2015
ANNUAL REPORT

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Allan Yap *(Chairman)*
Mr. Ding Siqiang
Ms. Ding Xueleng
Ms. Lok Yee Ling Virginia

NON-EXECUTIVE DIRECTORS

Mr. Wong Ka Ching
Mr. Gu Jiong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pang Hong
Mr. Poon Kwok Hing, Albert
Ms. Szeto Wai Ling Virginia

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Poon Kwok Hing, Albert *(Committee Chairman)*
Mr. Pang Hong
Ms. Szeto Wai Ling Virginia

NOMINATION COMMITTEE

Mr. Pang Hong *(Committee Chairman)*
Mr. Poon Kwok Hing, Albert
Ms. Szeto Wai Ling Virginia

REMUNERATION COMMITTEE

Ms. Szeto Wai Ling Virginia *(Committee Chairman)*
Mr. Pang Hong
Mr. Poon Kwok Hing, Albert

COMPANY SECRETARY

Ms. Chan Yin Yi Annie

AUTHORISED REPRESENTATIVES

Mr. Gu Jiong
Ms. Chan Yin Yi Annie

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

19/F., Leighton Centre
77 Leighton Road
Causeway Bay
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 CAYMAN ISLANDS

Conyers Dill & Pearman, Cayman

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

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 2015 (the "Year").

RESULT HIGHLIGHTS

During the Year, the turnover of the Group amounted to approximately RMB147,735,000 (2014: approximately RMB163,029,000), representing a year-on-year decrease of approximately 9.4% or approximately RMB15,294,000. Loss for the Year amounted to RMB105,873,000, approximately decreased by 35.9% as compared to loss of approximately RMB165,175,000 in the same period of 2014. Loss per share amounted to approximately RMB0.089 (2014: Loss per share approximately RMB0.139).

During the Year, the domestic sales of the Group had decreased from approximately RMB63,517,000 for the year ended 31 December 2014 to approximately RMB29,525,000 for the Year. This is mainly due to the intensifying competition pressure, like deeper discounting or intensive promotional sales, from the major local brands. Besides, certain outlets of our distribution had been closed due to high operational cost with low efficiency or with significant loss, thus, the total number of outlets of the Group had decreased from 306 outlets as at 31 December 2014 to 142 outlets as at 31 December 2015. 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 result, revenue from export sales increased by approximately 18.8% as compared to the same period of 2014.

OVERVIEW

Affected by the volatile economic situation and sluggish view of the future global and PRC market condition in the coming years, the consumer goods sector in PRC in general remained anemic. Some of the major brands have found their way to recovery by differentiating their brands from other competitors and modifying their business strategies like combining sports and entertainment in its marketing strategy. Nevertheless, similar to the situation in 2014, small to medium sports brands are still in the struggling in the muddy waters due to the lack of products differentiation and pressure from the major domestic as well as international brands.

Facing the gloomy industrial condition, the Company and its management understand that remaining stagnant would only lag itself behind its peers. The Company was determined to improve its business and operational performance, starting from the very fundamental but essential step of strengthening its executive and management team. The joining of new directors who are experienced in different areas such as financial management and with vast business connections can help the Group to have new insights and look for new business opportunities hence add value to the Company which enables the Group to develop sustainably.

The shares of the Company had been halted from July to late October 2015, the trading of shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") due to a potential subscription agreement with three potential investors. Details of the Subscription Agreement and the subsequent events in relation there are set forth in the announcements dated 7 July 2015, 29 July 2015, 31 August 2015, 8 September 2015, 20 October 2015 and 18 November 2015.

CHAIRMAN'S STATEMENT

Though the said potential subscription agreement had been terminated in November 2015, the Company had not ceased to look for new business opportunities. Grabbing hold of the rising industrial trend of dual business strategy of an amalgam of sports and entertainment, the Company had entered into a movie investment agreement with Mega-Vision Project Workshop Limited（星王朝有限公司）on 2 November 2015, of which the Company had invested HK$30,000,000 into a star-stunned blockbuster, From Vegas to Macau III（賭城風雲3）(the "Film"). The Film is a Hong Kong-Chinese action comedy film, which was released in February 2016, directed by Andrew Lau and Wong Jing and starring Chow Yun-fat, Andy Lau, Nick Cheung and Li Yuchun, with special appearances by Jacky Cheung and Carina Lau. The encouraging result of its box office in both Hong Kong and PRC had proved that the Company is moving towards an appropriate direction for improving the business performance and strategy of Company.

STREAMLINING THE BUSINESS STRUCTURE

Apart from that, the Company and its management had reviewed the business structure of the Company and determined to streamline its business structure in order to better allocate its resources more efficiently on existing and potential business projects. In September 2015, the Company had made its first step by entering an agreement in relation to the disposal of 100% interest in Quanzhou Meike Sports Goods Co., Ltd. ("Quanzhou Meike") for a total cash consideration of HK$61,000,000. The Board considers that the recent financial performance of Quanzhou Meike has not been satisfactory as it experienced a drop in turnover and recorded a net loss (both before taxation and after taxation) for the financial year ended 31 December 2014 and period ended 30 June 2015. The Directors are of the view that the Disposal represents a good opportunity for the Group to reduce the costs and overall losses for the Group.

OUTLOOK AND PROSPECT

With the joining of new management and new business strategy of combining sports and entertainment in 2015, the Board and the management of the Company is more than confident that the Group is moving towards a positive direction. The Company had kicked-off its first plan in its investment in film in 2015 of which the encouraging results of the film had built up confidence of the management to keep up on this new business strategy.

In early 2016, we have further demonstrated our determination and intended to dispose 49% interest in Amber Jungle Limited, a direct wholly-owned subsidiary of the Company so that we can refine and streamline the business structure more. Details of the proposed disposal are set out in the circular dated 31 March 2016.

More important of a step is that, with a new strategic business plan, it is necessary to give the Company a more appropriate corporate image and identity so as to better reflect its new business strategy. The Company has proposed to change its company name from "Meike International Holdings Limited" to "Shaw Brothers Holdings Limited" and the Chinese name of the Company from "美克國際控股有限公司" to "邵氏兄弟控股有限公司". Details of which are set out in the announcement dated 19 February 2016.

The Board believes that with the foundations set in 2015 and early 2016, the Company will be gaining momentum and moving towards promising future. We will unceasingly search for various investments and business opportunities that fit in our new business strategy so that we can bring benefits to the Company for sustainable growth and for the benefits of our Shareholders.

CHAIRMAN'S STATEMENT

APPRECIATION

Last but not the least, I would like to take this opportunity to thank all the management and staff members for their dedicated efforts and continuing contribution during the year to the Group. I look forward to growing the business of the Group to gather with my team, and bringing the Group to a new next-level and strive for better results and to increase value for our shareholders.

Dr. Allan Yap
Chairman

Hong Kong, 31 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Affected by the volatile economic situation and sluggish view of the future global and PRC market condition in the coming years, the consumer goods sector in PRC in general remained anemic. Some of the major brands have found their way to recovery by differentiating their brands from other competitors and modifying their business strategies like combining sports and entertainment in its marketing strategy. Nevertheless, similar to the situation in 2014, small to medium sports brands are still struggling in the muddy waters due to the lack of products differentiation and pressure from the major domestic and international major brands and the change in consumption pattern of the domestic customers, like on-line shopping.

BUSINESS REVIEW

During the Year, sales of the Group decreased by approximately 9.4% from approximately RMB163,029,000 to approximately RMB147,735,000 as compared to the same period of 2014. This is mainly due to the decrease in sales of our own brand in the domestic market by approximately 53.5%. This is because the Group had closed down 137 Meike distributor outlets and 27 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. On the other hand, export sales to overseas market increased by approximately 18.8%, which is mainly due to more resources have been devoted by the Group to explore the overseas market in order to increase the volume of export sales to compensate the significant decrease in domestic sales.

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 2015 and 31 December 2014, respectively by geographical locations:

	As at 31 December			
	2015		2014	
	Distributors	**Outlets**	Distributors	Outlets
East China[1]	**2**	**98**	2	186
Central South China[2]	**3**	**44**	3	120
Total	**5**	**142**[4]	5	306[3]

Notes:

(1) East China includes Shanghai, Zhejiang and Fujian;

(2) Central South China includes Henan and Guangdong;

(3) 276 were Meike distributor outlets and 30 were Meike retailer outlets;

(4) 139 were Meike distributor outlets and 3 were Meike retailer outlets.

MANAGEMENT DISCUSSION AND ANALYSIS

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 20 overseas countries, including Germany, Turkey, Holland, Russia, Poland, Japan, Spain and Italy, etc. 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 were graduated from colleges in the PRC and possess design or art related diplomas and have more than 10 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 can enable 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 2015, the Group had a total of 32 full-time employees in its design and development department.

FILM INVESTMENT

To respond to the pessimistic picture of the market and downturn of business, the Company had not ceased to look for new business opportunities. Grabbing hold of the rising industrial trend of dual business strategy of an amalgam of sports and entertainment, the Company had entered into a film investment agreement with Mega-Vision Project Workshop Limited (星王朝有限公司) on 2 November 2015, of which the Company had invested HK$30,000,000 in a star-stunned blockbuster, From Vegas to Macau III (賭城風雲3) (the "Film"). The Film is a Hong Kong-Chinese action comedy film, which was released in February 2016, directed by Andrew Lau and Wong Jing and starring Chow Yun-fat, Andy Lau, Nick Cheung and Li Yuchun, with special appearances by Jacky Cheung and Carina Lau. The encouraging result of its box office in both Hong Kong and PRC had proved that the Company is moving towards an appropriate direction for improving the business performance and strategy of Company.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECT AND OUTLOOK

2015 was a year of transformation for the Company. With the vision to start on a new direction for sustainable growth, the Company has begun steering into a new business strategy of the combination of sports and entertainment.

To continue to refine the business structure, the Company intends to dispose 49% interest in Amber Jungle Limited (the "Target Company"), a direct wholly-owned subsidiary of the Company. On 25 January 2016, the Company entered into the agreement with Champ Luck Enterprise Limited (the "Purchaser"), pursuant to which the Company has agreed to sell and the Purchaser has agreed to acquire 49% of the issued share capital of the Target Company, for a total cash consideration of HK$52,000,000 (the "Potential Disposal"). Provided the current volatile economic situation and sluggish view of the future global market condition in the coming years, and the estimated gain on disposal of 49% of the share capital of the Target Company for approximately HK$1,500,000, the Directors are of the view that the Potential Disposal represents a good opportunity to allow the Group to realise the capital invested in sales interests and improve the overall financial position of the Group, while maintaining the major control of the manufacturing and trading business of the Target Company. Upon completion, the amount of investment the Group is obligated to contribute in relation to its operation is expected to decrease in line with the reduction of its shareholding in the Target Company. Details of which are set out in the announcement dated 25 January 2016 and the circular dated 31 March 2016.

Meanwhile, to better reflect of the above strategic business plan and to give a more appropriate corporate image and identity, subject to further approval by the shareholders of the Company in an extraordinary general meeting, the Company intends and proposes to change its company names from "Meike International Holdings Limited" to "Shaw Brothers Holdings Limited" and the Chinese name of the Company from "美克國際控股有限公司" to "邵氏兄弟控股有限公司" ("Proposed Change of Company Names"). Details of which are set out in the announcement dated 19 February 2016.

Having tested the waters in film investment in 2015, the Board believes that the Company is heading towards a business strategy that can bring promising return to the Company. The Company shall continue to seek for suitable film and other investment opportunities which can better embody the new business strategy of the Company while generate future benefits to the Company.

All in all, with such fresh corporate image which is in line with the strategic business plan of the Company, together with the leadership from the Board and the senior management of the Company, the Company will continue to identify and leverage on any valuable potential business opportunities while refining the business strategy according to the market and global economic conditions in order to achieve business growth for the benefit of the Company and its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE BY PRODUCT CATEGORY

	2015	2014		**2015**	2014
	RMB'000	RMB'000	Change (%)	**% of total revenue**	
Domestic					
Footwear	**13,538**	16,185	(16.4)	**9.2**	9.9
Apparel	**10,465**	36,012	(70.9)	**7.1**	22.1
Accessories, shoe soles and others	**5,522**	11,320	(51.2)	**3.7**	6.9
	29,525	63,517	(53.5)	**20.0**	38.9
Export					
Footwear	**118,156**	81,522	44.9	**80.0**	50.0
Footwear (Meike brand)	**–**	12,841	(100.0)	**–**	7.9
Apparel (Meike brand)	**54**	5,149	(99.0)	**–**	3.2
	118,210	99,512	18.8	**80.0**	61.1
Total	**147,735**	163,029	(9.4)	**100**	100
Gross profit margin (%)	**5.6**	10.0			

For the Year, the revenue of the Group decreased by approximately 9.4% to approximately RMB147,735,000 (for the year ended 31 December 2014: approximately RMB163,029,000) and the gross profit margin decreased by approximately 44.0% to approximately 5.6% (for the year ended 31 December 2014: approximately 10.0%). The gross profit margin of 2015 was low mainly due to the increase in sales of export products, whereas the gross profit margin of export products was lower than the products sold domestically.

Revenue from the domestic sales of footwear products decreased by approximately 16.4% from approximately RMB16,185,000 for the year ended 31 December 2014 to approximately RMB13,538,000 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 164 retail outlets, thus reducing the demand for our "Meike" products.

Revenue from the domestic sales of apparel products decreased by approximately 70.9% from approximately RMB36,012,000 for the year ended 31 December 2014 to approximately RMB10,465,000 for the Year, mainly due to the decrease in the average selling price from approximately RMB66 for the year of 2014 to approximately RMB63 for the Year and the decrease in the demand for the Group's apparel products due to the intensified competition from major local brands and the closure of our retail outlets.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from the domestic sales of accessories and shoe soles decreased by approximately 51.2% from approximately RMB11,320,000 for the year ended 31 December 2014 to approximately RMB5,522,000 for the Year, primarily due to the decrease in the sales of shoe soles during the Year.

Revenue from export sales increased by approximately 18.8% from approximately RMB99,512,000 for the year ended 31 December 2014 to approximately RMB118,210,000 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:

	2015		2014	
	RMB'000	**%**	RMB'000	%
Central South China	**2,315**	**7.8**	21,581	34.0
East China	**27,210**	**92.2**	41,936	66.0
Total	**29,525**	**100**	63,517	100

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

	2015		2014	
	Total units sold	**Average selling price**	Total units sold	Average selling price
	'000	**RMB**	'000	RMB
Sales to distributors				
Footwear (pairs)	**524**	**29**	261	62
Apparel (pieces)	**166**	**63**	544	66
Accessories (pieces)	**–**	**–**	111	6
Shoe soles (pairs)	**2**	**11**	3	10
Sales to export companies and overseas customers				
Footwear (pairs)	**2,693**	**44**	2,104	45
Apparel (pieces)	**2**	**24**	163	32

Revenue from the domestic sales of footwear products of the Group decreased by approximately 16.4% to approximately RMB13,538,000 in the Year (2014: approximately RMB16,185,000), mainly attributable to the decrease in the average selling price of footwear products by approximately 53.2%, from RMB62 in the Year 2014 to RMB29 in the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from the domestic sales of apparel products of the Group decreased by approximately 70.9% to approximately RMB10,465,000 in the Year (2014: approximately RMB36,012,000), mainly attributable to the decrease in the sales volume of apparel products by approximately 69.5% to approximately 0.17 million pieces in the Year (2014: approximately 0.54 million pieces) and the decrease in the average selling price of approximately 4.5% to approximately RMB63 in the Year (2014: approximately RMB66).

COST OF SALES

Cost of sales decreased by approximately 4.9% to approximately RMB139,503,000 in 2015 (2014: approximately RMB146,669,000), primarily as a result of the decrease in the sales of the Group's products.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by approximately 14.7% from approximately RMB9,336,000 in 2014 to approximately RMB7,968,000 in the Year, primarily as a result of the decrease in domestic sales of the Group.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately 10.0% from approximately RMB38,489,000 in 2014 to approximately RMB34,624,000 in the Year, primarily due to the decrease in staff salary, welfare payment and research and development expenses.

INCOME TAX

The income tax expenses of the Group for the Year was nil (2014: nil).

INVENTORIES AND PROVISION FOR INVENTORIES

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

	As at 31 December 2015				As at 31 December 2014			
	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	5,839	78	1,517	7,434	6,832	417	15,017	22,266
91-180 days	6,142	–	352	6,494	8,138	–	7,419	15,557
181-365 days	1,905	–	145	2,050	2,413	–	1,986	4,399
Over 365 days	–	–	383	383	1,373	–	–	1,373
	13,886	78	2,397	16,361	18,756	417	24,422	43,595

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 control the levels of raw materials and keep finished goods inventories at an optimal level to meet our production and sales needs.

MANAGEMENT DISCUSSION AND ANALYSIS

Inventories decreased by approximately 62.5% from approximately RMB43.6 million as at 31 December 2014 to approximately RMB16.4 million as at 31 December 2015, and the number of days of inventory turnover decreased from 116.9 days for the year ended 31 December 2014 to 70.1 days for the Year.

The Group may make specific provision on inventories. The Group conducts 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 its net realisable value.

Allowance of RMB5,238,000 has been made on finished goods as at 31 December 2015 (2014: Nil).

No provision was made for work-in-progress as those work-in-progress was still in progress and for orders of early 2016.

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 and 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 even enhance their sales 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 61.5% from approximately RMB114.2 million as at 31 December 2014 to approximately RMB43.9 million as at 31 December 2015. Besides, turnover day of trade receivables decreased from approximately 327.8 days for the year ended 31 December 2014 to approximately 195.4 days for the Year. 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 RMB61,017,000, was further recognised at the year end. On the other hand, export sales was increased by 18.8% as compared to the year of 2014 whereas, credit period and the recoverability of export sales are shorter than domestic sales, thus, reduced the overall turnover day.

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 ended 31 December 2015, impairment loss in respect of trade receivables was recognised in the consolidated statement of comprehensive income amounting to approximately RMB61.0 million (2014: approximately RMB114.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

No impairment loss was recognised in respect of other receivables.

Details of trade and other receivables as at 31 December 2015 are set out in Note 22 to the consolidated financial statements in this announcement.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, net cash outflow from operating activities of the Group amounted to approximately RMB64.0 million (2014: net cash outflow of approximately RMB36.5 million). This is mainly attributable to the increase in the trade, bills and other receivables. As at 31 December 2015, bank balances and cash in hand and short-term bank deposits amounted to approximately RMB135.0 million, representing a net decrease of approximately RMB95.3 million as compared to the position as at 31 December 2014. As at 31 December 2015, the Group's cash balances were denominated in Renminbi and Hong Kong Dollars only.

PLEDGE OF ASSETS

As at 31 December 2015, the Group secured its bank borrowings by prepaid land lease payments and buildings held for own uses with a carrying amount of approximately RMB18.7 million (2014: approximately RMB67.2 million), trade receivables was nil (2014: approximately RMB6.3 million) and bank deposits of approximately RMB5.0 million (2014: approximately RMB1.6 million).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments of the Group as at 31 December 2015 are set out in Note 30 to the consolidated financial statements in this announcement. As at 31 December 2015, the Group did not have any material contingent liabilities.

FINAL DIVIDEND

No final dividend was recommended by the Board for the year ended 31 December 2015.

LOSS ATTRIBUTABLE TO SHAREHOLDERS AND NET LOSS MARGIN

For the Year, loss attributable to the owners of the Company amounted to approximately RMB105,873,000, representing a decrease of approximately 35.9% as compared to that in the same period of 2014 (2014: loss attributable to the owners of the Company amounted to approximately RMB165,175,000). Net loss margin of the Group dropped to approximately 71.7% (2014: approximately 101.3%).

FOREIGN EXCHANGE RISK

The Group mainly operates its business in the PRC with most of the transactions settled in Renminbi. Only 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.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

As at 31 December 2015, the gearing ratio of the Group was approximately 29.6% (2014: approximately 34.7%), 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 2015, the Group's bank loans balance amounted to approximately RMB117,300,000 (2014: approximately RMB202,980,000), bearing interest rates from 4.39% to 6.72% (2014: 5.66% to 7.80%), which were all due within one year.

HUMAN RESOURCES

As at 31 December 2015, the Group had a total of 880 employees (as at 31 December 2014: 1,102 employees).

CAPITAL STRUCTURE

As at 31 December 2015, the Group's net assets were financed by internal resources and bank borrowings.

As at 31 December 2015, the number of total issued shares of the Company was 1,184,610,000 Shares.

MATERIAL ACQUISITION AND DISPOSAL

On 2 September 2015, conditional sale and purchase agreement entered into between the Mega Pacific and Fujian Meike as the vendor and Giant Field Enterprise Limited as the purchaser in respect of the disposal of 100% interest in Quanzhou Meike Sports Goods Co., Ltd a subsidiary of the Group, for a total cash consideration of HK$61,000,000. Details were set out in the announcement of the Company on 2 September 2015.

USE OF NET PROCEEDS FROM THE SHARE OFFER

The shares of the Company were listed on the Main Board of 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 2015:

Use of Net Proceeds (RMB million)	Available to utilise (as at 1 January 2015)	Utilised (as at 31 December 2015)	Unutilised (as at 31 December 2015)
Expansion of production capacity	12.6	–	12.6
Expansion of the sales network and market penetration	1.4	–	1.4
Develop and increase brand awareness	31.3	–	31.3
	45.3	–	45.3

MANAGEMENT DISCUSSION AND ANALYSIS

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management of the Company are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been adopted in the Group. Such initiatives include recycling of used papers and energy saving.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that employees are our valuable assets. Thus, the Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. The Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the Year, there was no material and significant dispute between the Group and its business partners or bank enterprises.

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").

The Board considered that the Company had complied with the code provisions of the Code during the Year and up to the date of this annual report, except for the deviation from Code Provisions A.2.1, A.2.7 and A.4.1 of the Code as stated below.

CODE PROVISION A.2.1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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".

During the Year, Mr. Ding Siqiang, who acted as the chairman (the "Chairman") and the president (the "President") of the Company, was 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 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. On 29 January 2016, Dr, Allan Yap has been re-designated as the Chairman, while Mr. Ding Siqiang has been re-designated as the executive Director. Currently, there is no President nor chief executive officer of the Company. The Company will continue to consider the feasibility to comply with Code Provision A.2.1 and use its best endeavours to find a suitable candidate to assume the duties of chief executive officer of the Company as soon as possible.

CODE PROVISION A.2.7

Code Provision A.2.7 stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. The Board meetings of the Company held during the Year had included the participation of the executive Directors, yet the non-executive Directors (including independent non-executive Directors) could freely provide their independent opinion to the Board.

The Company will endeavor to arrange the meetings for the Chairman with the non-executive Director (including the independent non-executive Directors) so as to comply with the requirement of Code Provision A.2.7.

CORPORATE GOVERNANCE REPORT

CODE PROVISION A.4.1

Code Provision A.4.1 stipulates that non-executive director should be appointed for a specific term, subject to re-election. The non-executive Director, Mr. Gu Jiong, appointed on 29 January 2016, is not appointed for a specific term, but is subject to re-election at the first general meeting of the Company after his appointment and the rotation requirements as set out in the Articles of Association of the Company.

Save as disclosed above, the other non-executive Directors including independent non-executive Directors have been appointed for a specific term during the Year and up to the date of this annual report.

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 four executive Directors, two non-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

Dr. Allan Yap *(Chairman) (appointed as executive Director on 11 June 2015 and re-designated as Chairman and executive Director on 29 January 2016)*
Mr. Ding Siqiang *(re-designated from Chairman, President and executive Director to executive Director on 29 January 2016)*
Ms. Ding Xueleng
Ms. Lok Yee Ling Virginia *(appointed on 29 January 2016)*
Mr. Li Dongxing *(resigned on 29 January 2016)*
Mr. Lau Yu Hang *(appointed on 11 June 2015 and resigned on 29 January 2016)*
Ms. Ding Jinzhu *(resigned on 11 June 2015)*
Mr. Lin Yangshan *(resigned on 11 June 2015)*
Mr. Ding Minglang *(resigned on 11 June 2015)*

Non-executive Directors

Mr. Wong Ka Ching *(appointed as executive Director on 11 June 2015 and re-designated to non-executive Director on 14 July 2015)*
Mr. Gu Jiong *(appointed on 29 January 2016)*

Independent non-executive Directors

Mr. Pang Hong *(appointed on 23 June 2015)*
Mr. Poon Kwok Hing, Albert *(appointed on 23 June 2015)*
Ms. Szeto Wai Ling Virginia *(appointed on 29 January 2016)*
Ms. Qiu Qiuxing *(resigned on 29 January 2016)*
Mr. Lin Jiwu *(resigned on 23 June 2015)*
Mr. Liu Qiuming *(resigned on 23 June 2015)*

CORPORATE GOVERNANCE REPORT

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 31 to 34 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. 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 (former Director who resigned on 11 June 2015) is the elder brother of Ms. Ding Xueleng and the father of Ms. Ding Jinzhu (former Director who resigned on 11 June 2015). Mr. Lin Yangshan (former Director who resigned on 11 June 2015) 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.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of Mr. Ding Siqiang, Ms. Ding Xueleng, Ms. Ding Jinzhu (former Director who resigned on 11 June 2015), Mr. Lin Yangshan (former Director who resigned on 11 June 2015) and Mr. Li Dongxing (former Director who resigned on 29 January 2016), 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 (former Director who resigned on 11 June 2015), 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.

Dr. Allan Yap, the Chairman and executive Director of the Company, has entered into a service agreement with the Company, which may be terminated by either the Company or Dr. Yap by giving one month's written notice or otherwise in accordance with the terms of the director's service agreement.

Ms. Lok Yee Ling Virginia, being an executive Director appointed on 29 January 2016, has not entered into any service contract with the Company in respect to her appointment as an executive Director of the Company. Nonetheless, Ms. Lok's appointment as an executive Director is subject to re-election at the first general meeting of the Company to be held in 2016 after her appointment and the rotation requirements as set out in the Articles of Association of the Company.

Mr. Wong Ka Ching, re-designated from executive Director to non-executive Director on 14 July 2015, had entered into a service agreement, which may be terminated by either the Company or Mr. Wong by giving one month's written notice or otherwise in accordance with the terms of the director's service agreement.

Mr. Gu Jiong, being a non-executive Director appointed on 29 January 2016 has not entered contract with a specific term in respect to his appointment. Nonetheless, Mr. Gu's appointment as an executive Director is subject to re-election at the first general meeting of the Company to be held in 2016 after his appointment and the rotation requirements as set out in the Articles of Association of the Company.

Each of Mr. Lin Jiwu, Ms. Qiu Qiuxing and Mr. Liu Qiuming, all being former 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.

Each of Mr. Pang Hong, Mr. Poon Kwok Hing, Albert and Ms. Szeto Wai Ling Virginia, all being independent non-executive Director has entered into a service agreement, which may be terminated by either the Company or the respective non-executive Director by giving one month's written notice or otherwise in accordance with the terms of the director's service agreement.

All Directors of the Company are subject to re-election on retirement by rotation in accordance with the Articles of Association of the Company.

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, Ms. Ding Xueleng and Mr. Wong Ka Ching 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.

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.

CORPORATE GOVERNANCE 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

Each Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment so as to ensure the he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his/her responsibilities under the Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal action against its Directors and officers.

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.

CORPORATE GOVERNANCE REPORT

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.

NON-EXECUTIVE DIRECTORS

The Company has complied with the requirement to appoint a sufficient number of independent non-executive directors as set out in Rule 3.10(1) of the Listing Rules and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. As at the date of this report, the Company has appointed three independent non-executive Directors, namely Mr. Pang Hong, Mr. Poon Kwok Hing, Albert and Ms. Szeto Wai Ling Virginia.

Save as Mr. Gu Jiong, the non-executive Director, all other non-executive Directors (including 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/her 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.

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. 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 kept by Company Secretary of the Company and open for inspection at any reasonable time on reasonable notice by any director.

The Board held 13 meetings during the Year.

CORPORATE GOVERNANCE 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 annual general meeting held during the Year are summarised as follows:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Annual General Meeting
EXECUTIVE DIRECTORS					
Dr. Allan Yap *(appointed on 11 June 2015)*	9/10	N/A	N/A	N/A	N/A
Mr. Ding Siqiang	9/13	N/A	3/3	3/3	1/1
Ms. Ding Xueleng	10/13	N/A	N/A	N/A	1/1
Ms. Lok Yee Ling Virginia *(appointed on 29 January 2016)*	N/A	N/A	N/A	N/A	N/A
Ms. Ding Jinzhu *(resigned on 11 June 2015)*	2/3	N/A	N/A	N/A	0/1
Mr. Lin Yangshan *(resigned on 11 June 2015)*	2/3	N/A	N/A	N/A	0/1
Mr. Ding Minglang *(resigned on 11 June 2015)*	2/3	N/A	N/A	N/A	0/1
Mr. Li Dongxing *(resigned on 29 January 2016)*	9/13	N/A	N/A	N/A	1/1
Mr. Lau Yu Hang *(appointed on 11 June 2015 and resigned on 29 January 2016)*	6/10	N/A	N/A	N/A	N/A
NON-EXECUTIVE DIRECTORS					
Mr. Gu Jiong *(appointed on 29 January 2016)*	N/A	N/A	N/A	N/A	N/A
Mr. Wong Ka Ching *(re-designated from executive Director to non-executive Director on 14 July 2015)*	10/10	N/A	N/A	N/A	N/A
INDEPENDENT NON-EXECUTIVE DIRECTORS					
Mr. Pang Hong *(appointed on 23 June 2015)*	9/9	1/1	1/1	1/1	N/A
Mr. Poon Kwok Hing, Albert *(appointed on 23 June 2015)*	5/9	1/1	1/1	1/1	N/A
Ms. Szeto Wai Ling Virginia *(appointed on 29 January 2016)*	N/A	N/A	N/A	N/A	N/A
Mr. Lin Jiwu *(resigned on 23 June 2015)*	3/3	1/1	2/2	2/2	1/1
Mr. Liu Qiuming *(resigned on 23 June 2015)*	3/3	1/1	N/A	2/2	1/1
Ms. Qiu Qiuxing *(resigned on 29 January 2016)*	9/13	2/2	3/3	1/1	1/1

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.

CORPORATE GOVERNANCE REPORT

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 and risk management systems of the Company. As at the date of this annual report, the Audit Committee consists of three members comprising Mr. Poon Kwok Hing, Albert (Chairman), Mr. Pang Hong and Ms. Szeto Wai Ling Virginia, 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 set out under the section headed "Board Meetings and Procedures":

CORPORATE GOVERNANCE REPORT

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. As at the date of this annual report, the Remuneration Committee consists of three members, namely, Ms. Szeto Wai Ling Virginia (Chairman), Mr. Pang Hong and Mr. Poon Kwok Hing, Albert, all 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 3 meetings during the Year. Details of the attendance of the Remuneration Committee meeting are set out under the Section "Board Meetings and Procedures":

At the meetings, 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.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The main aims of the Company's remuneration policy are:

- to ensure that none of the Directors or any of their associates should determine their own remuneration;
- the remuneration should be broadly aligned with companies of which the Company competes for human resources;
- the Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies whilst taking into account individual performance and should avoid paying more than necessary for such purpose; and
- the remuneration should reflect the performance, complexity of duties and responsibility of the individual.

The remuneration payable to members of senior management is within the following band:

	Number of Individuals
RMB Nil – RMB1,000,000	1
RMB1,000,001 – RMB1,500,000	–

Further details of the Directors' and senior management remuneration are set out in Notes 13 of the consolidated financial statements in this annual report.

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 the code provisions 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. Pang Hong (Chairman), Mr. Poon Kwok Hing, Albert and Ms. Szeto Wai Ling Virginia, all of which are independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

The Nomination Committee held 3 meetings during the Year. Details of the attendance of the Nomination Committee meeting are set out under the Section "Board Meetings and Procedures":

At the meetings, 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.

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.

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 (the "Company Secretary") during the Year, has taken no less than 15 hours of relevant professional training during the year ended 31 December 2015 and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements. Mr. Li Yik Sang has resigned as Company Secretary and the authorised representative of the Company (the "Authorised Representative") on 29 January 2016. Ms. Chan Yin Yi Annie has been appointed as the Company Secretary and the Authorised Representative on 29 January 2016.

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.

FINANCIAL REPORTING AND INTERNAL CONTROL

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts for each financial period by the management. Subsequent to each reporting period, interim or annual financial highlights and business review are published as soon as possible (or in accordance with the Listing Rules, as the case may be) to disclose all information that are necessary for shareholders to assess the performance, financial conditions and prospects of the Company.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for ensuring the effectiveness of the Group's internal control and risk management systems. The internal control and risk management 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.

Given the Group's current simple operating structure, as opposed to a separate internal audit department, the Board is directly responsible for internal control of the Group and for reviewing its effectiveness. The Group will continue to review regularly on whether there is a need for engaging for external independent internal auditing expert.

CORPORATE GOVERNANCE REPORT

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 12 to the consolidated financial statements in this annual report. For the Year, the respective fees charged for the following services are set out as below:

Type of services provided	Amount of fees (RMB'000)
Audit services	866
Non-audit services (Note)	401
Total	1,267

Note: Non-audit services refer to the review of interim results of the Company for the period ended 30 June 2015.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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 communicate 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.

CORPORATE GOVERNANCE REPORT

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 Association 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 Association 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 sending 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, 19/F., Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong.
Tel No.: (852) 2335-8931 Fax No.: (852) 2335-7266

CORPORATE GOVERNANCE REPORT

ENQUIRIES PUT TO THE BOARD

Shareholders can make enquiries directly to the Company by sending 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
19/F.,
Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong
Tel No.: (852) 2335-8931
Fax No.: (852) 2335-7266

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Dr. Allan Yap ("Dr. Yap"), aged 60, was appointed as an executive Director of the Company on 11 June 2015 and was further appointed as the chairman (the "Chairman") of the Company on 29 January 2016. He holds an honorary degree of doctor of laws and has over 30 years' experience in finance, investment and banking. Dr. Yap joined Hanny Holdings Limited, a company whose shares are listed on the main board of the Stock Exchange (Stock Code: 275) in 1995. Dr. Yap is currently the chairman and executive director of Hanny Holdings Limited. Dr. Yap is also an executive director as well as the chairman of Rosedale Hotel Holdings Limited, a company whose shares are listed on the main board of the Stock Exchange (Stock Code: 1189). Dr. Yap is the chairman and chief executive officer of China Enterprises Limited, a company whose shares are traded on the OTC Securities Market in the United States of America, as well as Burcon NutraScience Corporation, a company whose shares are listed on the Toronto Stock Exchange in Canada, the Frankfurt Stock Exchange in Germany and NASDAQ Stock Exchange in the United States of America. Dr. Yap is the executive chairman of Hanwell Holdings Limited and Tat Seng Packaging Group Ltd., both companies are listed on the Singapore Exchange Limited. Dr. Yap was also an alternate director of Television Broadcasts Limited, a company whose shares are listed on the main board of the Stock Exchange (Stock Code: 511), until he resigned on 29 December 2015. Dr. Yap is the beneficial owner of Power Rich Development Limited which was interested in 350,000,000 ordinary shares of the Company. Power Rich Development Limited had disposed 350,000,000 ordinary shares of the Company in January 2016.

Ms. Lok Yee Ling Virginia ("Ms. Lok"), aged 59, was appointed as an executive Director of the Company on 29 January 2016. She is currently Controller (Production Resources) of Television Broadcasts Limited ("TVB"), a company whose shares are listed on the main board of the Stock Exchange (Stock Code: 511). She first joined TVB in November 2003 as Assistant Controller (Talent), and was promoted to Deputy Controller (Production Resources) in May 2004, and to her current position in January 2008. Ms. Lok has had over 35 years of experience in TV drama production, artist management, production and distribution of motion pictures and the media industry in Hong Kong. From 1978 to 1982, Ms. Lok started to work as assistant director (Drama) in Commercial Television and Rediffusion Television Limited ("RTV") and was promoted to director (Drama) in RTV. During this period, she also worked as line producer and production manager for a number of movies. From 1983 to 1993, Ms. Lok took up the positions of line producer and executive producer in sizable movie production companies, including Shaw Brothers (Hong Kong) Limited. From 2009 to 2015, while serving as an executive of TVB, she also worked as executive producer and producer on a number of major movie productions. With years of experience in motion pictures, Ms. Lok has produced more than 40 titles, including a number of major box office hits, such as Let's Make Laugh（表錯七日情）, Love in a Fallen City（傾城之戀）, To Be Number One（跛豪）, Prince Charming（青蛙王子）, Turning Point (Laughing Gor之変節）and 72 Tenants of Prosperity（72家租客）.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ding Siqiang, aged 53, He was appointed as a Director on 25 June 2009 and re-designated as an executive Director on 6 January 2010. He was also the chairman and president of the Company until 29 January 2016. He is primarily responsible for making key decisions on the Group's overall strategies, plans and business development. Mr. Ding has 23 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.

Ms. Ding Xueleng, aged 51, 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 Fujian Meike which is a subsidiary of the Company. Ms. Ding Xueleng is Mr. Ding Siqiang's wife.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Gu Jiong ("Mr. Gu"), aged 43, was appointed as an non-executive Director of the Company on 29 January 2016. He has been the chief financial officer of CMC Capital Partners, an investment fund specialized in media and entertainment investments in China and globally, from September 2013. CMC Capital Partners is an investment fund managed by Mr. Li Ruigang, who indirectly controls a substantial shareholder of the Company. Prior to joining CMC Capital Partners, Mr. Gu served as the chief financial officer in BesTV New Media Co., Ltd. (SHSE: 600637), which principally engaged in the provision of technical services, content services and marketing services for television terminals, computer terminals and mobile terminals through media source platforms, from January 2010 to September 2013. He worked in UTStarcom Inc. (NASDAQ: UTSI), which is a global telecom infrastructure provider specializing in the provision of packet optical transport and broadband access products to network operators, from April 2004 to December 2009 and was the corporate controller when he left the company. He also worked in Ernst & Young Shanghai office from July 1995 to April 2004 and was a senior manager of the audit department when he left the firm. Mr. Gu is currently an independent non-executive director of Xinming China Holdings Limited (Stock Code: 2699) and Chen Xing Development Holdings Limited (Stock Code: 2286), both companies listed on the main board of the Stock Exchange. Mr. Gu has been a non-practicing member of the Chinese Institute of Certified Public Accountants since April 2004. Mr. Gu obtained a bachelor degree in finance management from Fudan University in the PRC in July 1995.

Mr. Wong Ka Ching ("Mr. Wong"), aged 41, was appointed as an executive Director of the Company on 11 June 2015 and was re-designated as a non-executive Director on 14 July 2015. Mr. Wong is also a director each of Goldsmid Limited and Golden Elite Investment Development Limited, both of which are wholly-owned subsidiaries of the Company. He received his Bachelor's degree in Business Administration (with concentration in Finance) from the Chinese University of Hong Kong and Master's degree in Finance from London Business School, a postgraduate school of London University. Mr. Wong was the executive director of TUS International Limited (Former name: Jinheng Automotive Safety Technology Holdings Limited), a company whose shares are listed on the main board of the Stock Exchange (Stock Code: 872) from 13 June 2014 to 9 June 2015. Mr. Wong has a wealth of experience in corporate finance and private equity. Throughout his career, he held various positions at reputable multinational financial institutions and was responsible for fund-raising and deal sourcing in Asia including China.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pang Hong ("Mr. Pang"), aged 62, was appointed as an independent non-executive Director of the Company on 23 June 2015. He is also the chairman of the Nomination Committee, a member of the Audit Committee, and a member of the Remuneration Committee. He had worked for various enterprises and government departments in PRC for over 20 years. He has substantial knowledge of the investment environment in PRC and has extensive experience in the management of Chinese companies. He is currently the independent non-executive directors of SMI Holdings Group Limited (Stock Code: 198), and Sino Haijing Holdings Limited (Stock Code: 1106), both companies listed on the main board of the Stock Exchange. Mr. Pang was also a former independent non-executive director of Dragonite International Limited (Stock Code: 329), a company whose shares are listed on the main board of the Stock Exchange, from 17 January 2001 to 29 February 2012.

Mr. Poon Kwok Hing, Albert ("Mr. Poon"), aged 54, was appointed as an independent non-executive Director of the Company on 23 June 2015. He is also the chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee. He is currently the independent non-executive directors of the Rosedale Hotel Holdings Limited (Stock Code: 1189) and Hanny Holdings Limited (Stock Code: 275), both companies listed on the main board of the Stock Exchange. Mr. Poon graduated from the University of Bath, United Kingdom with a Master of Science degree in Business Administration. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia.

Ms. Szeto Wai Ling Virginia ("Ms. Szeto"), aged 53, was appointed as an independent non-executive Director of the Company on 29 January 2016. She is also the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee. She is a practicing solicitor in Hong Kong and a solicitor of the Supreme Court of England and Wales. She is currently the sole practitioner of Szeto Virginia & Co, Solicitors. Ms. Szeto holds a Bachelor of Laws Degree from Oxford Brookes University and a Master of Science Degree in Criminal Justice Policy from The London School of Economics and Political Science. She is currently an executive director of Sino Haijing Holdings Limited, a company whose shares are listed on the main board of the Stock Exchange (Stock Code: 1106) from 19 March 2015. She is also an independent non-executive director of RM Group Holdings Limited (Stock Code: 932). She was a former independent non-executive director of SMI Culture Group Holdings Limited (former name: Qin Jia Yua Media Services Company Limited) (Stock Code: 2366) from 31 August 2012 to 27 August 2013. Ms. Szeto was also the Head of Legal Department of New World Development Company Limited (Stock Code: 0017), both companies listed in the main board of the Stock Exchange.

SENIOR MANAGEMENT

Ms. Chan Yin Yi Annie ("Ms. Chan"), was appointed as the Company Secretary and Authorised Representative of the Company on 29 January 2016. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

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 (the "Listing Date").

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 AND BUSINESS REVIEW

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.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance can be found in the Management Discussion and Analysis set out on pages 6 to 15 and the Chairman's Statement as set out on pages 3 to 5 of this annual report. Such discussion forms part of this Report of the Directors.

FINAL DIVIDEND

No final dividend was recommended by the Board for the year ended 31 December 2015.

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 48 of this annual report.

DIRECTORS' REPORT

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 2015 are set out in Note 26 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 is set out on pages 117 to 118. 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 27 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 of the Company 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 2015.

TRANSFER TO RESERVES

Loss attributable to equity shareholders, before dividends, of RMB105,873,000 (2014: loss attributable to equity shareholders RMB165,175,000) 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.

DIRECTORS' REPORT

KEY MANAGEMENT COMPENSATION

The material related party transactions in relation to the key management compensation as disclosed in Note 32 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 40.5% of the total sales for the Year and sales to the largest customer included therein amounted to 11.6% of the total sales for the Year. Purchases from the Group's five largest suppliers accounted for approximately 19.2% of the total purchases for the Year and purchase from the Group's largest supplier included therein amounted to 7.5% 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

During the Year end up to the date of this annual report, the Directors are:

Executive Directors

Dr. Allan Yap *(Chairman) (appointed as executive Director on 11 June 2015 and re-designated as Chairman and executive Director on 29 January 2016)*
Mr. Ding Siqiang *(re-designated from Chairman, President and executive Director to executive Director on 29 January 2016)*
Ms. Ding Xueleng
Ms. Lok Yee Ling Virginia *(appointed on 29 January 2016)*
Mr. Li Dongxing *(resigned on 29 January 2016)*
Mr. Lau Yu Hang *(appointed on 11 June 2015 and resigned on 29 January 2016)*
Ms. Ding Jinzhu *(resigned on 11 June 2015)*
Mr. Lin Yangshan *(resigned on 11 June 2015)*
Mr. Ding Minglang *(resigned on 11 June 2015)*

Non-executive Directors

Mr. Wong Ka Ching *(appointed as executive Director on 11 June 2015 and re-designated to non-executive Director on 14 July 2015)*
Mr. Gu Jiong *(appointed on 29 January 2016)*

Independent non-executive Directors

Mr. Pang Hong *(appointed on 23 June 2015)*
Mr. Poon Kwok Hing, Albert *(appointed on 23 June 2015)*
Ms. Szeto Wai Ling Virginia *(appointed on 29 January 2016)*
Ms. Qiu Qiuxing *(resigned on 29 January 2016)*
Mr. Lin Jiwu *(resigned on 23 June 2015)*
Mr. Liu Qiuming *(resigned on 23 June 2015)*

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, Ms. Ding Xueleng and Mr. Wong Ka Ching will retire as Directors at the forthcoming annual general meeting, and being eligible, will offer themselves for re-election at the annual general meeting.

Details of the appointment, re-election and removal of the Directors and their service contracts with the Company are set out in the section headed "Appointment, re-election and removal of Directors" in the Corporate Governance Report on pages 18 to 19.

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.

BOARD COMMITTEES

The responsibilities of the Audit Committee, the Remuneration Committee and the Nomination Committee and their work done during the year are set out in the Corporate Governance Report on pages 22 to 26.

DIRECTORS' REPORT

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 31 to 34 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 TRANSACTION, ARRANGEMENT AND CONTRACTS

During the Year, none of the Directors had a material interest, whether directly or indirectly, in any transaction, arrangement and 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.

PERMITTED INDEMNITY OF DIRECTORS

Pursuant to the Articles of Association, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

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 33 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 2015 amounted to RMB205.2 million.

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

(a) As at 31 December 2015, 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
Dr. Allan Yap ("Dr. Yap")	Interest in controlled corporation/ Beneficial owner (Note 1)	350,000,000	29.55%
Mr. Xie Qing Yu	Beneficial owner	88,052,000	7.43%
Mr. Ding Siqiang ("Mr. Ding")	Interest in controlled corporation/ Beneficial owner/ Interest of spouse (Note 2)	57,478,000	4.85%
Ms. Ding Xueleng ("Ms. Ding")	Beneficial owner/ Interest of spouse (Note 3)	57,478,000	4.85%

(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
Dr. Yap	Power Rich Development Limited	Beneficial owner	1	100%
Mr. Ding	Glory Hill	Beneficial owner (Note 2)	1	100%
Ms. Ding	Glory Hill	Interest of spouse (Note 3)	1	100%

DIRECTORS' REPORT

Note 1: Dr. Yap owns the entire issued share capital of Power Rich Development Limited ("Power Rich"), which owns 350,000,000 ordinary shares of HK$0.01 each of the Company (the "Share"). Therefore, Dr. Yap is deemed or taken to be interested in all the shares which are beneficially owned by Power Rich for the purpose of the SFO. Dr. Yap is the sole director of Power Rich.

Note 2: Mr. Ding owns the entire issued share capital of Glory Hill Enterprises Limited ("Glory Hill"), which owns 53,444,000 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. 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 2015, the approximate percentage of shareholding of Mr. Ding was 4.85%.

Note 3: 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.

(b) So far as is known to the Directors, as at 31 December 2015, 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
Power Rich	Beneficial owner	350,000,000	29.55%

Save as disclosed above, as at 31 December 2015 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.

According to the Corporate Substantial Shareholder Notice filed on 29 January 2016, subsequent to the financial year ended 31 December 2015, Shine Investment Limited, a company which is 85%-owned by Shine Holdings Cayman Limited holds 350,000,000 shares (29.55% of the shareholding of the Company). Shine Holdings Cayman Limited is 83.33%-owned by CMC Shine Acquisition Limited. CMC Shine Acquisition Limited is wholly-owned by CMC Shine Holdings Limited which is wholly-owned by CMC Holdings Limited and CMC Holdings Limited is 90.91%-owned by Gold Pioneer Worldwide Limited which is wholly-owned by Mr. Li Ruigang.

According to the Corporate Substantial Shareholder Notice filed on 29 January 2016, Power Rich has not held any shares of the Company as at the date of this Report.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the Section 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 19,200,000 options granted on 27 August 2010 were cancelled during the Year.

DIRECTORS' REPORT

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 1.1.2015	Granted during the Year	Cancelled/ lapsed during the Year	Exercise during the Year	Outstanding at 31.12.2015
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)	–	–
			Total:	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 a executive Director and a controlling shareholder of the Company as defined by the Listing Rules.

** Ms. Ding is an executive Director of the Company as defined by the Listing Rules.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group employed approximately 880 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.

DIRECTORS' REPORT

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 high 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 16 to 30 of this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from the independent non-executive Directors confirmations of independence 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

Save as disclosed in Note 38 to the consolidated financial statements in this annual report, 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

Dr. Allan Yap
Chairman
Hong Kong, 31 March 2016

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
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 48 to 116, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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
31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	7	**147,735**	163,029
Cost of sales		**(139,503)**	(146,669)
Gross profit		**8,232**	16,360
Other income	9	**13,711**	14,906
Impairment loss recognised in respect of property, plant and equipment	17	**(6,458)**	(10,490)
Impairment loss of trade receivables		**(61,017)**	(114,480)
Selling and distribution expenses		**(7,968)**	(9,336)
Administrative expenses		**(34,624)**	(38,489)
Other operating expenses		**(4,045)**	(11,567)
Finance costs	10	**(13,704)**	(12,079)
Loss before tax		**(105,873)**	(165,175)
Income tax	11	**–**	–
Loss and total comprehensive expense for the year	12	**(105,873)**	(165,175)
Loss per share	15		
Basic and diluted (RMB)		**(0.089)**	(0.139)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	17	**68,951**	127,924
Prepaid lease payments	18	**10,674**	44,870
Investment in a film	19	**24,456**	–
Loan receivable	20	**20,380**	–
		124,461	172,794
Current assets			
Inventories	21	**16,361**	43,595
Trade, bills and other receivables	22	**114,670**	136,168
Prepaid lease payments	18	**297**	1,098
Pledged bank deposit	23	**5,000**	1,590
Short-term bank deposits	23	**36,165**	88,543
Bank balances and cash	23	**98,811**	141,791
		271,304	412,785
Current liabilities			
Trade, bills and other payables	24	**28,830**	27,875
Amount due to a related company	25	**1,280**	496
Bank borrowings	26	**117,300**	202,980
		147,410	231,351
Net current assets		**123,894**	181,434
		248,355	354,228

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	**2015** **RMB'000**	2014 RMB'000
Capital and reserves			
Share capital	27	**10,355**	10,355
Reserves		**238,000**	343,873
		248,355	354,228

The consolidated financial statements on pages 48 to 116 were approved and authorised for issue by the board of directors on 31 March 2016 and are signed on its behalf by:

Allan Yap
Director

Ding Siqiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	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	Accumulated loss RMB'000	Total RMB'000
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	32	–	–	–	–	141	–	141
At 31 December 2014		10,355	561,252	47,382	136,801	6,876	(408,438)	354,228
At 1 January 2015		**10,355**	**561,252**	**47,382**	**136,801**	**6,876**	**(408,438)**	**354,228**
Loss and total comprehensive expense for the year		**–**	**–**	**–**	**–**	**–**	**(105,873)**	**(105,873)**
Share options cancelled	32	**–**	**–**	**–**	**–**	**(6,876)**	**6,876**	**–**
At 31 December 2015		**10,355**	**561,252**	**47,382**	**136,801**	**–**	**(507,435)**	**248,355**

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 2015

	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(105,873)**	(165,175)
Adjustments for:		
Allowance for inventories	**5,238**	–
Reversal of impairment loss recognised in respect of trade receivables	**(9,164)**	(8,265)
Amortisation of prepaid lease payments	**978**	1,097
Depreciation of property, plant and equipment	**4,871**	8,338
Finance costs	**13,704**	12,079
Impairment loss recognised in respect of trade receivables	**61,017**	114,480
Impairment loss recognised in respect of property, plant and equipment	**6,458**	10,490
Interest income	**(3,018)**	(3,181)
(Gain) loss on disposal of property, plant and equipment	**(25)**	4,336
Written off of property, plant and equipment	**–**	1,845
Gain on disposal of a subsidiary	**(1,115)**	–
Share-based payments	**–**	141
Government grants	**(40)**	(3,097)
Operating cash flows before movements in working capital	**(26,969)**	(26,912)
Decrease in inventories	**17,419**	17,203
Increase in trade, bills and other receivables	**(59,592)**	(28,799)
Increase in trade, bills and other payables	**5,171**	2,034
Cash used in operations	**(63,971)**	(36,474)
Income tax paid	**–**	–
NET CASH USED IN OPERATING ACTIVITIES	**(63,971)**	(36,474)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(1,782)**	(8,003)
Placement of pledged bank deposit	**(13,325)**	(1,590)
Withdrawal of pledged bank deposit	**9,915**	–
Interest received	**3,018**	3,181
Net cash outflow from disposal of a subsidiary (Note 37)	**(14,178)**	–
Placement of short-term bank deposits maturing beyond three months	**(83,358)**	(125,855)
Withdrawal of short-term bank deposits maturing beyond three months	**130,736**	126,411
Proceeds on disposal of property, plant and equipment	**25**	494
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	**31,051**	(5,362)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
FINANCING ACTIVITIES		
Repayments of bank borrowings	**(177,480)**	(250,050)
Interest paid	**(13,704)**	(12,079)
New bank borrowings raised	**180,300**	276,280
Advance from a related company	**784**	436
Government grants	**40**	3,097
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(10,060)**	17,684
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(42,980)**	(24,152)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**141,791**	165,943
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**98,811**	141,791

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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.

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 and the Company commenced to engage in the investments in films during the year ended 31 December 2015. The principal activities of its subsidiaries are set out in Note 36.

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") AND NEW HONG KONG COMPANIES ORDINANCE

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

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.

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

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

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.

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 of the Company consider that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle has had no material impact in 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

ANNUAL IMPROVEMENTS TO HKFRSS 2011 – 2013 CYCLE *(continued)*

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 amendments are applied prospectively. The directors of the Company consider that the application of the amendments to HKFRSs 2011-2013 Cycle has had no material impact 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 directors of the Company consider that the application of the amendments to HKAS 19 has had no material impact in the Group's consolidated financial statements.

PART 9 OF HONG KONG COMPANIES ORDINANCE (CAP. 622)

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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

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

1 Effective for annual periods beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective date not yet been determined.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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

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* are 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 (2014), 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 (2014) 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") AND NEW HONG KONG COMPANIES ORDINANCE *(continued)*

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

- HKFRS 9 (2014) 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 (2014) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW HONG KONG COMPANIES ORDINANCE *(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 2018 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 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.

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

ANNUAL IMPROVEMENT TO HKFRSS 2012 – 2014 CYCLE *(continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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.

The consolidated financial statements have been prepared on the historical cost basis 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PROPERTY, PLANT AND EQUIPMENT *(continued)*

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.

INVESTMENT IN A FILM

Investment in a film is stated at cost less accumulated amortisation and impairment loss. Investment in a film is amortised on the proportion of actual income earned during the year to the total estimated income over their economic beneficial period. Additional amortisation/impairment loss is made if future estimated projected revenues are adversely different from the previous estimation. Estimated projected revenues are reviewed at regular intervals.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 loan receivable, trade, bills and other receivables, pledged bank deposits, 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).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets *(continued)*

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 loan receivable, 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 loan receivable, trade, bills 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 loan receivable, trade, bills 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 with finite useful lives 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, 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 flows 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 the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the 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 the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of the 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

TAXATION *(continued)*

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.

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 accumulated loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimated impairment loss on property, plant and equipment

As at 31 December 2015, the carrying amount of the property, plant and equipment was approximately RMB68,951,000, net of accumulated impairment of approximately RMB10,462,000 (2014: RMB127,924,000, net of accumulated impairment of approximately RMB16,009,000). 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 RMB6,458,000 (2014: RMB10,490,000) has been recognised during the year ended 31 December 2015 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 2015, the carrying amounts of inventories was approximately RMB16,361,000, net of accumulated allowance of RMB5,238,000 (2014: RMB43,595,000, no accumulated allowance has been recognised).

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, 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 2015, the carrying amount of the trade receivables were approximately RMB43,933,000, net of provision of impairment loss approximately RMB135,094,000 (2014: the carrying amount of trade receivables was approximately RMB114,247,000, net of provision of impairment loss approximately RMB308,913,000). During the year ended 31 December 2015, impairment loss in respect of trade receivables was recognised in the consolidated statement of profit or loss amounting to approximately RMB61,017,000 (2014: RMB114,480,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimated impairment loss on loan receivable

Loan receivable is reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The directors of the Company make judgements on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount. These estimates were based on the payment history, credit-worthiness, historical write-off experience and default or delinquency in payments. If the financial condition of loan borrower was to deteriorate, actual write-offs would be higher than estimated. As at 31 December 2015, the carrying amount of the loan receivable was approximately RMB20,380,000 (2014: nil). No impairment loss is recognised during the year ended 31 December 2015.

Estimated impairment loss on investment in a film

The management of the Company assesses whether there are any indicators of impairment of the investment at the end of each reporting period. The investment is tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2015, the carrying amount of investment in a film was approximately RMB24,456,000 (2014: nil). No impairment loss is recognised during the year ended 31 December 2015.

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 26, 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 debts or repayment of existing debts.

6. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2015 **RMB'000**	2014 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**207,349**	347,446
Financial liabilities		
Liabilities measured at amortised cost	**140,680**	227,032

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include loan receivable, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(continued)*

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

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:

	2015	2014
	RMB'000	RMB'000
Hong Kong Dollars ("HK$")	**862**	1,519

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 2015 and 31 December 2014, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate short-term bank deposits, loan receivable, pledged bank deposit and fixed-rate bank borrowings (see Notes 20 and 23 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.

As at 31 December 2015 and 2014, 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.

Sensitivity analysis

As the Group had no material foreign currency denominated monetary assets and liabilities at 31 December 2015 and 31 December 2014, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk

As at 31 December 2015, 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 12% (2014: 23%) and 36% (2014: 50%) 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 2014 and 31 December 2015.

At 31 December 2015, the Group also had concentration of credit risk in respect of loan receivable, of approximately RMB20,380,000, details of which are set out in note 20. Before participating in the credit facility made available to an independent third party of the Group (the "Borrower"), management of the Group has assessed the credit quality of the Borrower. In order to minimise the credit risk, management of the Group has reviewed the recoverable amount of the loan receivable to ensure that adequate impairment losses are made for irrecoverable amount. The Directors do not expect these counterparties would fail to meet their obligations and the credit risk is significantly reduced. Other than above, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 2015, the Group has available unutilised short-term bank loan facilities of approximately RMB75,433,000 (2014: RMB186,840,000). Details of which are set out in note 26.

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 covenant 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

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	**Carrying amount**
	RMB'000	RMB'000
At 31 December 2015		
Non-derivative financial liabilities		
Trade and other payables	**22,100**	**22,100**
Amount due to a related company	**1,280**	**1,280**
Bank borrowings	**120,149**	**117,300**
	143,529	**140,680**
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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:

	2015	2014
	RMB'000	RMB'000
Footwear	**131,694**	110,548
Apparel	**10,519**	41,161
Accessories and shoe sole	**5,522**	11,320
	147,735	163,029

8. SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

SEGMENT REVENUES, RESULTS, ASSETS AND LIABILITIES

The directors of the Company have chosen to organise the Group around differences in products and services. The Group is principally engaged in the manufacturing and trading of sporting goods. During the year ended 31 December 2015, the Group commenced to engage in a new segment – Investments in films. Investments in films segment is reportable and separately disclosed as the directors of the Company consider that such information would be useful to users of the consolidated financial statements. Specifically, the Group currently organises the reportable and operating segments as follows:

(i) Manufacturing and trading – trading of sporting goods manufactured by the Group; and

(ii) Investments in films – investments in production and distribution of films.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

During the years ended 31 December 2015 and 2014, the segment revenue and loss were mainly contributed by the manufacturing and trading segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

8. SEGMENT INFORMATION *(continued)*

SEGMENT REVENUES AND RESULTS

The following is analysis of the Group's revenue and results by reportable and operating segments:

	Manufacturing and trading		Investments in films		Total	
	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment revenue	**147,735**	163,029	**–**	–	**147,735**	163,029
Segment loss	**(84,090)**	(151,678)	**–**	–	**(84,090)**	(151,678)
Unallocated income					**3,316**	3,493
Unallocated expenses					**(25,099)**	(16,990)
Loss before tax					**(105,873)**	(165,175)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss incurred by each segment without allocation of interest income, finance cost and certain administrative expenses and other income. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION *(continued)*

SEGMENT ASSETS AND LIABILITIES

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2015	2014
	RMB'000	RMB'000
SEGMENT ASSETS		
Manufacturing and trading	**208,784**	353,322
Investments in films	**24,456**	–
Unallocated	**162,525**	232,257
Total assets	**395,765**	585,579
SEGMENT LIABILITIES		
Manufacturing and trading	**24,550**	27,410
Investments in films	**–**	–
Unallocated	**122,860**	203,941
Total liabilities	**147,410**	231,351

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than a loan receivable, pledged bank deposit, short-term bank deposits, bank balances and cash and certain other receivables and prepayments as these assets are managed on a group basis; and

- all liabilities are allocated to operating segments other than bank borrowings, amount due to related company and certain other payables as these liabilities are managed on a group basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

8. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION

	Manufacturing and trading RMB'000	Investments in films RMB'000	Unallocated RMB'000	Total RMB'000
Year ended 31 December 2015				
Amounts included in the measure of segments results or segment assets:				
Additions to non-current assets (Note)	**1,782**	**24,456**	**–**	**26,238**
Allowance for inventories	**5,238**	**–**	**–**	**5,238**
Amortisation of prepaid lease payments	**978**	**–**	**–**	**978**
Depreciation of property, plant and equipment	**4,871**	**–**	**–**	**4,871**
Gain on disposal of property, plant and equipment	**(25)**	**–**	**–**	**(25)**
Impairment loss of trade receivables	**61,017**	**–**	**–**	**61,017**
Impairment loss recognised in respect of property, plant and equipment	**6,458**	**–**	**–**	**6,458**
Amounts regularly provided to the CODM but not included in the measure of segment result or segment assets:				
Interest income	**–**	**–**	**(3,018)**	**(3,018)**
Finance costs	**–**	**–**	**13,704**	**13,704**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

8. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION *(continued)*

	Manufacturing and trading RMB'000	Investments in films RMB'000	Unallocated RMB'000	Total RMB'000
Year ended 31 December 2014				
Amounts included in the measure of segments results or segment assets:				
Additions to non-current assets (Note)	8,003	–	–	8,003
Amortisation of prepaid lease payments	1,097	–	–	1,097
Depreciation of property, plant and equipment	8,338	–	–	8,338
Impairment loss of trade receivables	114,480	–	–	114,480
Loss on disposal of property, plant and equipment	4,336	–	–	4,336
Impairment loss recognised in respect of property, plant and equipment	10,490	–	–	10,490
Written off of property, plant and equipment	1,845	–	–	1,845
Amounts regularly provided to the CODM but not included in the measure of segment result or segment assets:				
Interest income	–	–	(3,181)	(3,181)
Finance costs	–	–	12,079	12,079

Note: Non-current assets excluded financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

8. SEGMENT INFORMATION *(continued)*

GEOGRAPHICAL INFORMATION

The Group's operations are located in the Hong Kong and the PRC (the place of domicile of the Group's operation).

Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	PRC RMB'000	Hong Kong RMB'000	Other RMB'000	Total RMB'000
Revenue from external customers				
Year ended 31 December 2015	**142,168**	**–**	**5,567**	**147,735**
Year ended 31 December 2014	163,029	–	–	163,029
Non-current assets				
As at 31 December 2015	**79,625**	**44,836**	**–**	**124,461**
As at 31 December 2014	172,794	–	–	172,794

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2015 **RMB'000**	2014 RMB'000
Customer A	**N/A***	28,628
Customer B	**42,054**	21,554
Customer C	**18,115**	17,076

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

9. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Government grants (Note)	**40**	3,097
Gain on disposal of a subsidiary (Note 37)	**1,115**	–
Exchange gain, net	**298**	312
Interest income	**3,018**	3,181
Gain on disposal of property, plant and equipment	**25**	–
Reversal of impairment loss recognised in respect of trade receivables	**9,164**	8,265
Rental income	**51**	51
	13,711	14,906

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

	2015 RMB'000	2014 RMB'000
Interest expenses on bank borrowings wholly repayable within five years	**13,704**	12,079

No borrowing costs were capitalised for the years ended 31 December 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

11. INCOME TAX

	2015 RMB'000	2014 RMB'000
Current tax		
– PRC Enterprise Income Tax ("EIT")	–	–
Deferred tax (Note 28)		
– Current year	–	–
	–	–

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.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profit arising from Hong Kong for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years. No provision of EIT has been made as the Group did not have any assessable profits subject to EIT Law for the year ended 31 December 2015 and 2014.

No withholding tax was accrued as the Group did not generate distributable profits for the years ended 31 December 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

11. INCOME TAX *(continued)*

The income tax expense 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:

	2015 **RMB'000**	2014 RMB'000
Loss before tax	**(105,873)**	(165,175)
Tax at the domestic income tax rate of 25% (2014: 25%)	**(26,468)**	(41,294)
Tax effect of non-deductible expenses	**5,868**	2,552
Tax effect of deductible temporary differences not recognised	**12,963**	29,169
Tax effect of unused tax losses not recognised	**7,637**	9,573
Income tax expense for the year	**–**	–

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 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

12. LOSS FOR THE YEAR

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

	2015	2014
	RMB'000	RMB'000
Salaries and allowances	**30,183**	31,855
Contributions to retirement benefits scheme	**3,362**	3,798
Share-based payments	**–**	141
Total staff costs (including directors' and chief executive's emoluments disclosed in Note 13)	**33,545**	35,794
Auditors' remuneration	**866**	763
Allowance of inventories (included in cost of sales)	**5,238**	–
Cost of inventories recognised as an expense	**134,265**	146,669
Amortisation of prepaid lease payments	**978**	1,097
Depreciation of property, plant and equipment	**4,871**	8,338
Research and development costs (included in other operating expenses) (Note)	**4,045**	5,387
(Gain) Loss on disposal of property, plant and equipment	**(25)**	4,336
Written off of property, plant and equipment	**–**	1,845
Operating lease rentals in respect of rented premises	**449**	1,218

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 14 (2014: 10) 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 2015				
Chief executive & executive director:				
Dr. Allan Yap (Note e & l)	–	–	–	–
Executive directors:				
Mr. Ding Siqiang (Note a)	–	496	14	510
Ms. Ding Xueleng	–	496	14	510
Ms. Ding Jinzhu (Note b & l)	–	–	–	–
Mr. Lin Yangshan (Note b & l)	–	–	–	–
Mr. Li Dongxing (Note c & l)	–	–	–	–
Mr. Lau Yu Hang (Note d & l)	–	–	–	–
Mr. Ding Minglang (Note b & l)	–	–	–	–
	–	992	28	1,020
Non-executive director:				
Mr. Wong Ka Ching (Note f)	160	–	–	160
	160	–	–	160
Independent non-executive directors:				
Mr. Pang Hong (Note g)	50	–	–	50
Mr. Poon Kwok Hing, Albert (Note g)	50	–	–	50
Ms. Qiu Qiuxing (Note h & l)	–	–	–	–
Mr. Lin Jiwu (Note i & l)	–	–	–	–
Mr. Liu Qiuming (Note j & l)	–	–	–	–
	100	–	–	100
	260	992	28	1,280

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking			
	Fees	Salaries and other benefits	Contributions to retirement benefits scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2014				
Executive directors:				
Mr. Ding Siqiang (Note a)	–	560	15	575
Ms. Ding Xueleng	–	503	15	518
Ms. Ding Jinzhu (Note b)	–	84	6	90
Mr. Lin Yangshan (Note b)	–	150	6	156
Mr. Li Dongxing (Note c)	–	240	6	246
Mr. Ding Minglang (Note b)	–	131	6	137
	–	1,668	54	1,722
Independent non-executive directors:				
Mr. Yang Chengjie (Note k)	33	–	–	33
Ms. Qiu Qiuxing (Note h)	40	–	–	40
Mr. Lin Jiwu (Note i)	40	–	–	40
Mr. Liu Qiuming (Note j)	7	–	–	7
	120	–	–	120
	120	1,668	54	1,842

Note a: Mr. Ding Siqiang has re-designated from the chairman, president and executive director to executive director on 29 January 2016.

Note b: Mr. Ding Jinzhu, Mr. Lin Yangshan and Mr. Ding Minglang has resigned as executive directors on 11 June 2015.

Note c: Mr. Li Dongxing has resigned as executive director on 29 January 2016.

Note d: Mr. Lau Yu Hang has been appointed as executive director on 11 June 2015 and has resigned on 29 January 2016.

Note e: Dr. Allan Yap has been appointed as executive director on 11 June 2015 and has re-designated from executive director to Chairman and executive director on 29 January 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Note f: Mr. Wong Ka Ching has been appointed as executive director on 11 June 2015 and has re-designated as non-executive director on 14 July 2015.

Note g: Mr. Pang Hong and Mr Poon Kwok Hing, Albert have been appointed as independent non-executive directors on 23 June 2015.

Note h: Ms. Qiu Qiuxing has resigned as independent non-executive director on 29 January 2016.

Note i: Mr. Lin Jiwu has resigned as independent non-executive director on 23 June 2015.

Note j: Mr. Liu Qiuming has been appointed as independent non-executive director on 31 October 2014 and resigned on 23 June 2015.

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

Note l: The directors agreed to waive their emoluments for the year ended 31 December 2015.

Note m: Ms. Virginia Lok-Yee-ling has been appointed as executive director on 29 January 2016.

Note n: Mr. Gu Jiong has been appointed as non-executive director on 29 January 2016.

Note o: Ms. Szeto Wai Ling Virginia has been appointed as independent non-executive director on 29 January 2016.

There were no emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

Dr. Allan Yap is also the chief executive of the Company as at 31 December 2015 and his emoluments disclosed above include those for services rendered by him as the chief executive. (2014: Mr. Ding Siqiang is also the chief executive of the Company and his emoluments disclosed above included for services rendered by him as the chief executive.)

Nine of the directors of the Company as indicated above waived or agreed to waive emoluments of RMB784,000 paid by the Group for the year ended 31 December 2015. Neither the chief executive nor any of the directors waived any emoluments in the year ended 31 December 2014. 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 2015 and 2014.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

14. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group in 2015 and 2014 were all directors, the chief executive and senior management 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:

	2015	2014
	RMB'000	RMB'000
Loss		
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share	**(105,873)**	(165,175)

	2015	2014
	'000	'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 for the year ended 31 December 2014 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 year ended 31 December 2014.

The computation of diluted loss per share for the year ended 31 December 2015 does not assume the exercise of the Company's outstanding share options before the cancellation of the 13,400,000 share options (the "Cancellation") on 11 December 2015 as the exercise price of those options is higher than the average market price of the Company's shares before the Cancellation. Subsequent to the Cancellation, the Company had no dilutive potential ordinary shares outstanding as at 31 December 2015.

As a result, the diluted loss per share was the same as the basic loss per share for both years.

16. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2015 and 2014, 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 2015

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 2014	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
Additions	–	745	282	–	755	1,782
Disposals	–	–	–	(318)	–	(318)
Eliminated on disposal of a subsidiary	(61,916)	(7,853)	(1,595)	(744)	(5,552)	(77,660)
Transfer from construction in progress	23,427	–	–	–	(23,427)	–
At 31 December 2015	94,717	14,984	7,161	3,130	–	119,992
DEPRECIATION AND IMPAIRMENT LOSS						
At 1 January 2014	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
Provided for the year	4,826	21	24	–	–	4,871
Impairment loss recognised in profit or loss	–	724	182	–	5,552	6,458
Eliminated on disposal of a subsidiary	(12,566)	(7,853)	(1,519)	(744)	(5,552)	(28,234)
Eliminated on disposals	–	–	–	(318)	–	(318)
At 31 December 2015	25,766	14,984	7,161	3,130	–	51,041
CARRYING VALUES						
At 31 December 2015	**68,951**	**–**	**–**	**–**	**–**	**68,951**
At 31 December 2014	99,700	–	–	–	28,224	127,924

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 2015, the Group has not obtained the building ownership certificate for buildings with carrying values of approximately RMB4,814,000 (2014: RMB41,387,000) 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.

As at 31 December 2015, certain of the Group's buildings with carrying values of approximately RMB7,762,000 (2014: RMB32,601,000) were pledged to secure certain banking facilities granted to the Group (Note 26).

During the year ended 31 December 2015, 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 and office equipment of approximately RMB724,000 and RMB182,000 respectively (2014: plant and equipments, office equipment and motor vehicles of approximately RMB5,664,000, RMB2,404,000 and RMB2,422,000 respectively), which have been recognised in consolidated statement of profit or loss and other comprehensive income. The pre–tax discount rate in measuring the amounts of value-in-use is 13% (2014:13%). The recoverable amounts of the relevant assets, with reference to their value in use amounts are determined to be insignificant as at 31 December 2015 (2014: insignificant).

During the year ended 31 December 2015, the directors of the Company conducted a review on the construction in progress and determined the construction in progress were impaired, due to termination of the project. Accordingly, impairment loss of RMB5,552,000 (2014: nil) have been recognised in consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. PREPAID LEASE PAYMENTS

	2015	2014
	RMB'000	RMB'000
At 1 January	**45,968**	47,065
Amortisation of prepaid land lease payments	**(978)**	(1,097)
Eliminated on disposal of a subsidiary	**(34,019)**	–
At 31 December	**10,971**	45,968

	2015	2014
	RMB'000	RMB'000
Analysed for reporting purposes as:		
Non-current asset	**10,674**	44,870
Current asset	**297**	1,098
	10,971	45,968

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 2015, prepaid lease payments amounted to approximately RMB10,971,000 (2014: RMB34,609,000) were pledged to secure certain banking facilities granted to the Group (Note 26).

19. INVESTMENT IN A FILM

	2015	2014
	RMB'000	RMB'000
Investment in a film	**24,456**	–

Pursuant to the agreement entered into between the Company and an independent third party, the Group has invested in a film with total investment amounting to RMB24,456,000 (equivalent to HK$30,000,000) and is entitled to a return of certain percentage of the profit to be derived from the release of the film in any media and in any format. In opinion of the directors of the Company, the film is expected to be released in early 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

20. LOAN RECEIVABLE

	2015 RMB'000	2014 RMB'000
Unsecured loan receivable	**20,380**	–

As at 31 December 2015, the unsecured loan receivable RMB20,380,000 (2014: nil) bears interest at a fixed rate of 5% per annum. The unsecured loan receivable is repayable at 31 March 2017.

During the year ended 31 December 2015, no impairment loss (2014: nil) on loan and interest receivables was recognised in the consolidated statement of profit or loss and other comprehensive income.

The following table illustrates the ageing analysis, based on the loan drawn down dates, of the loan and interest receivables (net of accumulated impairment losses) outstanding at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
More than 12 months	**20,380**	–

21. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	**13,886**	18,756
Work-in-progress	**78**	417
Finished goods	**2,397**	24,422
	16,361	43,595

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

22. TRADE, BILLS AND OTHER RECEIVABLES

	2015	2014
	RMB'000	RMB'000
Trade receivables	**179,027**	423,160
Less: provision of impairment loss	**(135,094)**	(308,913)
	43,933	114,247
Bills receivables	**–**	600
Trade and bills receivables	**43,933**	114,847
Other receivables	**5,935**	2,390
Prepayment to suppliers	**64,739**	18,320
Other prepayments	**63**	611
Other receivables and prepayments	**70,737**	21,321
Trade, bills and other receivables	**114,670**	136,168

The Group does not hold any collateral over these balances.

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:

	2015	2014
	RMB'000	RMB'000
Within 90 days	**26,565**	47,625
91 to 180 days	**9,892**	38,558
181 to 365 days	**7,476**	28,064
Total	**43,933**	114,247

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

In determining the recoverability of receivables, the Group considers whether there has been 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:

	2015 RMB'000	2014 RMB'000
At 1 January	**308,913**	202,698
Recognised during the year	**61,017**	114,480
Reversal of impairment of provision	**(9,164)**	(8,265)
Eliminated on disposal of a subsidiary	**(225,672)**	–
At 31 December	**135,094**	308,913

Included in the provision for impairment loss of trade receivables are individually impaired trade receivables with an aggregate balance of approximately RMB135,094,000 (2014: RMB308,913,000).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.

No bill receivable was included in the balance of trade bills and other receivables as at 31 December 2015 (2014: approximately RMB600,000 aged within 30 days from the invoice date, which approximated the respective revenue recognition dates).

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

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**39,973**	102,938
Past due but not impaired:		
Within 90 days	**257**	2,881
91-180 days	**–**	1,227
Over 180 days	**3,703**	7,201
Total	**43,933**	114,247

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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 established between the Group and those diversified customers. In addition, to facilitate the evaluation process, the Group would take into account of ageing of receivable 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 2015, no trade receivable was pledged as security for the borrowing (2014: RMB6,297,000, the carrying amount of the associated liability is RMB5,300,000).

The following were the Group's financial assets as at 31 December 2015 and 2014 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 26). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2015	2014
	RMB'000	RMB'000
Bills receivable discounted to banks with full recourse		
Carrying amount of transferred assets	–	6,297
Carrying amount of associated liabilities	–	(5,300)
Net position	–	997

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

Short-term bank deposits represented term deposits with maturity period between 3 months to 12 months and carried interest at fixed rate from 2.85% to 3.25% (2014: 3.00% to 3.30%) per annum. Bank balances carried interest at market rates which ranged from 0.001 % to 0.055 % (2014: 0.001% to 0.350 %) per annum.

As at 31 December 2015, approximately RMB862,000 (2014: RMB1,519,000) 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 2015, bank deposit of the Group with carrying value of approximately RMB5,000,000 (2014: RMB1,590,000) was pledged to secure a bank borrowing (2014: pledged to secure certain bills payable) granted to the Group (Note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

24. TRADE, BILLS AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade and bills payables	**8,437**	13,130
Other payables	**11,489**	6,608
Other tax payables	**4,755**	4,226
Receipts in advance	**1,975**	93
Accrued payroll and staff welfare	**2,174**	3,818
	20,393	14,745
Trade, bills and other payables	**28,830**	27,875

Included in other payables are amounts due to directors of the Company of approximately RMB1,607,000 (2014: RMB824,000), which are unsecured, interest-free and repayable on demand.

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

	2015 RMB'000	2014 RMB'000
Within 90 days	**7,619**	11,284
91 to 180 days	**287**	466
181 to 365 days	**228**	1,380
Over 365 days	**303**	–
Total	**8,437**	13,130

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.

As at 31 December 2015, the Group had no bill payable (31 December 2014: RMB5,300,000) secured by the Group's time deposit (31 December 2014: RMB1,590,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. AMOUNT DUE TO A RELATED COMPANY

	2015 RMB'000	2014 RMB'000
Amount due to		
– Hengqiang (China) Co., Ltd. ("Hengqiang")	1,280	496

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.

26. BANK BORROWINGS

	2015 RMB'000	2014 RMB'000
Bank borrowings repayable within one year:		
Unsecured	–	23,000
Secured	117,300	179,980
	117,300	202,980

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

	2015 RMB'000	2014 RMB'000
Fixed-rate borrowings	117,300	202,980

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

	2015	2014
Fixed-rate borrowings	4.39% to 6.72%	5.66% to 7.80%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

26. BANK BORROWINGS *(continued)*

All bank loans were denominated in RMB.

During the year ended 31 December 2015, the Group obtained new borrowings in the amount of approximately RMB180,300,000 (2014: RMB276,280,000). The proceeds were used to finance the general working capital of the Group.

As at 31 December 2015, secured bank borrowings with aggregate carrying values of approximately RMB117,300,000 (2014:RMB174,680,000) were secured by buildings held for own use, pledged bank deposit or prepaid lease payments. As at 31 December 2015, no bank borrowings (2014: bank borrowings with carrying value of approximately RMB5,300,000) was secured by trade receivables of the Group. Details are disclosed in notes 17, 18 and 23.

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

	2015	2014
	RMB'000	RMB'000
Floating rate		
– expiring within one year	**69,933**	50,168
– expiring beyond one year	**5,500**	136,672
	75,433	186,840

27. 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 2014, 31 December 2014 and 31 December 2015	10,000,000,000	100,000	
Issued and fully paid:			
At 1 January 2014, 31 December 2014 and 31 December 2015	1,184,610,000	11,846	10,355

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. DEFERRED TAX LIABILITIES

At the end of the reporting period, the Group has unused tax losses of approximately RMB183,707,000 (2014: RMB189,488,000) 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 RMB135,094,000 (2014: RMB319,375,000). 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 (2014: nil).

29. 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:

	2015	2014
	RMB'000	RMB'000
Within one year	**150**	1,729
In the second to fifth year inclusive	**–**	760
	150	2,489

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.

30. CAPITAL COMMITMENTS

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

	2015	2014
	RMB'000	RMB'000
Contracted for but not provided in the consolidated financial statements	**–**	35,513

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. 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:

	2015	2014
	RMB'000	RMB'000
Buildings held for own use (Note 17)	**7,762**	32,601
Pledged bank deposits (Note 23)	**5,000**	1,590
Prepaid lease payments (Note 18)	**10,971**	34,609
Trade receivables (Note 22)	**–**	6,297
	23,733	75,097

32. 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 2015, no share in respect of which options had been granted and remained outstanding under the Scheme (2014: 19,200,000 shares). 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.

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For the year ended 31 December 2015

32. 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 2015

Option type	Outstanding at 1 January 2015	Granted during the year	Cancelled during the year (Note)	Outstanding at 31 December 2015
2010	**19,200,000**	**–**	**19,200,000**	**–**
Exercisable at the end of the year				**–**
Weighted average exercise price	**HK$1.56**	**N/A**	**N/A**	**N/A**

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

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For the year ended 31 December 2015

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

No expense was recognised for the year ended 31 December 2015 (2014: RMB141,000 equivalent to approximately HK$176,000) in relation to share options granted by the Company.

Note:

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

In February and June 2015, 4,450,000 and 1,350,000 share options granted to certain employees were cancelled respectively.

On 11 December 2015, the share options previously granted to certain directors and employees of the Group on 27 August 2010 to subscribe for a total of 13,400,000 ordinary shares in the share capital of the Company had been cancelled (the "Cancelled Share Options") with immediate effect. These share options had not been exercised since they were granted. The Directors considered that the exercise price for the Cancelled Share Options (being HK$1.56 per share) was higher than the recent market prices of the shares, the Cancelled Share Options could no longer serve the purpose of providing incentives or rewards to the holders thereof.

33. 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 2015, the total retirement benefit scheme contributions charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately RMB3,362,000 (2014: RMB3,798,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

34. RELATED PARTY TRANSACTIONS

(A) In addition to balances disclosed in Note 25, 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 (2015: nil). Leases are negotiated for an average term of 2 years.

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	2015	2014
	RMB'000	RMB'000
Short-term benefits	**1,675**	2,359
Post-employment benefits	**60**	74
	1,735	2,433

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment		**–**	10
Interests in subsidiaries	(a)	**9**	9
Investment in a film		**24,456**	–
Loan receivable		**20,380**	–
		44,845	19
Current assets			
Other receivables		**331**	323
Dividend receivables		**176,755**	165,592
Amounts due from subsidiaries	(b)	**–**	27,731
Bank balances and cash		**756**	1,417
		177,842	195,063
Current liabilities			
Other payables		**5,483**	315
Amounts due to directors	(b)	**1,607**	824
		7,090	1,139
Net current assets		**170,752**	193,924
Total assets less current liabilities		**215,597**	193,943
Capital and reserves			
Share capital		**10,355**	10,355
Reserves	(c)	**205,242**	183,588
Total equity		**215,597**	193,943

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Notes:

(a) Interests in subsidiaries

	2015 **RMB'000**	2014 RMB'000
Unlisted investments, at cost	**9**	9
Amounts due from subsidiaries – current	**365,489**	398,730
	365,498	398,739
Less: Impairment loss recognised on amount due from subsidiaries	**(365,489)**	(370,999)
	9	27,740
Analysed for reporting purposes as:		
Non-current asset	**9**	9
Current asset	**–**	27,731
	9	27,740

(b) Amounts due from 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	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2014		561,252	6,735	(386,652)	181,335
Profit and total comprehensive expense for the year		–	–	2,112	2,112
Recognition of equity-settled share-based payments	32	–	141	–	141
At 31 December 2014		561,252	6,876	(384,540)	183,588
Profit and total comprehensive expense for the year		**–**	**–**	**21,654**	**21,654**
Share option cancelled	32	**–**	**(6,876)**	**6,876**	**–**
At 31 December 2015		**561,252**	**–**	**(356,010)**	**205,242**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

36. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2015 and 2014 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 Direct %	Indirect %	Proportion of voting power held by the Company	Principal activities
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品有限公司 (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),(iii) and (iv))	The PRC 30 January 2007	Ordinary	RMB281,999,497/ RMB300,000,000	–	2015: nil 2014: 100%	2015: nil 2014: 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.

(iv) On 28 October 2015,the Group disposed of its entire equity interests in Quanzhou Meike Sports Goods Co., Limited ("Quanzhou Meike") to an independent third party for a total consideration of approximately HK$61,000,000 (equivalent to approximately RMB49,727,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

37. DISPOSAL OF A SUBSIDIARY

Pursuant to a conditional agreement dated 2 September 2015, the Group agreed to dispose of the entire equity interests in Quanzhou Meike Sports Goods Co., Limited ("Quanzhou Meike") to an independent third party for a total consideration of HK$61,000,000 (equivalent to approximately RMB49,727,000).

The turnovers of Quanzhou Meike for the period from 1 January 2015 to 31 October 2015 and year ended 31 December 2014 were RMB6,152,000 and RMB44,106,000 respectively. The net losses of Quanzhou Meike attributable to the Group for the period from 1 January 2015 to 31 October 2015 and year ended 31 December 2014 were RMB43,163,000 and RMB76,140,000 respectively.

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	49,426
Prepaid lease payments	34,019
Inventories	4,577
Trade and other receivables	34,129
Short-term bank deposits	5,000
Bank balances and cash	14,178
Trade, bills and other payables	(4,217)
Bank borrowings	(88,500)
Net assets disposed	48,612
Gain on disposal	1,115
Total consideration	49,727
Satisfied by:	
Consideration receivable included in current assets	49,727

The total consideration of RMB49,727,000 was partially settled during the year, which resulted in investment in a film of RMB24,456,000 and loan to an independent third party of RMB20,380,000. The remaining RMB4,891,000 was settled by cash subsequent to 31 December 2015.

Net cash outflow on disposal:	
Cash and cash equivalents disposed of	(14,178)
Net outflow of cash and cash equivalents	(14,178)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

37. DISPOSAL OF A SUBSIDIARY *(continued)*

Upon the completion, the Company ceased to hold any interest in Quanzhou Meike. The subsidiary disposed of during the year had no significant impact on the Group's operating, investing and financing cash flows for the year ended 31 December 2015.

38. EVENTS AFTER REPORTING PERIOD

(A) THE PARTIAL DISPOSAL OF A SUBSIDIARY

On 25 January 2016, the Company entered into the agreement with the Champ Luck Enterprise Limited ("Champ Luck"), pursuant to which the Company has agreed to sell and the Champ Luck has agreed to acquire the 49% of the issued share capital of the Amber Jungle Limited, a subsidiary of the Group, for a total cash Consideration of HK$52,000,000.

Details were set out in the announcements of the Company on 25 January 2016, 17 February 2016 and 18 February 2016 and in the circular dated 31 March 2016.

(B) THE CHANGE OF SUBSTANTIAL SHAREHOLDER

On 28 January 2016, the Company was informed by Power Rich Development Limited ("Power Rich"), a former substantial shareholder of the Company directly wholly-owned by Dr. Allan Yap, who is the Chairman and executive director of the Company, that it had entered into a sale and purchase agreement with a company controlled by CMC Holdings Limited (the "Purchaser"). The Company has been informed by Power Rich that the Purchaser is a third party independent of the Company and its connected persons (as defined in the Listing Rules). Following completion of the transactions contemplated under the sale and purchase agreement, Power Rich will have disposed of its entire shareholding in the Company, representing 350,000,000 ordinary shares and approximately 29.55% of the total issued capital of the Company as at 28 January 2016 and has ceased to be a substantial shareholder of the Company.

Details were set out in the announcements of the Company on 28 January 2016.

FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31				
	2011	2012	2013	2014	**2015**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	633,385	331,487	230,521	163,029	**147,735**
Cost of sales	(422,213)	(313,587)	(227,451)	(146,669)	**(139,503)**
Gross profit	211,172	17,900	3,070	16,360	**8,232**
Other income	3,952	2,004	47,614	14,906	**13,711**
Other gains and losses, net	7,698	139	–	–	**–**
Impairment loss recognised in respect of property, plant and equipment	–	–	(5,519)	(10,490)	**(6,458)**
Impairment loss recognised in respect of trade receivables	–	(85,247)	(180,870)	(114,480)	**(61,017)**
Selling and distribution expenses	(74,085)	(24,936)	(55,530)	(9,336)	**(7,968)**
Administrative expenses	(42,156)	(37,614)	(46,575)	(38,489)	**(34,624)**
Other operating expenses	(18,383)	(10,551)	(11,819)	(11,567)	**(4,045)**
Finance costs	(13,105)	(13,323)	(7,643)	(12,079)	**(13,704)**
Gain on disposal of a subsidiary	10	–	–	–	**–**
Profit (loss) before tax	75,103	(151,628)	(257,272)	(165,175)	**(105,873)**
Income tax (expense) credit	(18,985)	731	2,648	–	**–**
Profit (loss) for the year	56,118	(150,897)	(254,624)	(165,175)	**(105,873)**
Other comprehensive income:					
Exchange differences on translation	–	–	–	–	**–**
Total comprehensive income (loss) for the year	56,118	(150,897)	(254,624)	(165,175)	**(105,873)**
Earnings (loss) per share – Basic and diluted (RMB)	0.047	(0.127)	(0.215)	(0.139)	**(0.089)**

FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31				
	2011	2012	2013	2014	**2015**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets					
Current assets	998,912	779,736	530,522	412,785	**271,304**
Non-current assets	214,336	212,489	191,391	172,794	**124,461**
Total Assets	1,213,248	992,225	721,913	585,579	**395,765**
Equity and Liabilities					
Current liabilities	285,095	212,917	202,651	231,351	**147,410**
Non-current liabilities	6,509	6,509	–	–	**–**
Total Equity	921,644	772,799	519,262	354,228	**248,355**
Total Equity and Liabilities	1,213,248	992,225	721,913	585,579	**395,765**