years commencing from 26 July 2013 and may be terminated by either party by giving at least three months' written notice.

Each of Mr. Lin Jiwu, Ms. Qiu Qiuxing and Mr. Liu Qiuming being an independent non-executive Directors, has entered into a service contract with the Company for a term of two years commencing from 26 July 2013, 21 September 2014 and 31 October 2014 respectively and may be terminated by either party by giving at least one month's written notice.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical details of Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 23 to 26 of this annual report.

DIRECTORS EMOLUMENTS

Details of the Directors' emoluments are set out in Note 13 to the consolidated financial statements in this annual report. The Directors' remuneration are determined with reference to his duties and responsibilities within the Company.

INTERESTS OF DIRECTORS IN CONTRACTS

During the Year, none of the Directors had a material interest, whether directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries or affiliates was a party.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or any of their respective associates had any interest in a business which competes or likely to compete, either directly or indirectly, with the business of the Group.

All the independent non-executive Directors were delegated with the authority to review the non-competition undertakings (the "Non-competition Undertakings") given by Glory Hill Enterprises Limited ("Glory Hill") and Mr. Ding Siqiang in two deeds of non-competition respectively entered into by Glory Hill and Mr. Ding Siqiang, all dated 6 January 2010. All the independent non-executive Directors were not aware of any non-compliance of the Non-competition Undertakings given by Glory Hill and Mr. Ding Siqiang since the date of the aforesaid deeds of non-competition and up to the date of this annual report.

RETIREMENT SCHEMES

The Group participates in several defined contribution retirement plans which cover the Group's eligible employees in the PRC and a Mandatory Provident Fund Scheme for the employee in Hong Kong. Particulars of these retirement plans are set out in Note 31 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Pursuant to the relevant rules of the Cayman Islands, the Company's distributable reserves as at 31 December 2014 amounted to RMB183.6 million.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(a) As at 31 December 2014, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

(1) LONG POSITION IN THE SHARES AND IN THE UNDERLYING SHARES

Name of Director	Capacity/Nature	No. of shares/underlying shares interested	Approximate percentage of shareholding
Mr. Ding Siqiang ("Mr. Ding")	Interest in controlled corporation/ Beneficial owner/ Interest of spouse (Note 1)	569,934,000	48.11%
Ms. Ding Xueleng ("Ms. Ding")	Beneficial owner/ Interest of spouse (Note 2)	569,934,000	48.11%
Ms. Ding Jinzhu	Beneficial owner (Note 3)	300,000	0.03%
Mr. Li Dongxing	Beneficial owner (Note 3)	300,000	0.03%
Mr. Lin Yangshan	Beneficial owner (Note 3)	300,000	0.03%
Mr. Ding Minglang	Beneficial owner (Note 3)	300,000	0.03%

(2) LONG POSITION IN THE ORDINARY SHARES OF ASSOCIATED CORPORATION

Name of Director	Name of associated corporation	Capacity/Nature	No. of shares held	Approximate percentage of shareholding
Mr. Ding	Glory Hill	Beneficial owner (Note 1)	1	100%
Ms. Ding	Glory Hill	Interest of spouse (Note 2)	1	100%

Note 1: Mr. Ding owns the entire issued share capital of Glory Hill Enterprises Limited ("Glory Hill"), which owns 562,500,000 Shares in the Company. Therefore, Mr. Ding is deemed or taken to be interested in all the Shares which are beneficially owned by Glory Hill for the purpose of the SFO. Mr. Ding is the sole director of Glory Hill. Mr. Ding beneficially owns 4,034,000 Shares and 1,700,000 share options (each option shall entitle the holder thereof to subscribe for one Share). Ms. Ding owns 1,700,000 share options (each option shall entitle the holder thereof to subscribe for one Share). Mr. Ding is the spouse of Ms. Ding, and therefore, he is deemed or taken to be interest in all the Shares which are deemed or taken to be interested by Ms. Ding. Therefore, as at 31 December 2013, the approximate percentage of shareholding of Mr. Ding was 48.11%.

Note 2: Ms. Ding owns 1,700,000 share options (each option shall entitle the holder thereof to subscribe for one Share). Ms. Ding is the spouse of Mr. Ding, and therefore, she is deemed or taken to be interested in all the Shares and the share of Glory Hill which are deemed or taken to be interested by Mr. Ding.

Note 3: Each of Ms. Ding Jinzhu, Mr. Li Dongxing, Mr. Lin Yangshan and Mr. Ding Minglang was granted 300,000 share options (each option shall entitle the holder thereof to subscribe for one Share) under the share option scheme of the Company on 27 August 2010.

(b) So far as is known to the Directors, as at 31 December 2014, the following persons (not being a Director or chief executive of the Company as disclosed in paragraph (a) above) had interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

LONG POSITION IN THE SHARES

Name	Nature of Interest	No. of Shares held	Approximate percentage of shareholding
Glory Hill	Beneficial owner	562,500,000	47.48%

Save as disclosed above, as at 31 December 2014 the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' interests or short positions in shares, underlying shares and debentures" above, at no time during the Year was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

As to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (hereinafter in this paragraph, the "Scheme") on 6 January 2010 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company (the "Shares") to, inter alia, any employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group. The Scheme became unconditional on the Listing Date and shall be valid and effective for a period of ten years commencing on 6 January 2010, subject to the early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1. The exercise price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the shares in issue on the Listing Date. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the Shares in issue at the time.

The total number of options available for issue under the Scheme as at the date of this annual report was 75,450,000 entitling the issue of 75,450,000 Shares upon full exercise which represented approximately 6.37% of the issued share capital of the Company as at the date of this annual report. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The following table disclosed movements in the Company's share options during the Year:

Grantee	Date of grant	Exercise period	Exercise price## HK$	Outstanding at 1.1.2014	Granted during the Year	Cancelled/ lapsed during the Year	Exercise during the Year	Outstanding at 31.12.2014
Directors								
Mr. Ding*	27.8.2010	27.2.2012 to 26.8.2020	1.56	1,700,000	–	–	–	1,700,000
Ms Ding**	27.8.2010	27.2.2012 to 26.8.2020	1.56	1,700,000	–	–	–	1,700,000
Ms. Ding Jinzhu	27.8.2010	27.2.2012 to 26.8.2020	1.56	300,000	–	–	–	300,000
Mr. Lin Yangshan	27.8.2010	27.2.2012 to 26.8.2020	1.56	300,000	–	–	–	300,000
Mr. Li Dongxing	27.8.2010	27.2.2012 to 26.8.2020	1.56	300,000	–	–	–	300,000
Mr. Ding Minglang	27.8.2010	27.2.2012 to 26.8.2020	1.56	300,000	–	–	–	300,000
Senior Management	27.8.2010	27.2.2012 to 26.8.2020	1.56	1,800,000	–	–	–	1,800,000
Employees#	27.8.2010	27.2.2012 to 26.8.2020	1.56	12,800,000	–	–	–	12,800,000
				19,200,000	–	–	–	19,200,000

\# Among those grantees, one individual, who has been granted 200,000 share options, is a nephew of Ms. Ding and a cousin of Ms. Ding Jinzhu.

\## All the share options granted during the Year were granted on 27 August 2010. The closing price of the Shares immediately before the date of granting the share options i.e. 26 August 2010 was HK$1.52.

\### 30% of all the share options granted during the Year will be vested on the date which is 18 months after the date on which the respective grantees accepted the grant of the share options (the "Acceptance Date"); another 30% of the share options granted will be vested on the date which is 30 months after the Acceptance Date; and the remaining 40% will be vested on the date which is 42 months after the Acceptance Date.

* Mr. Ding is also a Chairman, President, executive Director and a controlling shareholder of the Company as defined by the Listing Rules.

** Ms. Ding is also an executive Director and a controlling shareholder of the Company as defined by the Listing Rules.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group employed approximately 1,102 full-time staff members. The basic remunerations of the employees are determined with reference to the industry's remuneration benchmark, the employees' experience and their performance, and equal opportunities will be offered to all staff. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Apart from the basic remuneration and statutory benefits required by laws, the Group also provides discretionary bonuses based upon the Group's results and the individual performance of the staff.

The Group maintains a good relationship with its employees. Most members of senior management have been working for the Group for many years.

The Group adopted a share option scheme as incentive for its employees, further details of which are set out in the paragraph headed "Share Option Scheme" above.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 14 to 22 of this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from the independent non-executive Directors confirmations of independence (including an annual confirmation from each of the independent non-executive Directors and the confirmation by Mr. Yang Chengjie and Mr. Liu Qiuming during their appointment) pursuant to Rule 3.13 of the Listing Rules and considers that all the independent non-executive Directors are independent of the Company.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained sufficient public float since the Listing Date as required under the Listing Rules.

POST BALANCE SHEET EVENT

There are no material post balance sheet events as at the date of this annual report.

AUDITOR

SHINEWING (HK) CPA Limited will retire and being eligible, offer themselves for reappointment at the forthcoming annual general meeting. A resolution for the reappointment of SHINEWING (HK) CPA Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting. There has been no change in the auditors of Company in any of the preceding three years.

By Order of the Board

Ding Siqiang
Chairman
Hong Kong, 27 March 2015

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF MEIKE INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Meike International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 97, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427

Hong Kong
27 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	7	**163,029**	230,521
Cost of sales		**(146,669)**	(227,451)
Gross profit		**16,360**	3,070
Other income	9	**14,906**	47,614
Impairment loss recognised in respect of property, plant and equipment	17	**(10,490)**	(5,519)
Impairment loss recognised in respect of trade receivables	20	**(114,480)**	(180,870)
Selling and distribution expenses		**(9,336)**	(55,530)
Administrative expenses		**(38,489)**	(46,575)
Other operating expenses		**(11,567)**	(11,819)
Finance costs	10	**(12,079)**	(7,643)
Loss before tax		**(165,175)**	(257,272)
Income tax credit	11	**–**	2,648
Loss and total comprehensive expense for the year	12	**(165,175)**	(254,624)
Loss per share	15		
Basic and diluted (RMB)		**(0.139)**	(0.215)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	17	127,924	145,424
Prepaid lease payments	18	44,870	45,967
		172,794	191,391
Current assets			
Inventories	19	43,595	60,798
Trade, bills and other receivables	20	136,168	213,584
Prepaid lease payments	18	1,098	1,098
Pledged bank deposit	21	1,590	-
Short-term bank deposits	21	88,543	89,099
Bank balances and cash	21	141,791	165,943
		412,785	530,522
Current liabilities			
Trade, bills and other payables	22	27,875	25,841
Amount due to a related company	23	496	60
Bank borrowings	24	202,980	176,750
		231,351	202,651
Net current assets		181,434	327,871
Total assets less current liabilities		354,228	519,262

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Capital and reserves			
Share capital	25	**10,355**	10,355
Reserves		**343,873**	508,907
		354,228	519,262

The consolidated financial statements on pages 39 to 97 were approved and authorised for issue by the board of directors on 27 March 2015 and are signed on its behalf by:

Ding Siqiang
Director

Ding Xueleng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Note	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (Note a)	Other reserves RMB'000 (Note b)	Share options reserve RMB'000	Retained earnings (Accumulated loss) RMB'000	Total RMB'000
At 1 January 2013		10,355	561,252	47,382	136,801	6,845	10,164	772,799
Loss and total comprehensive expense for the year		–	–	–	–	–	(254,624)	(254,624)
Recognition of equity-settled share-based payment	30	–	–	–	–	1,087	–	1,087
Share options forfeited	30	–	–	–	–	(1,197)	1,197	–
At 31 December 2013		10,355	561,252	47,382	136,801	6,735	(243,263)	519,262
At 1 January 2014		**10,355**	**561,252**	**47,382**	**136,801**	**6,735**	**(243,263)**	**519,262**
Loss and total comprehensive expense for the year		**–**	**–**	**–**	**–**	**–**	**(165,175)**	**(165,175)**
Recognition of equity-settled share-based payment	30	**–**	**–**	**–**	**–**	**141**	**–**	**141**
At 31 December 2014		**10,355**	**561,252**	**47,382**	**136,801**	**6,876**	**(408,438)**	**354,228**

Notes:

(a) Statutory reserve

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the People's Republic of China (the "PRC"). This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(b) Other reserves

The other reserves comprise the cumulative net non-controlling interests upon the transfer of interests and the reserves arising from corporate reorganisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(165,175)**	(257,272)
Adjustments for:		
Reversal of impairment loss recognised in respect of trade receivables	**(8,265)**	(44,045)
Amortisation of prepaid lease payments	**1,097**	1,098
Depreciation of property, plant and equipment	**8,338**	9,644
Finance costs	**12,079**	7,643
Impairment loss recognised in respect of trade receivables	**114,480**	180,870
Impairment loss recognised in respect of plant and equipment	**10,490**	5,519
Interest income	**(3,181)**	(3,450)
Loss on disposal of property, plant and equipment	**4,336**	316
Written off of property, plant and equipment	**1,845**	-
Share-based payments	**141**	1,087
Government grants	**(3,097)**	(68)
Operating cash flows before movements in working capital	**(26,912)**	(98,658)
Decrease in inventories	**17,203**	39,194
(Increase) decrease in trade, bills and other receivables	**(28,799)**	67,128
Increase (decrease) in trade, bills and other payables	**2,034**	(15,261)
Cash used in operations	**(36,474)**	(7,597)
Income tax paid	**–**	–
NET CASH USED IN OPERATING ACTIVITIES	**(36,474)**	(7,597)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(8,003)**	(1,662)
Placement of pledged bank deposit	**(1,590)**	-
Withdrawal of pledged bank deposit	**–**	204,003
Interest received	**3,181**	3,450
Placement of short-term bank deposits maturing beyond three months	**(125,855)**	(207,052)
Withdrawal of short-term bank deposits maturing beyond three months	**126,411**	-
Proceeds on disposal of property, plant and equipment	**494**	2,322
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(5,362)**	1,061

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
FINANCING ACTIVITIES		
Repayments of bank borrowings	(250,050)	(182,800)
Interest paid	(12,079)	(7,643)
New bank borrowings raised	276,280	187,750
Advance from a related company	436	45
Government grants	3,097	68
NET CASH FROM (USED IN) FINANCING ACTIVITIES	17,684	(2,580)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,152)	(9,116)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	165,943	175,059
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	141,791	165,943

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

Meike International Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 25 June 2009. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1 February 2010. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report. In the opinion of the directors of the Company, the parent and the ultimate holding company of the Company is Glory Hill Enterprises Limited ("Glory Hill"), a limited company incorporated in the British Virgin Islands ("BVI").

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacturing and trading of sporting goods. The Company acts as an investment holding company and provides corporate management services. The principal activities of its subsidiaries are set out in Note 35.

The consolidated financial statements are presented in thousands of units of Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendment and Interpretation ("Int(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Hong Kong (IFRS Interpretation Committee) ("HK(IFRIC)") – Int 21	Levies

Except as explained below, the application of the other new and revised HKFRSs in the current year has had no material impact on the Group's consolidated financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

AMENDMENTS TO HKFRS 10, HKFRS 12 AND HKAS 27 INVESTMENT ENTITIES

The Group has applied amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity, the directors of the Company consider that the application of the amendments has had no impact on the disclosures in the Group's consolidated financial statements.

AMENDMENTS TO HKAS 32 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group has applied amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements as they are consistent with the policies already adopted by the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

AMENDMENTS TO HKAS 36 RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS

The Group has applied amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;
- each key assumption on which management has based its determination of fair value less costs of disposal;
- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The directors of the Company consider that the application of the amendments to HKAS 36 has had no material impact on the disclosures in the Group's consolidated financial statements.

AMENDMENTS TO HKAS 39 NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING

The Group has applied amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 introduce an exception to the requirements for the discontinuation of hedge accounting in HKAS 39 if specific conditions are met. The amendments to HKAS 39 state that the novation of a hedging instrument is not be considered an expiration or termination if the novation (a) is required by laws or regulations; (b) results in a central counterparty or an entity acting in a similar capacity becoming the new counterparty to each of the parties to the novated derivative and (c) does not result in changes to the terms of the original over-the-counter derivatives other than the changes directly attributable to the novation. For all other novations outside the scope of the exemption, an entity should assess if they meet the derecognition criteria and the conditions for continuation of hedge accounting.

As the Group does not have any derivatives that are subject to novation, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HK(IFRIC) – INT 21 LEVIES

The Group has applied HK(IFRIC) – Int 21 Levies for the first time in the current year. HK(IFRIC) – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

NEW AND REVISED HKFRSS IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9 (2014)	Financial Instruments[4]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]

1 Effective for annual periods beginning on or after 1 July 2014.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2017.
4 Effective for annual periods beginning on or after 1 January 2018.

The directors of the Company anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 9 (2014) FINANCIAL INSTRUMENTS

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 9 (2014) FINANCIAL INSTRUMENTS *(continued)*

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS *(continued)*

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

ANNUAL IMPROVEMENTS TO HKFRSS 2010 – 2012 CYCLE

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

ANNUAL IMPROVEMENTS TO HKFRSS 2010 – 2012 CYCLE *(continued)*

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

ANNUAL IMPROVEMENTS TO HKFRSS 2011 – 2013 CYCLE

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

ANNUAL IMPROVEMENT TO HKFRSS 2012 – 2014 CYCLE

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012-2014 Cycle will have a material effect on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

AMENDMENTS TO HKAS 1 DISCLOSURE INITIATIVE

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

AMENDMENTS TO HKAS 19 DEFINED BENEFIT PLANS – EMPLOYEE CONTRIBUTIONS

The amendments to HKAS 19 simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Specifically, contributions that are linked to services are attributed to periods of services as a negative benefit. The amendments to HKAS 19 specifies that such negative benefit are attributed in the same way as the gross benefit, i.e. attribute to periods of services under the plan's contribution formula or on a straight-line basis.

Besides, the amendments also states that if the contributions are independent of the number of years of employee service, such contributions may be recognised as a reduction of the service cost as they fall due.

The amendments to HKAS 19 will become effective for annual periods beginning on or after 1 July 2014 with early application permitted.

The directors of the Company anticipate that the application of the amendments to HKAS 19 will have no material impact to the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

AMENDMENTS TO HKAS 16 AND HKAS 38 CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

i) when the intangible asset is expressed as a measure of revenue;

ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

As the Group use straight-line method for depreciation of property, plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

AMENDMENTS TO HKAS 16 AND HKAS 41 AGRICULTURE: BEARER PLANTS

The amendments to HKAS 16 and HKAS 41 define bearer plants. Biological assets that meet the definition of bearer plants are no longer accounted for under HKAS 41, but under HKAS 16 instead. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The amendments to HKAS 16 and HKAS 41 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

As the Group does not have any biological assets, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements.

AMENDMENTS TO HKAS 27 EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

i) at cost;

ii) in accordance with HKFRS 9 (or HKAS 39); or

iii) using the equity method as described in HKAS 28.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

AMENDMENTS TO HKAS 27 EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS *(continued)*

The amendments to HKAS 27 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

As the Company does not have any investment in associates or joint ventures, the directors of the Company do not anticipate that the application of the amendments to HKAS 27 will have a material impact on the Company's financial statements.

AMENDMENTS TO HKFRS 10 AND HKAS 28 SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

The amendments provide guidance on addressing the acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28, in dealing with the sale or contribution of assets between an investor and its joint venture and associate. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that constitutes or contains a business to a joint venture or associate in full. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that does not constitute or contain a business to a joint venture or associate only to the extent of the unrelated investors' interests in that joint venture or associate.

The amendments to HKFRS 10 and HKAS 28 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Company does not have any investment in joint operations, the directors of the Company do not anticipate that the application of the amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

AMENDMENTS TO HKFRS 10, HKFRS 12 AND HKAS 28 INVESTMENT ENTITIES: APPLYING THE CONSOLIDATION EXCEPTION

The amendments clarify the requirements when accounting for investment entities as well as provide relief in particular circumstances, which will reduce the costs of applying the Standards. Specifically, a parent entity that is a subsidiary of an investment entity is exempted from preparing consolidated financial statements. A parent entity which is also a subsidiary of an investment entity and hold interests in associates and joint ventures is exempted from applying equity method if it meets all the conditions stated in paragraph 4(a) of HKFRS 10.

Besides, the amendments clarify if an investment entity has a subsidiary that is not itself an investment entity and whose main purpose and activities are providing investment-related services that relate to the investment entity's investment activities to the entity or other parties, it should consolidate that subsidiary. If the subsidiary that provides the investment-related services or activities is itself an investment entity, the investment entity parent should measure that subsidiary at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when apply the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

AMENDMENTS TO HKFRS 10, HKFRS 12 AND HKAS 28 INVESTMENT ENTITIES: APPLYING THE CONSOLIDATION EXCEPTION *(continued)*

Furthermore, if a parent that is an investment entity and has measured all of its subsidiaries at fair value through profit or loss, that investment entity should present the disclosures relating to investment entities required by HKFRS 12 in its financial statements. If an investment entity has consolidated its subsidiary in which the subsidiary itself is not an investment entity and whose main purpose and activities are providing services that relate to the investment activities of its investment entity parent, the disclosure requirements in HKFRS 12 apply to financial statements in which the investment entity consolidates that subsidiary.

The amendments to HKFRS 10, HKFRS 12 and HKAS 28 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

As the Company does not have any investments in investment entities, the directors of the Company do not anticipate that the application of the amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

AMENDMENTS TO HKFRS 11 ACCOUNTING FOR ACQUISITION OF INTERESTS IN JOINT OPERATIONS

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business as defined in HKFRS 3 Business Combination. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group does not have any investment in joint operations, the directors of the Company do not anticipate that the application of the amendments to HKFRS 11 will have a material impact on the Company's consolidated financial statements.

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

– 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 included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF CONSOLIDATION *(continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including buildings held for own use in the production or supply of goods, or for administrative purposes (other than construction in progress as described below), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for administrative purposes. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

PREPAID LEASE PAYMENTS ON LAND USE RIGHT

Payment for obtaining land use right is considered as prepaid operating lease payment. Land use rights are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to consolidated statement of profit or loss and other comprehensive income over the period of the rights or the term of the respective enterprise to which the land use rights are granted, whichever is the shorter, using the straight-line method.

Prepaid lease payments represented land use rights held for use in the production or supply of goods, or for administrative purposes.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade, bills and other receivables, short-term bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade, bills and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss and other comprehensive income to the extent 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.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade, bills and other payables, amount due to a related company and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial liabilities and equity instruments *(continued)*

Derecognition (continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risk and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group's accounting policy for recognition of revenue from operating lease is disclosed in the accounting policy for leasing below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets until such time as the asserts are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

IMPAIRMENT LOSSES ON TANGIBLE ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flow have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

LEASING *(continued)*

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

LEASEHOLD LAND AND BUILDING

When a lease includes both land and buildings elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

RETIREMENT BENEFIT COSTS

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

RESEARCH AND DEVELOPMENT COSTS

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Ownership of the buildings

Despite the Group has paid the full purchase consideration as detailed in Note 17, formal titles of certain of the Group's rights to the use of the buildings were not yet granted from the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal title, the directors of the Company determine to recognise these buildings on the ground that they expect the legal titles being obtained in the future should have no major difficulties and the Group is in substance controlling these buildings. In the opinion of the directors of the Company, the absence of formal title to these buildings does not impair the value of the relevant assets to the Group.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation based on experience about the economic useful lives of the assets and by making reference to market prices of similar assets. The Group assesses annually the residual values and the useful lives of the property, plant and equipment and if the expectation differs from the original estimates, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Estimated impairment loss on property, plant and equipment

As at 31 December 2014, the carrying amount of the property, plant and equipment was approximately RMB127,924,000, net of accumulated impairment of approximately RMB16,009,000 (2013: RMB145,424,000, net of impairment of RMB5,519,000.) Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Impairment loss of RMB10,490,000 (2013: RMB5,519,000) has been recognised during the year ended 31 December 2014 as detailed set out in Note 17.

Write down of inventories

As explained in Note 3, the Group's inventories are stated at the lower of cost and net realisable value. The directors of the Company reviews an aging analysis at the end of the reporting period, and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for inventories in the periods in which such estimate is changed will be adjusted accordingly.

The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. As at 31 December 2014, the carrying amounts of inventories was approximately RMB43,595,000 (2013: carrying amount of approximately RMB60,798,000), no accumulated allowance has been recognised as at ended 31 December 2014 and 2013 and no allowance has been recognised during the years ended 31 December 2014 and 2013.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimated impairment loss on trade receivables

The Group estimates impairment loss on trade receivables resulting from the inability of customers to make the required payments and when there is objective evidence that the Group will not able to collect full amounts due. These estimates were based on the payment history, customers' credit-worthiness, historical write-off experience and default or delinquency in payments. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated. As at 31 December 2014, the carrying amount of the trade receivables were approximately RMB114,247,000 net of provision of impairment loss approximately RMB308,913,000 (2013: the carrying amount of trade receivables were approximately RMB178,603,000, net of provision of impairment loss approximately RMB202,698,000) During the year ended 31 December 2014, impairment loss in respect of trade receivables was recognised in the consolidated statement of profit or loss amounting to RMB114,480,000 (2013: RMB180,870,000).

Income taxes

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated 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 recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in Note 24, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the new share issues as well as the issue of new of the Company, debts or repayment of existing debts.

6. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	347,446	440,837
Financial liabilities		
Liabilities measured at amortised cost	227,032	197,039

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade, bills and other receivables, pledged bank deposits, short-term bank deposits, bank balances and cash, trade, bills and other payables, amount due to a related company and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk

The Group mainly operates in Mainland China with most of the transactions settled in RMB. Other than certain bank balances and deposits, most of the Group's financial instruments such as trade, bills and other receivables are denominated in RMB.

Certain bank balances and deposits are denominated in Hong Kong dollars ("HK$") which is a currency other than functional currency of the relevant group entities.

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting date are as follows:

	2014 RMB$'000	2013 RMB$'000
HK$	1,519	4,160

6. FINANCIAL INSTRUMENTS *(continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Market risk *(continued)*

(i) Foreign currency risk (continued)

Sensitivity analysis

The Group entities are mainly exposed to the fluctuation of HK$ against RMB.

As the Group had no material foreign currency denominated monetary assets and liabilities at 31 December 2014 and 31 December 2013, no significant impacts on the results of the Group would arise from the changes in foreign currency rates, accordingly sensitivity analysis in this respect is not presented.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate short-term bank deposits, pledged bank deposit and fixed-rate bank borrowings (see Notes 21 and 24 for details). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's cash flow interest-rate risk relates primarily to variable-rate bank borrowings (see note 24 for details of the borrowings). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

As at 31 December 2014 and 2013, the Group is also exposed to cash flow interest rate risk in relation to bank balances carried at prevailing floating interest rate. However, such exposure is minimal to the Group as the bank balances are all short-term in nature.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of RMB base lending rate and deposit rate arising stipulated by the People's Bank of China arising from the Group's RMB denominated bank borrowings and bank balances.

6. FINANCIAL INSTRUMENTS *(continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Market risk *(continued)*

(ii) Interest rate risk (continued)

Sensitivity analysis

As the Group had no material foreign currency denominated monetary assets and liabilities at 31 December 2014 and 31 December 2013, no significant impacts on the results of the Group would arise from the changes in foreign currency rates, accordingly sensitivity analysis in this respect is not presented.

The directors of the Company considered the Group's and the Company's exposure to interest rate risk is not material. Hence, no interest rate risks sensitively analysis is presented.

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. Follow-up actions may include debts restructuring plan with debtors and legal actions after taken into account of factors including the credit history, estimated purchase for the current year of the customers and market conditions. The Group reviews the recoverable amount of each individual trade and other receivables at the end of the reporting period to ensure that adequate impairment loss is made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 23% (2013: 11%) and 50% (2013: 43%) of the total trade and bills receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is all in the PRC at 31 December 2013 and 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *(continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The consolidated financial statements have been prepared on a going concern basis. The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2014, the Group has available unutilised short-term bank loan facilities of approximately RMB186,840,000 (2013: RMB70,911,000). Details of which are set out in note 24.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings. The Group has no covenants with banks for the banking facilities granted.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

The amounts included below for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

	Total undiscounted cash flows due on demand or within one year RMB'000	Carrying amount RMB'000
At 31 December 2014		
Non-derivative financial liabilities		
Trade, bills and other payables	**23,556**	**23,556**
Amount due to a related company	**496**	**496**
Bank borrowings	**210,624**	**202,980**
	234,676	**227,032**
At 31 December 2013		
Non-derivative financial liabilities		
Trade, bills and other payables	20,229	20,229
Amount due to a related company	60	60
Bank borrowings	181,798	176,750
	202,087	197,039

7. REVENUE

Revenue represents the amount received and receivable for sales of sporting goods, including footwear, apparel and accessories and shoe sole, net of sales related taxes. An analysis of the Group's revenue is as follows:

	2014 RMB'000	2013 RMB'000
Footwear	110,548	120,800
Apparel	41,161	90,170
Accessories and shoe sole	11,320	19,551
	163,029	230,521

8. SEGMENT INFORMATION

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

SEGMENT REVENUES, RESULTS, ASSETS AND LIABILITIES

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

GEOGRAPHICAL INFORMATION

The Group is organised into a single operating segment as selling sporting goods products primarily in the PRC and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to this single segment. Accordingly, no segment analysis by business and geographical information is presented.

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers of the corresponding year contributing over 10% of the total sales of the Group is as follows:

	2014 RMB'000	2013 RMB'000
Customer A	28,628	N/A*
Customer B	21,554	N/A*
Customer C	17,076	N/A*

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. OTHER INCOME

	2014 RMB'000	2013 RMB'000
Government grants (Note)	3,097	68
Exchange gain, net	312	–
Interest income	3,181	3,450
Reversal of impairment loss recognised in respect of trade receivables	8,265	44,045
Others	51	51
	14,906	47,614

Note:

Government grants were received from several local government authorities for the Group's contribution to growth of the local economies, of which the entitlement was unconditional and under the discretion of the relevant authorities.

10. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest expenses on bank borrowings wholly repayable within five years	12,079	7,643

No borrowing costs were capitalised for the two years ended 31 December 2014 and 2013.

11. INCOME TAX CREDIT

	2014 RMB'000	2013 RMB'000
PRC Enterprise Income Tax ("EIT")		
– Current tax	–	–
Deferred tax (Note 26)		
– Current year	–	(2,648)
	–	(2,648)

Pursuant to the rule and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

11. INCOME TAX CREDIT *(continued)*

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits in Hong Kong during the two years ended 31 December 2014 and 2013.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years ended 31 December 2014 and 2013.

No withholding tax were accrued as the Group did not generate distributable profits for the years ended 31 December 2014 and 2013.

The income tax credit for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 RMB'000	2013 RMB'000
Loss before tax	**(165,175)**	(257,272)
Tax at the domestic income tax rate of 25% (2013: 25%)	**(41,294)**	(64,318)
Tax effect of non-deductible expenses	**2,552**	11,549
Tax effect of deductible temporary differences not recognised	**29,169**	29,362
Tax effect of unused tax losses not recognised	**9,573**	20,759
Income tax credit for the year	**–**	(2,648)

The domestic tax rate in the PRC is used as it is where the operation of the Group is substantially based.

Details of the deferred taxation are set out in Note 26.

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	2014 RMB'000	2013 RMB'000
Salaries and allowances	**31,855**	45,412
Contributions to retirement benefits scheme	**3,798**	6,753
Share-based payments	**141**	1,087
Total staff costs (including directors' and chief executive's emoluments disclosed in Note 13)	**35,794**	53,252
Auditors' remuneration	**763**	778
Cost of inventories recognised as an expense	**146,669**	227,451
Amortisation of prepaid lease payments	**1,097**	1,098
Depreciation of property, plant and equipment	**8,338**	9,644
Research and development costs (included in other operating expenses) (Note)	**5,387**	8,623
Loss on disposal of property, plant and equipment	**4,336**	316
Written off of property, plant and equipment	**1,845**	–
Net foreign exchange losses	**–**	(222)
Operating lease rentals in respect of rented premises	**1,218**	1,641
Rental income	**(51)**	(51)

Note:

Research and development costs included staff costs of employees and depreciation of property, plant and equipment for the purpose of research and development activities.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 10 (2013: 9) directors and the chief executive were as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
For the year ended 31 December 2014				
Executive directors:				
Mr. Ding Siqiang	–	560	15	575
Ms. Ding Xueleng	–	503	15	518
Ms. Ding Jinzhu	–	84	6	90
Mr. Lin Yangshan	–	150	6	156
Mr. Li Dongxing	–	240	6	246
Mr. Ding Minglang	–	131	6	137
	–	1,668	54	1,722
Independent non-executive directors:				
Mr. Yang Chengjie (Note a)	33	–	–	33
Ms. Qiu Qinxing	40	–	–	40
Mr. Lin Jiwu	40	–	–	40
Mr. Liu Qiuming (Note b)	7	–	–	7
	120	–	–	120
	120	1,668	54	1,842

Note a: Mr. Yang Chengjie has resigned as independent non-executive director on 31 October 2014.

Note b: Mr. Liu Qiuming has been newly appointed as independent non-executive director on 31 October 2014.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
For the year ended 31 December 2013				
Executive directors:				
Mr. Ding Siqiang	–	499	6	505
Ms. Ding Xueleng	–	285	4	289
Ms. Ding Jinzhu	–	84	6	90
Mr. Li Dongxing	–	240	6	246
Mr. Lin Yangshan	–	144	6	150
Mr. Ding Minglang	–	120	6	126
	–	1,372	34	1,406
Independent non-executive directors:				
Mr. Yang Chengjie	40	–	–	40
Mr. Lin Jiwu	40	–	–	40
Ms. Qiu Qiuxing	40	–	–	40
	120	–	–	120
	120	1,372	34	1,526

Mr. Ding Siqiang is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

None of the directors of the Company waived or agreed to waive any emoluments paid by the Group for the years ended 31 December 2014 and 2013. No emoluments have been paid to directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2014 and 2013.

The remuneration of directors and the chief executive of the Company is determined by the remuneration committee having regard to the performance of individual and market trends.

14. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group in 2014 and 2013 were all directors and the chief executive of the Company and details of their emoluments are included in Note 13.

15. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2014 RMB'000	2013 RMB'000
Loss		
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share	**(165,175)**	(254,624)

	2014 '000	2013 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,184,610**	1,184,610

Note:

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of the Company's shares for the years ended 31 December 2014 and 2013. Therefore, diluted loss per share was the same as the basic loss per share for the years ended 31 December 2014 and 2013.

16. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2014 and 2013, nor has any dividend been proposed since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use RMB'000	Machineries RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2013	129,679	54,484	7,529	3,658	27,375	222,725
Additions	–	720	701	–	241	1,662
Disposals	–	(5,596)	(7)	–	–	(5,603)
Transfer from construction in progress	–	1,932	–	–	(1,932)	–
At 31 December 2013	129,679	51,540	8,223	3,658	25,684	218,784
Additions	1,725	1,151	251	534	4,342	8,003
Disposals	–	(25,033)	–	–	–	(25,033)
Written off	–	(5,566)	–	–	–	(5,566)
Transfer from construction in progress	1,802	–	–	–	(1,802)	–
At 31 December 2014	**133,206**	**22,092**	**8,474**	**4,192**	**28,224**	**196,188**
DEPRECIATION AND IMPAIRMENT LOSS						
At 1 January 2013	23,974	32,316	3,980	892	–	61,162
Provided for the year	4,726	3,864	725	329	–	9,644
Impairment loss recognised in profit or loss	–	4,786	546	187	–	5,519
Eliminated on disposals	–	(2,962)	(3)	–	–	(2,965)
At 31 December 2013	28,700	38,004	5,248	1,408	–	73,360
Provided for the year	4,806	2,348	822	362	–	8,338
Impairment loss recognised in profit or loss	–	5,664	2,404	2,422	–	10,490
Written off	–	(3,721)	–	–	–	(3,721)
Eliminated on disposals	–	(20,203)	–	–	–	(20,203)
At 31 December 2014	**33,506**	**22,092**	**8,474**	**4,192**	**–**	**68,264**
CARRYING VALUES						
At 31 December 2014	**99,700**	**–**	**–**	**–**	**28,224**	**127,924**
At 31 December 2013	**100,979**	**13,536**	**2,975**	**2,250**	**25,684**	**145,424**

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, taking into account their estimated residual values, as follows:

Buildings held for own use	25 years
Machineries	10 years
Office equipment	5 to 9 years
Motor vehicles	10 years

All the buildings of the Group are situated on land with medium-term land use rights in the PRC.

As at 31 December 2014, the Group has not obtained the building ownership cetificate for buildings with carrying values of approximately RMB41,387,000 (2013: RMB41,922,000) from the relevant PRC government authorities. In the opinion of the directors of the Company, the absence of formal title to these properties does not impair their values to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

At 31 December 2014, certain of the Group's buildings with carrying values of approximately RMB32,601,000 (2013: RMB34,547,000) were pledged to secure certain banking facilities granted to the Group (Note 24).

During the year ended 31 December 2014, as a result of the continuous decline in the performance of the Group, the Group carried out a review of the recoverable amount of the Group's property, plant and equipment. The review led to the recognition of impairment losses on plant and equipments of approximately RMB5,664,000 (2013: RMB4,786,000), office equipment of approximately RMB2,404,000 (2013: RMB546,000), and motor vehicles of approximately RMB2,422,000 (2013: RMB187,000), which have been recognised in consolidated statement of profit or loss and other comprehensive income. The recoverable amounts of the relevant assets, with reference to their value in use amounts are determined to be insignificant as at 31 December 2014 (2013: approximately RMB18,761,000). The discount rate in measuring the amounts of value in use is 13% (2013:14%).

18. PREPAID LEASE PAYMENTS

	2014 **RMB'000**	2013 RMB'000
Analysed for reporting purposes as:		
Non-current asset	**44,870**	45,967
Current asset	**1,098**	1,098
	45,968	47,065

The Group's prepaid lease payments comprise land use rights in the PRC which are held under medium-term leases. The prepaid lease payments are amortised over a period of 50 years on a straight-line basis.

At 31 December 2014, prepaid lease payments amounted to approximately RMB34,609,000 (2013: RMB39,885,000) were pledged to secure certain banking facilities granted to the Group (Note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	18,756	18,313
Work-in-progress	417	3,212
Finished goods	24,422	39,273
	43,595	60,798

20. TRADE, BILLS AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	423,160	381,301
Less: provision of impairment loss	(308,913)	(202,698)
	114,247	178,603
Bills receivables	600	6,300
Trade and bills receivables	114,847	184,903
Other receivables	2,390	4,581
Prepayment to suppliers	18,320	21,759
Other prepayments	611	2,341
Other receivables and prepayments	21,321	28,681
Trade, bills and other receivables	136,168	213,584

The Group does not hold any collateral over these balances.

20. TRADE, BILLS AND OTHER RECEIVABLES *(continued)*

The Group generally allows an average credit period ranging from 180 days to 270 days to its trade customers depending on their financial strength, past credit history and business performance history. As of the end of the reporting period, the aged analysis of trade receivables, net of provision of impairment loss recognised presented based on the invoice dates which approximated the respective revenue recognition dates, are as follows:

	2014 **RMB'000**	2013 RMB'000
Within 90 days	**47,625**	71,289
91 to 180 days	**38,558**	42,408
181 to 365 days	**28,064**	64,906
Total	**114,247**	178,603

In determining the recoverability of receivables, the Group considers whether there has been an adverse change in the credit standing of the debtors from the date on which credit was initially granted. The directors of the Company believe that there was no further credit provision required in excess of the accumulated impairment loss already provided for in the consolidated financial statements.

The movement in provision of impairment loss on trade receivables was as follows:

	2014 **RMB'000**	2013 RMB'000
At 1 January	**202,698**	85,247
Recognised during the year	**114,480**	180,870
Reversal of impairment of provision	**(8,265)**	(44,045)
Written-off	**–**	(19,374)
At 31 December	**308,913**	202,698

Included in the provision for impairment loss of trade receivables are individually impaired trade receivables with an aggregate balance of approximately RMB308,913,000 (2013: RMB202,698,000). The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, provision for impairment loss is recognised.

All bills receivables were aged within 30 days from the invoice date for the years ended 31 December 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. TRADE, BILLS AND OTHER RECEIVABLES *(continued)*

The aged analysis of the trade receivables based on credit terms that are neither individually nor collectively considered to be impaired is as follows:

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	102,938	166,263
Past due but not impaired:		
Within 90 days	2,881	12,340
91-180 days	1,227	–
Over 180 days	7,201	–
Total	114,247	178,603

The Group's neither past due nor impaired trade receivables relate to a large number of diversified customers for whom there was a long term relationship between the Company and those diversified customers. In addition, to facilitate the evaluation process, the Group would takes into account of ageing of receivables balances of each of the customers and their default rates in prior year, certain economic factors specific to each of the customers, the historical payment pattern and credit-worthiness of each customer, as well as the latest communication with each of customer and information received from these customers. In this regard, the directors of the Company consider those balances that are neither past due not impaired are recoverable.

As 31 December 2014, the carrying amount of the trade receivables which have been pledged as security for the borrowing is approximately RMB6,297,000 (2013: RMB70,257,000). The carrying amount of the associated liability is RMB5,300,000 (2013: RMB 57,650,000) as set out in note 24.

The following were the Group's financial assets as at 31 December 2014 and 2013 that were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 24). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2014 RMB'000	2013 RMB'000
Bills receivable discounted to banks with full recourse		
Carrying amount of transferred assets	6,297	70,257
Carrying amount of associated liabilities	(5,300)	(57,650)
Net position	997	12,607

21. SHORT-TERM BANK DEPOSITS/PLEDGED DEPOSITS/BANK BALANCES AND CASH

Short-term bank deposits represented term deposits with maturity period between 3 to 12 months and carried interest at fixed rate from 3.00% to 3.30% (2013: 3.25% to 3.50%) per annum. Bank balances carried interest at market rates which ranged from 0.001% to 0.350% (2013: 0.001% to 0.385%) per annum.

As at 31 December 2014, approximately RMB1,519,000 (2013: RMB4,160,000) of the bank deposits and bank balances and cash of the Group were denominated in HK$ which is a currency other than RMB while the remaining balances and short-term bank deposits were denominated in RMB.

At 31 December 2014, certain bank deposits of the Group with carrying value of approximately RMB1,590,000 (2013: Nil) were pledged to secure certain bills payables granted to the Group (Note 22).

22. TRADE, BILLS AND OTHER PAYABLES

	2014 RMB'000	2013 RMB'000
Trade and bills payables	13,130	6,162
Other payables	6,608	5,797
Other tax payables	4,226	4,117
Receipts in advance	93	1,495
Accrued payroll and staff welfare	3,818	8,270
	14,745	19,679
Trade, bills and other payables	27,875	25,841

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2014 RMB'000	2013 RMB'000
Within 90 days	11,284	5,168
91 to 180 days	466	259
181 to 365 days	1,380	182
Over 365 days	–	553
Total	13,130	6,162

22. TRADE, BILLS AND OTHER PAYABLES *(continued)*

The average credit period on purchases of goods is ranged from 60 days to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The Group's bills payable amounting to RMB5,300,000 as at 31 December 2014 (31 December 2013: Nil) were secured by the Group's time deposit amounting to RMB1,590,000 (31 December 2013: Nil).

23. AMOUNT DUE TO A RELATED COMPANY

	2014 **RMB'000**	2013 RMB'000
Amount due to – Hengqiang (China) Co., Ltd. ("Hengqiang")	**496**	60

Mr. Ding Siqiang, a director of the Company, holds 80% equity interests of 恒強(國際)有限公司, which is the ultimate holding company of Hengqiang.

The amount due to a related company is unsecured, interest-free and repayable on demand.

24. BANK BORROWINGS

	2014 **RMB'000**	2013 RMB'000
Bank borrowings repayable within one year:		
Unsecured	**23,000**	–
Secured	**179,980**	176,750
	202,980	176,750

The Group's bank borrowings are interest-bearing as follows:

	2014 **RMB'000**	2013 RMB'000
Fixed-rate borrowings	**202,980**	85,100
Variable-rate borrowings	**–**	91,650
	202,980	176,750

24. BANK BORROWINGS *(continued)*

The ranges of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2014	2013
Effective interest rate:		
Fixed-rate borrowings	5.66% to 7.8%	6.06% to 6.30%
Variable-rate borrowings	–	5.88% to 6.60%

All bank loans were denominated in RMB.

During the year ended 31 December 2014, the Group obtained new borrowings in the amount of approximately RMB276,280,000 (2013: RMB187,750,000). The proceeds were used to finance the general working capital of the Group.

As at 31 December 2014, secured bank borrowings with aggregate carrying values of approximately RMB174,680,000 (2013: RMB107,600,000) were secured by buildings held for own use and prepaid lease payments. As at 31 December 2014, secured bank borrowings with carrying value of approximately RMB5,300,000 (2013: RMB69,150,000) was secured by certain trade receivables of the Group. Details are disclosed in Notes 17, 18 and 20.

As at 31 December 2013 personal guarantee of RMB46,000,000 was jointly provided by the directors of the Group to secure an unused banking facility amounted to RMB46,000,000, which was released during the year ended 31 December 2014. Details are disclosed in Note 32.

At the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2014 RMB'000	2013 RMB'000
Floating rate		
– expiring within one year	50,168	5,063
– expiring beyond one year	136,672	65,848
	186,840	70,911

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For the year ended 31 December 2014

25. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares	
		HK$'000	RMB'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 January 2013, 31 December 2013 and 31 December 2014	10,000,000,000	100,000	
Issued and fully paid:			
At 1 January 2013, 31 December 2013 and 31 December 2014	1,184,610,000	11,846	10,355

26. DEFERRED TAX LIABILITIES (ASSETS)

The movement in deferred tax liabilities (assets) is as follows:

	Withholding tax on dividends RMB'000
At 1 January 2013	6,509
Credited to consolidated statement of profit or loss and other comprehensive income	(6,509)
At 31 December 2013 and 31 December 2014	–

	Allowance for inventories RMB'000
At 1 January 2013	(3,861)
Charged to consolidated statement of profit or loss and other comprehensive income	3,861
At 31 December 2013 and 31 December 2014	–

26. DEFERRED TAX LIABILITIES (ASSETS) *(continued)*

At the end of the reporting period, the Group has unused tax losses of approximately RMB189,488,000 (2013: RMB151,196,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The unused tax losses will expire after five years from the year of assessment to which they relate.

At the end of the reporting period, the Group had deductible temporary differences of approximately RMB319,375,000 (2013: RMB202,698,000). No deferred tax has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised (2013: Nil).

27. OPERATING LEASES

THE GROUP AS LESSEE

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises, warehouses and staff quarters which fall due as follows:

	2014 **RMB'000**	2013 RMB'000
Within one year	**1,729**	1,334
In the second to fifth years inclusive	**760**	1,636
	2,489	2,970

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average of 2 years with fixed rentals.

28. CAPITAL COMMITMENTS

Capital commitments in respect of construction in progress at the end of the reporting period were as follows:

	2014 **RMB'000**	2013 RMB'000
Contracted for but not provided in the consolidated financial statements	**35,513**	35,733

29. PLEDGE OF ASSETS

The Group had pledged the following assets to secure bank borrowings and bills payables of the Group at the end of the reporting period. The carrying values of the assets pledged are as follows:

	2014 RMB'000	2013 RMB'000
Buildings held for own use (Note 17)	32,601	34,547
Pledged bank deposits (Note 21)	1,590	–
Prepaid lease payments (Note 18)	34,609	39,885
Trade receivables (Note 20)	6,297	70,257
	75,097	144,689

30. SHARE-BASED PAYMENT TRANSACTIONS

EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY

The Company's share option scheme (the Scheme), was adopted pursuant to a resolution passed on 6 January 2010 for the primary purpose of providing incentives to directors and eligible employees, and will expire ten years after grant date. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31 December 2014, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 19,200,000 (2013: 19,200,000), representing 1.62% (2013: 1.62%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted may be exercised at any time in accordance with the terms of the Scheme. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

30. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY *(continued)*

Details of specific categories of options are as follows:

Date of grant	Exercise price	Vesting period	Exercise period	Maximum % of share options exercisable
27 August 2010	HK$1.56	27 August 2010 to 26 February 2012	27 February 2012 to 26 August 2020	Up to 30%
		27 August 2010 to 26 February 2013	27 February 2013 to 26 August 2020	Up to 60% (to the extent not already exercised)
		27 August 2010 to 26 February 2014	27 February 2014 to 26 August 2020	Up to 100% (to the extent not already exercised)

The following table discloses movements of the Company's share options held by directors and employees during the year:

For the year ended 31 December 2014

Option type	Outstanding at 1 January 2014	Granted during the year	Forfeited during the year	Outstanding at 31 December 2014
2010	19,200,000	–	–	19,200,000
Exercisable at the end of the year				19,200,000
Weighted average exercise price	HK$1.56	N/A	N/A	HK$1.56

30. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY *(continued)*

For the year ended 31 December 2013

Option type	Outstanding at 1 January 2013	Granted during the year	Forfeited during the year	Outstanding at 31 December 2013
2010	22,600,000	–	3,400,000	19,200,000
Exercisable at the end of the year				5,760,000
Weighted average exercise price	HK$1.56	N/A	N/A	HK$1.56

During the year ended 31 December 2013, 3,400,000 share options (2014: Nil) were automatically forfeited upon the resignation of certain employees.

No share options have been exercised during both years.

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	2010
Share price on the date of grant	HK$1.56
Exercise price	HK$1.56
Expected volatility	43.763%
Expected life	10 years
Risk-free rate	1.91%
Expected dividend yield	3.21%

Expected volatility was determined by using the historical volatility of the share price of comparable companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of approximately RMB141,000 (equivalent to approximately HK$176,000) for the year ended 31 December 2014 (2013: RMB1,087,000 equivalent to approximately HK$1,362,000) in relation to share options granted by the Company.

31. RETIREMENT BENEFITS SCHEMES

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Group contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the “MPF Scheme”), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees’ earnings as defined under the Mandatory Provident Fund legislation. Both the Group’s and the employees’ contributions are subject to a cap of HK$1,250 per month before 1 June 2014 and HK$1,500 per month with effective from 1 June 2014.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the year ended 31 December 2014, the total retirement benefit scheme contributions charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately RMB3,798,000 (2013: RMB6,753,000).

32. RELATED PARTY TRANSACTIONS

(A) In addition to balances disclosed in Note 23, the Group entered into the following related party transactions:
During the year ended 31 December 2014, the Group leased certain interest in leasehold land held for own use under operating leases and buildings in respect of office premises from a related company, Hengqiang at total rental expenses of approximately RMB593,000 (2013: RMB790,000). Leases are negotiated for an average term of 2 years.

As at 31 December 2013, a guarantee of RMB46,000,000 (2014: Nil) was jointly provided by Mr. Ding Siqiang and Ms. Ding Xueleng to secure certain banking facilities of the Group. Mr. Ding Siqiang and Ms. Ding Xueleng are directors of the Group. The abovementioned guarantee was released on 1 April 2014 upon the expiry of the relevant banking facility.

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of key management during the year were as follows:

	2014 RMB’000	2013 RMB’000
Short-term benefits	2,359	2,339
Post-employment benefits	74	70
	2,433	2,409

The remuneration of directors and other members of key management is determined by the remuneration committee having regard to the performance of the individuals and market trends.

33. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2013, the Group granted subsidy to the distributors of approximately RMB51,000,000 (2014: Nil) and shall be settled by way of setting off against the amounts due from these distributors to the Group.

Details were set out in the announcements of the Company on 11 October 2013.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment		10	10
Interests in subsidiaries	(a)	9	9
		19	19
Current assets			
Other receivables		323	321
Dividend receivables		165,592	165,592
Amounts due from subsidiaries	(b)	27,731	23,424
Bank balances and cash		1,417	3,420
		195,063	192,757
Current liabilities			
Other payables		315	904
Amount due to directors	(b)	824	182
		1,139	1,086
Net current assets		193,924	191,671
Total assets less current liabilities		193,943	191,690
Capital and reserves			
Share capital		10,355	10,355
Reserves	(c)	183,588	181,335
Total equity		193,943	191,690

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

(a) Interests in subsidiaries

	2014 RMB'000	2013 RMB'000
Unlisted investments, at cost	9	9
Amounts due from subsidiaries – current	398,730	394,423
	398,739	394,432
Less: Impairment loss recognised on amount due from subsidiaries	(370,999)	(370,999)
	27,740	23,433
Analysed for reporting purposes as:		
Non-current asset	9	9
Current asset	27,731	23,424
	27,740	23,433

(b) Amounts due to subsidiaries and amounts due to directors are unsecured, interest-free and repayable on demand.

(c) Reserves

	Note	Share Premium RMB'000	Share options reserve RMB'000	Retained earnings (accumulated losses) RMB'000	Total RMB'000
At 1 January 2013		561,252	6,845	(327)	567,770
Loss and total comprehensive expense for the year		-	-	(387,522)	(387,522)
Recognition of equity-settled share-based payments	30	-	1,087	-	1,087
Share option forfeited	30	-	(1,197)	1,197	-
At 31 December 2013		561,252	6,735	(386,652)	181,335
Profit and total comprehensive income for the year		–	–	2,112	2,112
Recognition of equity-settled share-based payments	30	–	141	–	141
At 31 December 2014		561,252	6,876	(384,540)	183,588

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

35. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Place/ Country of incorporation or registration/ operations	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion ownership interest held by the Company		Proportion of voting power held by the Company	Principal activities
				Direct %	Indirect %	%	
Amber Jungle Limited 珀森有限公司	BVI 12 March 2009	Ordinary	US$2/US$50,000	100%	-	100%	Investment holding
Mega Pacific Enterprises Limited 太平洋企業有限公司	Hong Kong 30 March 2009	Ordinary	HK$1/ HK$10,000	-	100%	100%	Investment holding
Meike (H.K.) Trade Company Limited 美克(香港)貿易投資有限公司	Hong Kong 31 August 2007	Ordinary	HK$42,488,800/ HK$42,488,800	-	100%	100%	Investment holding
Meike (Fujian) Sports Leisure Co., Limited 福建美克休閑体育用品有限公司 (Notes (i) and (iii))	The PRC 12 February 1999	Ordinary	RMB186,140,005/ RMB200,000,000	-	100%	100%	Manufacturing and trading of sporting goods
Fujian Meisike Sports Goods Co., Limited 福建省美斯克体育用有限公司 (Notes (ii) and (iii))	The PRC 15 March 2007	Ordinary	HK$200,000,000/ HK$200,000,000	-	100%	100%	Manufacturing and trading of sporting goods
Quanzhou Meike Sports Goods Co., Limited 泉州市美克体育用品有限公司 (Notes (ii) and (iii))	The PRC 30 January 2007	Ordinary	RMB 281,999,497/ RMB 300,000,000	-	100%	100%	Manufacturing and trading of sporting goods

None of the subsidiaries had issued any debt securities during both years and at the end of both years.

All of the above subsidiaries operate principally in their respective place of incorporation/ establishment.

Notes:

(i) The entity is wholly foreign owned enterprise established in the PRC.

(ii) The entities are sino-foreign joint venture established in the PRC.

(iii) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Revenue	712,864	633,385	331,487	230,521	**163,029**
Cost of sales	(464,611)	(422,213)	(313,587)	(227,451)	**(146,669)**
Gross profit	248,253	211,172	17,900	3,070	**16,360**
Other income	7,624	3,952	2,004	47,614	**14,906**
Other gains and losses, net	(7,726)	7,698	139	–	**–**
Impairment loss recognised in respect of property, plant and equipment	–	–	–	(5,519)	**(10,490)**
Impairment loss recognised in respect of trade receivables	–	–	(85,247)	(180,870)	**(114,480)**
Selling and distribution expenses	(42,812)	(74,085)	(24,936)	(55,530)	**(9,336)**
Administrative expenses	(34,964)	(42,156)	(37,614)	(46,575)	**(38,489)**
Other operating expenses	(16,923)	(18,383)	(10,551)	(11,819)	**(11,567)**
Finance costs	(12,006)	(13,105)	(13,323)	(7,643)	**(12,079)**
Gain on disposal of a subsidiary	–	10	–	–	**–**
Profit (loss) before tax	141,446	75,103	(151,628)	(257,272)	**(165,175)**
Income tax (expense) credit	(24,994)	(18,985)	731	2,648	**–**
Profit (loss) for the year	116,452	56,118	(150,897)	(254,624)	**(165,175)**
Other comprehensive income:					
Exchange differences on translation	18	–	–	–	**–**
Total comprehensive income (loss) for the year	116,470	56,118	(150,897)	(254,624)	**(165,175)**
Earnings (loss) per share — Basic and diluted (RMB)	0.122	0.047	(0.127)	(0.215)	**(0.139)**

FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Assets					
Current assets	1,080,833	998,912	779,736	530,522	**412,785**
Non-current assets	189,752	214,336	212,489	191,391	**172,794**
Total Assets	1,270,585	1,213,248	992,225	721,913	**585,579**
Equity and Liabilities					
Current liabilities	341,794	285,095	212,917	202,651	**231,351**
Non-current liabilities	2,193	6,509	6,509	–	**–**
Total Equity	926,598	921,644	772,799	519,262	**354,228**
Total Equity and Liabilities	1,270,585	1,213,248	992,225	721,913	**585,579**