

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

5.1 PROMOTERS

5.1.1 Particulars and shareholdings

The details of our Promoters and their shareholdings in our Company before and after the IPO are as follows: -

Name	Designation	No. of Shares held before the IPO		No. of Shares held after the IPO		
		Direct	%	Direct	%	
Power Wide	-	201,601,293	66.67	181,801,293	50.50	
Lin Huozhi	Executive Chairman / CEO	-	-	(1) 201,601,293	66.67	
					(1) 181,801,293	50.50

Notes: -

(1) Deemed interest by virtue of his substantial shareholding in Power Wide.

5.1.2 Profiles of Promoters

(i) Power Wide

(a) Background information

Power Wide was incorporated in BVI under the BVI Business Companies Act 2004 on 8 August 2008 as a business company under its present name Power Wide Holdings Limited. Power Wide is principally an investment holding company.

As at LPD, the authorised share capital of Power Wide is US\$50,000.00 comprising 50,000 shares of US\$1.00 each. The issued and paid-up share capital of Power Wide is US\$50,000.00 comprising 50,000 shares of US\$1.00 each.

(b) Directors and substantial shareholders

The particulars of Power Wide's directors and substantial shareholders and their respective shareholdings in Power Wide as at the date of this Prospectus are set out below: -

Name	No. of ordinary shares held	
	Direct	%
Director and substantial shareholder		
Lin Huozhi	50,000	100
		-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

(ii) Lin Huozhi

Lin Huozhi, a PRC national aged 46, is the founder, Executive Chairman and CEO of our Group. He was appointed to our Board on 14 October 2008.

As the founder of our Group, he has been instrumental in our development, growth and success. He has more than 20 years of experience in the shoe-sole-production industry and is responsible for the formulation and execution of the overall business strategies and policies of our Group. He is also responsible for implementing our management policies and overseeing our production and operation, marketing, quality control, public relations and R&D.

Mr Lin took up the trade of shoe manufacturing as a production worker in 1989. From 1991 to 1993, he partnered with a business partner to manufacture generic shoes soles. From 1993 to 1999, he began his own venture in the manufacturing of sports shoe soles.

Mr Lin started JHX in 1999, and his reputation allowed JHX to successfully procure orders from locally-renowned sports-footwear manufacturers such as Guohui and 361° within a few months after its establishment. Mr. Lin propelled JHX's growth until the transfer of JHX's business to Baixing in 2005.

5.1.3 Directorships and substantial shareholdings in all other public corporations for the past two (2) years

None of our Promoters has any directorships or substantial shareholdings in other public corporations for the past two (2) years preceding the LPD.

5.1.4 Significant changes in Promoters' shareholdings in our Company for the past three (3) years

Save as disclosed below, there are no other significant changes in our Promoters' shareholdings in our Company for the past three (3) years, as at the date of this Prospectus: -

Name	Before the Acquisitions				After the Acquisitions			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Power Wide	-	-	-	-	201,601,293	66.67	-	-
Lin Huozhi	20	100.00	-	-	-	-	⁽¹⁾ 201,601,293	66.67

Notes: -

(1) Deemed interest by virtue of his substantial shareholding in Power Wide.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

5.2 SUBSTANTIAL SHAREHOLDERS

5.2.1 Particulars and shareholdings

The details of our substantial Shareholders and their shareholdings in our Company before and after the IPO are as follows: -

Name	Designation	No. of Shares held before the IPO		No. of Shares held after the IPO					
		Direct	%	Direct	%	Indirect	%		
Power Wide	-	201,601,293	66.67	-	-	181,801,293	50.50	-	-
Lin Huozhi	Executive Chairman / CEO	-	-	(1) 201,601,293	66.67	-	-	(1) 181,801,293	50.50
GGMC	-	53,998,707	17.86	-	-	53,998,707	15.00	-	-

Notes: -

(1) Deemed interest by virtue of his substantial shareholding in Power Wide.

5.2.2 Profiles of substantial Shareholders

The profiles of Power Wide and Lin Huozhi are set out in Section 5.1.2 of this Prospectus. The profile of GGMC is as follows: -

(i) GGMC

(a) Background information

GGMC was incorporated in the Cayman Islands under the Cayman Islands Companies Law Cap.22. GGMC is principally engaged in the provision of management services and investment holding.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

(b) Directors and substantial shareholders

The particulars of GGMC's directors and their respective shareholdings as at LPD are set out below: -

Name	No. of ordinary shares held			
	Direct	%	Indirect	%
Directors				
Tang Hong Cheong	-	-	-	-
Tsang Cho Tai	-	-	-	-

GGMC is 100% indirectly owned by Hong Leong Company (Malaysia) Berhad.

5.2.3 Directorships and substantial shareholdings in all other public corporations for the past two (2) years

None of Power Wide, Lin Huozhi and GGMC has any directorships or substantial shareholdings in other public corporations for the past two (2) years preceding the LPD.

5.2.4 Significant changes in substantial Shareholders' shareholdings in our Company for the past three (3) years

Save as disclosed below, there are no other significant changes in our substantial Shareholders' shareholdings in our Company for the past three (3) years, as at the date of this Prospectus.

Name	Before the Acquisitions				After the Acquisitions			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Power Wide	-	-	-	-	201,601,293	66.67	-	-
Lin Huozhi	20	100.00	-	-	-	-	⁽¹⁾ 201,601,293	66.67
GGMC	-	-	-	-	53,998,707	17.86	-	-

Notes: -

(1) Deemed interest by virtue of his substantial shareholding in Power Wide.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

5.3 DIRECTORS

5.3.1 Particulars and shareholdings

The details of our Directors and their shareholdings in our Company before and after the IPO are as follows: -

Name	Designation	No. of Shares held before the IPO		No. of Shares held after the IPO					
		Direct	%	Direct	%	Indirect	%		
Lin Huozhi	Executive Chairman / CEO	-	-	(1) 201,601,293	66.67	-	-	(1) 181,801,293	50.50
Lin Liying	Executive Director	-	-	-	-	-	-	-	-
Huang Weimin	Executive Director	-	-	-	-	-	-	-	-
Chan Chiu Hung Alex	Independent Non-Executive Director	-	-	-	-	-	-	-	-
Gong Ane	Independent Non-Executive Director	-	-	-	-	-	-	-	-
Lee Kian Hu	Independent Non-Executive Director	-	-	-	-	-	-	-	-

Notes: -

(1) Deemed interest by virtue of his substantial shareholding in Power Wide.

5.3.2 Profiles of Directors

Save for the profile of Lin Huozhi which is set out in Section 5.1.2 of this Prospectus, the profiles of our other Directors are as follows:-

(i) **Lin Liying**

Lin Liying, a PRC national aged 26, is our Executive Director. She was appointed to our Board on 14 October 2008.

Ms Lin graduated from Huaqiao University with a Degree in Accounting and Information Technology in 2004. Upon her graduation, she joined JHX as deputy finance manager and was responsible for its accounting, finance and general administration. Ms Lin joined Baixing in 2005 and assumed the position of Vice General Manager (Sales, Marketing and Purchasing), which she currently still holds. She was progressively accorded further responsibilities to oversee Baixing's procurement, marketing and distribution functions.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

(ii) Huang Weimin

Huang Weimin, a PRC national aged 39, is our Executive Director. He was appointed to our Board on 10 July 2009.

From 1990 to 1996, he was the assistant to the factory chairman of Jinjiang Chenghe Shoe Mold Co., Ltd. and was later promoted to manager of its production department. In 1997, Mr Huang joined Haishen Shoe Material Co., Ltd. to head its production department and was later promoted to deputy general manager.

He joined Baixing in 2005, and assumed the position of Vice General Manager (Production), which he currently still holds. He is responsible for the general oversight of our manufacturing operations. He brings with him more than 18 years of experience and knowledge in the production of shoe soles and shoe-sole industry operations.

(iii) Chan Chiu Hung Alex

Chan Chiu Hung Alex, a PRC national aged 43, is our Independent Non-Executive Director. He was appointed to our Board on 10 July 2009.

He holds a Bachelor Degree with Honours in Finance from Hong Kong Baptist University. He has been a CPA of Hong Kong Institute of Certified Public Accountants since 1998, a fellow member of the Association of Chartered Certified Accountants since 2003, an Associate in the Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators since 2006, and a member of the Institute of Chartered Accountants in England and Wales since 2007.

He started his career in 1995 as an accountant in Simmons Bedding and Furniture (HK) Limited. Subsequently, he worked in various Hong Kong-listed companies, handling compliance, accounting, taxation and financial issues.

In 1998, he moved on to FT Far East Limited as an accounting manager. In 2003, he became the financial controller and qualified accountant of Pak Tak Knitting & Garment Factory Limited. In 2005, he joined Signal Media and Communications Holdings Limited as financial controller. In 2006, he was appointed as financial controller, company secretary, qualified accountant and authorised representative of Epro Systems Limited, an IT-services company.

In 2007, he moved on to join China Sports International Limited ("**China Sports**"), a company listed on SGX, as chief financial officer, a position he currently still holds. He oversees the management of the overall finance and accounting operations of China Sports. He is also responsible for implementing internal controls and corporate governance and practices, as well as liaising with external parties and regulatory bodies in respect of China Sports' financial matters.

(iv) Gong Ane

Gong Ane, a PRC national aged 45, is our Independent Non-Executive Director. She was appointed to our Board on 10 July 2009.

She holds an MBA from the Open University of Hong Kong, and graduated from the Xiamen Jimei School of Finance in 1982. She is a member of the Institute of Certified Public Accountants, a certified tax agent, and a qualified land valuer.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Upon graduation, she joined the finance department of an engineering company in Fujian. In 1985, she joined the investments division of Xiamen Special Economic Zone Joint-Development Company. In 1990, she moved on to the Xiamen Siming Correspondence Station of Zhonghua Accounting Correspondence School. In 1993, she joined Xiamen Siming Accounting Firm, and in 1998, she moved on to Xiamen Yonghe Accounting Firm.

In 2003, she joined Xiamen Jinyonghe Tax Firm. She is presently the Director of Tax and Deputy Director of Accounting at Xiamen Jinyonghe Tax Firm.

(v) Lee Kian Hu

Lee Kian Hu, a Malaysian aged 35, is our Independent Non-Executive Director. He was appointed to our Board on 10 July 2009.

He graduated with a Bachelor of Economics, major in Economics and Accounting from University of Western Australia, Australia in 1997. He qualified as a Certified Practising Accountant (CPA), Australia in 2001. In 2002, he qualified as a Chartered Accountant, Malaysia, and was granted with the Practising Certificate which entitles him to engage in public practice under Malaysian Institute of Accountants (Membership and Council) Rules, 2001.

After graduation, he gained experience working for a local accounting firm, and moved on to an international accounting firm. In 2003, he joined Chiang Huah Management Consultants Sdn Bhd as Company Director, and also became the partner of Hu & Co., a member firm of the Malaysian Institute of Accountants. In 2009, he left Chiang Huah Management Consultants Sdn Bhd. He is now the managing partner of Hu & Co.. His working experiences include the areas of corporate and business advisory, accounting, audit and tax.

5.3.3 Directorships and substantial shareholdings in all other public corporations for the past two (2) years

Save as disclosed below, none of our Directors has any directorships or substantial shareholdings in other public corporations for the past two (2) years preceding the LPD: -

Name	Principal activity	Designation	No. of ordinary shares held			
			Direct	%	Indirect	%
Chan Chiu Hung Alex						
Kong Sun Holdings Limited	Manufacturing and sale of decorative products and property investment	Independent Non-Executive Director and Chairman of Audit Committee (resigned on 1 September 2008)	-	-	-	-
Vitop Bioenergy Holdings Limited	Manufacturing and trading of healthcare products	Independent Non-Executive Director and Chairman of Audit Committee (resigned on 28 February 2008)	-	-	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Principal activity	Designation	No. of ordinary shares held			
			Direct	%	Indirect	%
Amax Entertainment Holdings Limited	Investment holding and gaming operations	Independent Non-executive Director and Chairman of Audit Committee	Less than 0.1%	Less than 0.1%	-	-

5.3.4 Directors' remuneration and benefits

The aggregate remuneration and material benefits in-kind paid or payable to our Directors on an individual basis for services rendered in all capacities to our Group for FYE 2008 and proposed for the current FYE 2009 are as follows: -

Remuneration Band	FYE 2008	Proposed for FYE 2009
Range (RM)	No. of Directors	
0 – 50,000	-	3 Directors
100,001 – 150,000	2 Directors	-
150,001 – 200,000	1 Director	-
300,001 – 350,000	-	1 Director
350,001 – 400,000	-	1 Director
600,001 – 650,000	-	1 Director

Note: -

* Based on the exchange rate of RMB1: RM0.5335 as at 31 March 2009, as set out in Paragraph 4 of the Accountants' Report in Section 10 of this Prospectus.

5.4 CORPORATE GOVERNANCE

5.4.1 Board practices

Our Bye-laws provide that our Board of Directors shall consist of not less than four Directors. At each annual general meeting of our Company, one-third (1/3) of the Directors for the time being, or if their number is not three or a multiple of three (3), then the number nearest to but not less than one-third (1/3), shall retire from office and shall be eligible for re-election thereat. The Directors to retire in each year shall be those who have been longest in office since their last election but as between persons who became directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot provided always that each Director shall retire at least once every three (3) years. Notwithstanding the foregoing, a Director who is over the age of 70 years shall retire from office in every year but may be re-elected by way of a special resolution in general meeting, and a Director appointed by the Board shall retire at the next annual general meeting of the Company following his appointment and shall be eligible for re-election at that meeting. For further details on our Memorandum and selected Bye-laws, kindly refer to Section 13.2 of this Prospectus.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

As at the date of this Prospectus, the current term of office for each of our Directors is as follows: -

Name of Director	Length of service in our Group	Length of service as Director of Multi Sports as at date of this Prospectus	Date of expiration of current term of office
Lin Huozhi	16 years	9 months	Shall retire at our 2010 annual general meeting in accordance with Bye-law 86
Lin Liying	4 years	9 months	Shall retire at our 2010 annual general meeting in accordance with Bye-law 86
Huang Weimin	4 years	1 month	Shall retire at our 2010 annual general meeting in accordance with Bye-law 85(6)
Chan Chiu Hung Alex	1 month	1 month	Shall retire at our 2010 annual general meeting in accordance with Bye-law 85(6)
Gong Ane	1 month	1 month	Shall retire at our 2010 annual general meeting in accordance with Bye-law 85(6)
Lee Kian Hu	1 month	1 month	Shall retire at our 2010 annual general meeting in accordance with Bye-law 85(6)

5.4.2 Audit Committee

The main functions of the Audit Committee of our Company fall within the ambit of the Listing Requirements, which include the review of the audit plan with our external auditor; the review of the external auditor's audit report and evaluation of our system of internal controls, with the external auditors; review of the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work; review of the assistance given by our employees to the external auditor; review of the internal audit programme, processes, results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function; review of financial statements; review of related-party transactions and conflict-of-interest situations; review of any resignation letter and reasons for non-suitability of re-appointment of our external auditors; and review and recommendation of the nomination of external auditors. The Audit Committee comprises of the following individuals: -

Name	Designation	Directorship
Chan Chiu Hung Alex	Chairman	Independent Non-Executive Director
Gong Ane	Member	Independent Non-Executive Director
Lee Kian Hu	Member	Independent Non-Executive Director

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

5.4.3 Remuneration Committee

The Remuneration Committee of our Company is principally responsible for reviewing and recommending to our Board the remuneration package and the terms of employment of our Executive Directors. The Executive Director does not participate in any way in determining his individual remuneration.

The policy adopted by our Remuneration Committee is to provide the necessary package to attract, retain and motivate the Executive Directors of the quality required to manage our business and to align the interest of our Executive Directors with those of Shareholders. The Remuneration Committee comprises the following members: -

Name	Designation	Directorship
Lin Liying	Chairman	Executive Director
Chan Chiu Hung Alex	Member	Independent Non-Executive Director
Gong Ane	Member	Independent Non-Executive Director

5.4.4 Nominating Committee

The Nominating Committee of our Company is principally responsible for recommending to our Board, the appointment of new Directors and committee members, with regard to the Director's contribution and performance, as well as reviewing on an annual basis the appropriate balance and size of non-executive participation.

This requires a review of the mix of skills and experience, including core competencies and qualities that Non-Executive Directors should bring to our Board in order for our Board to function effectively. Our Board as a whole makes all decisions on appointments after considering the recommendations of the Nominating Committee. The Nominating Committee comprises the following members: -

Name	Designation	Directorship
Chan Chiu Hung Alex	Chairman	Independent Non-Executive Director
Gong Ane	Member	Independent Non-Executive Director
Lee Kian Hu	Member	Independent Non-Executive Director

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

5.5 KEY MANAGEMENT

5.5.1 Particulars and shareholdings

The details of our key management personnel and their shareholdings in our Company before and after the IPO are as follows: -

Name	Designation	No. of Shares held before the IPO		No. of Shares held after the IPO			
		Direct	%	Direct	%	Indirect	%
Teoh Toh Soon	Chief Financial Officer	-	-	-	-	-	-
Gong Deping	R&D Manager	-	-	-	-	-	-
Zhou Liuxing	Production Manager	-	-	-	-	-	-
Wu Chengdong	Sales Manager	-	-	-	-	-	-
Wang Caiyun	Finance Manager	-	-	-	-	-	-

5.5.2 Profiles of key management personnel

(i) Teoh Toh Soon

Teoh Toh Soon, a Malaysian aged 31, is the Chief Financial Officer of our Group.

He graduated with a Bachelor of Commerce in Accountancy from University of Adelaide, Australia in 1999. In 2003, he became a Member of CPA Australia and in 2004, a Chartered Accountant under the Malaysian Institute of Accountants and a Member of The Institute of Internal Auditors, Singapore. In 2007, he was admitted as a Member of the Institute of Certified Public Accountants of Singapore and an Associate Member of the Singapore Institute of Taxation Limited.

From 2000 to 2002, Mr. Teoh was an audit junior with S.S Ang & Co., Singapore. Subsequently, he joined Grant Thornton, Singapore as an audit senior in 2003. He joined Deloitte, Singapore in 2004 and subsequently Ernst & Young, Singapore in 2005, both as audit senior. From 2006 to April 2009, he was attached to TT Consulting Group as an executive director. His working experiences include the areas of audit, tax, business advisory, corporate restructuring, mergers and acquisitions, and initial public offering exercises in Singapore. He joined our Group in May 2009.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

(ii) Gong Deping

Gong Deping, a PRC national aged 27, is the R&D Manager of Baixing, and is in charge of R&D activities and quality assurance. He is mainly responsible for gathering market information, planning and implementing R&D production techniques, and the expansion of our product ranges.

From 2001 to 2003, Mr. Gong was a mould-design specialist in Baoyuan Mould Factory. He obtained a Diploma in Industrial Mould Design and Manufacture from Changsha Aeronautical, Vocational and Technical College in 2002. From 2003 to 2005, Mr. Gong was the deputy manager of production of Xieli Mold Co., Ltd.. Mr. Gong joined our Group in 2005, and assumed his current position since.

(iii) Zhou Liuxing

Zhou Liuxing, a PRC national aged 35, is the Production Manager of Baixing, and is responsible for overseeing our production activities and quality-control process.

He obtained a Bachelor in Animal and Veterinary Sciences from Fujian Agriculture and Forestry University in 1993. Upon graduation, he worked as a veterinarian in a government veterinary institution in Fujian Province. From 1995 to 2007, he headed the workshop operations in Quanqiu Shoes and Apparels Group, where he was later promoted to factory chairman, overseeing its general production. Mr. Zhou joined our Group in 2008.

(iv) Wu Chengdong

Wu Chengdong, a PRC national aged 36, is the Sales Manager of Baixing. He heads the sales department and is responsible for overseeing our sales and marketing activities.

From 2000 to 2002, he worked in the procurement department in Sanxing Shoes Co., Ltd.. From 2003 to 2005, he was the head of sales department in Huali Shoes Co., Ltd.. Mr. Wu joined our Group in 2005 as sales executive and was later promoted to his current position in 2008.

(v) Wang Caiyun

Wang Caiyun, a PRC national aged 32, is the Finance Manager of Baixing, and is responsible for overseeing our Group's finance department.

Ms. Wang obtained a diploma in Accounting from Xiamen University in 2001 and a Bachelor in Management and Business Administration from the same institute in 2005.

From 1995 to 2002, she was the assistant accountant with Hui'an Department Store, where she was later promoted to head its account and finance department. From 2003 to 2005, she worked for Aierda Shoe Molding Co., Ltd. as its finance manager. Ms. Wang joined our Group in 2005 and assumed her current position since.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

5.6 INVOLVEMENT OF EXECUTIVE DIRECTORS / KEY MANAGEMENT IN OTHER BUSINESSES / CORPORATIONS

As at LPD, save as disclosed below, none of our Executive Directors and / or key management personnel are involved in other businesses or corporations:-

Name of company	Principal activity
Lin Huozhi	
JHX	Investment holding
Power Wide	Investment holding

Lin Huozhi's involvements in the above businesses do not require his involvement in the day-to-day activities and operations of these companies, as they are both investment holding companies. As such, his involvement in such other businesses and corporations neither affects his contribution to our Group nor negatively impacts his ability to act as our Executive Chairman and CEO. Kindly refer to Section 7.4 of this Prospectus for further details.

Name of company	Principal activity
Teoh Toh Soon	
CH Venture Sdn Bhd	Investment holding and provision of management services
PT Private Equity Sdn Bhd	Investment holding and provision of management services
Euromark Estate Sdn Bhd*	Property investment
CH Mega Motor Sdn Bhd*	Dealer in new and used motor vehicles, spare parts and accessories
AT Private Equity, Inc	Investment

Note: -

* *Subsidiary of PT Private Equity Sdn Bhd.*

Teoh Toh Soon's involvements in the above businesses do not require his involvement in the day-to-day activities and operations of these companies, as they are family investment-holding companies, and managed by well-qualified and experienced managers. As such, his involvement in such other businesses and corporations neither affects his contribution to our Group nor negatively impacts his ability to act as our Chief Financial Officer.

5.7 DECLARATION BY PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

As at LPD, none of our Promoters, Directors, key management personnel or persons nominated to become a Director or key management is or has been involved in any of the following events (whether in or outside Malaysia): -

- (i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) charged and / or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) judgment was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) was the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

5.8 RELATIONSHIPS OR ASSOCIATIONS

Save as disclosed below, there are no family relationships / association between our substantial Shareholders, Promoters, Directors and key management.

Name	Relationship / association
Lin Huozhi / Lin Liying	Lin Liying, our Executive Director, is the daughter of Lin Huozhi, our Promoter, substantial Shareholder, Executive Chairman and CEO
Power Wide / Lin Huozhi	Power Wide, our Promoter, is wholly owned by Lin Huozhi

5.9 SERVICE AGREEMENTS

Save as disclosed below, there are no existing or proposed service agreements between the Directors and key management personnel of the Group with the Company and/or its subsidiaries: -

- (i) Our Company entered into an employment contract dated 1 May 2009 ("**Employment Contract**") with Teoh Toh Soon ("**TTS**") for the appointment of TTS to act as our Chief Financial Officer at a salary of RM15,500 per month (including the monthly employee provident fund contribution of RM3,000 and the tax payable of RM1,500) commencing from 1 May 2009 and expiring on 1 May 2011. Pursuant to the Employment Contract, TTS shall not terminate the Employment Contract during the period between our application for Listing and our successful Listing.

In the event TTS intends to terminate the Employment Contract after our successful Listing, TTS shall give us a written notice at least three (3) months in advance. On general conditions, in the event TTS resigns upon his own willingness before our Listing, TTS shall no longer be entitled to any welfare. In the event either party terminates the Employment Contract during the period between our application for Listing and our successful Listing, the terminating party shall indemnify the other party financial losses of RM20,000. In the event we unilaterally suspend our application for Listing, we shall indemnify TTS financial losses of RM20,000. The indemnification shall be fully paid within ten (10) days from the termination of the Employment Contract.

5.10 EMPLOYEES

As at LPD, our workforce comprised a total of 1,929 employees, as follows: -

Department	No. of employees	Average years of Service*
Managerial and professional	37	3.3
Technical and supervisory	206	3.1
Clerical and related occupations	1	3.0
General workers	17	3.2
Factory workers:		
- skilled	1,241	3.1
- unskilled	427	3.2
Total	1,929	3.2

Note: -

* Only taking into account employees' years of service in our Group. Baixing, our subsidiary, took over the business operations of shoe-sole designing, developing and manufacturing from JHX in 20 June 2005.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Under current PRC laws and regulations, employees are classified as contract employees and part-time employees, and there are no permanent employees in the Group. All our employees are contract employees. The employment agreement entered into between employees and us is a standard employment agreement issued by the Quanzhou Labor and Social Security Bureau, save for Teoh Toh Soon (our Chief Financial Officer). The details of Teoh Toh Soon's employment contract are disclosed in Section 5.9 of this Prospectus. We believe that the terms and conditions in the employment agreement and employment contract are in compliance with the relevant laws.

Our management views our employees as key assets that play a pivotal role in our continuous growth, and views sound human resource management as one of our critical success factors. We believe that a well-trained, well-motivated and well-managed workforce is essential for efficient operations, and the success of our business. As such, our management proactively cultivates a positive working culture by having good working relationships with our employees, promotes camaraderie by organising annual dinners and periodic recreational events such as sports activities, and places great emphasis on a clean and comfortable working environment for our employees.

We pay social insurance for our employees, including old age, medical, unemployment, work-injury and childbearing insurance, and believe that we are in compliance with local laws and regulations concerning social insurance. We have also entered into confidentiality and non-competition agreements with some key employees, namely Lin Liying, Huang Weimin, Gong Deping, Zhou Liuxing, Wu Chengdong, Wang Caiyun, Fu Yong and Ma Jianjun.

As of LPD, none of our employees belong to any union, and we have not been involved with any material industrial disputes with any of our employees.

Training and development

We believe in developing our human capital. It is our policy to develop and train employees to improve their skill sets and professionalism, in order to enhance productivity and operational efficiencies. As training and development is a continuing process, we encourage our employees to continually increase their skills and knowledge through hands-on training.

All new employees are required to undergo orientation programs to familiarise themselves with our working environment, products, operations and safety procedures. New recruits also undergo on-the-job training to equip themselves with the requisite skills for performing their specific functions. Employees involved in manufacturing and production processes are required to undergo in-house operational training sessions to familiarise themselves with our operational procedures, policies and practices. Our training regime aims to equip our staff with knowledge pertaining to quality assurance, the mechanics of the manufacturing processes and safety awareness.

Management succession plan

We seek to ensure continuity in our management team, in order to ensure continuity and maintain our competitiveness. It is our policy to groom outstanding junior employees for more job responsibilities and supervisory roles, and groom exceptional middle-management staff to gradually assume the responsibilities of senior management.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

6. APPROVALS AND CONDITIONS

6.1 APPROVALS AND CONDITIONS

The SC had approved our Listing Scheme, under Section 212(5) of the CMSA, vide its letter dated 29 May 2009. The conditions imposed by the SC and the status of compliance are as follows: -

Conditions imposed by SC	Status of compliance
(i) AmInvestment / Multi Sports should fully disclose the independent auditors report from Messrs. Foo Kon Tan Grant Thornton in the listing prospectus;	Complied.
(ii) Multi Sports should ensure that, post-listing, Multi Sports' independent auditors is an internationally affiliated accounting firm;	Noted.
(iii) AmInvestment / Multi Sports should fully comply with the relevant requirements of the Guidelines on the Offering of Equity and Equity-Linked Securities in relation to the implementation of the proposed flotation; and	Noted.
(vi) AmInvestment / Multi Sports should inform the SC upon the completion of the proposed flotation.	To be complied.

The Controller of Foreign Exchange, Bank Negara Malaysia had vide its letter dated 3 July 2009 informed that for foreign exchange administration purposes: -

	Status of compliance
(a) Multi Sports is free to acquire the shares of Paksing by way of swapping with Multi Sports ringgit shares, as long as Multi Sports does not have any domestic ringgit borrowing;	Noted.
(b) the resident and non-resident investors are free to: - (i) subscribe to Multi Sports ringgit shares under an IPO and those listed on the Main Board of Bursa Securities; and (ii) buy or sell Multi Sports ringgit shares on Bursa Securities following the listing;	Noted.
(c) the non-resident shareholders of Multi Sports are free to repatriate abroad the proceeds received from the sale of Multi Sports ringgit shares to residents or non-residents. The repatriation must be made in foreign currency other than the currency of Israel; and	Noted.
(d) Multi Sports is also free to utilise the proceeds raised from the IPO onshore or offshore.	Noted.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

6. APPROVALS AND CONDITIONS (Cont'd)

The Bermuda Monetary Authority had vide its letter dated 23 June 2009 granted permission under the Exchange Control Act 1972 of Bermuda (and regulations made thereunder) for: -

- i) the Acquisitions;
- ii) the Public Issue;
- iii) the Offer For Sale;
- iv) prior to and in connection with the listing of the Shares on Bursa Securities, the transfer by any Shareholder of some or all of the Shares owned by him/it to professional nominees/custodians and/or Bursa Depository or its nominee, involving no change of beneficial ownership;
- v) the issue by the Company of options, warrants, depository receipts, rights, loan notes, bonds and other securities of the Company, and the subsequent free transferability thereof;
- vi) the issue by the Company of its Shares or any class of shares, up to the amount of its authorised share capital from time to time determined by the Company; and
- vii) the free transferability of all shares of the Company.

The permissions referred to in paragraphs (v) to (vii) above are subject to the requirement that securities of the Company are listed on Bursa Securities or any other appointed stock exchange (as defined in section 2(1) of the Bermuda Companies Act).

A copy of this Prospectus will be filed with the Registrar of Companies in Bermuda. The Bermuda Monetary Authority in granting its permission and the Registrar of Companies in Bermuda in accepting this Prospectus for filing accepts no responsibility for the financial soundness of our Group or any proposal of for the correctness of any of the statements made or opinions expressed in this Prospectus or any other documents.

No governmental approvals or consents are required from PRC authorities for the Listing Scheme.

6.2 MORATORIUM ON OUR SHARES

In accordance with the SC Guidelines, our Promoters will not be allowed to sell, transfer or assign their entire shareholdings in our Company for six (6) months from the date of Admission.

Upon Admission, our Promoters' shareholdings, which will be subjected to the moratorium, are as set out below: -

Name	No. of Shares held upon Admission			
	Direct	% ⁽¹⁾	Indirect	% ⁽¹⁾
Power Wide	181,801,293	50.50	-	-
Lin Huozhi	-	-	⁽²⁾ 181,801,293	50.50

Notes: -

(1) Based on our enlarged issued and paid-up share capital of 360,000,000 Shares.

(2) Deemed interest by virtue of his substantial shareholding in Power Wide.

Power Wide and Lin Huozhi have respectively provided undertaking letters to the SC that they will not sell, transfer or assign their respective shareholdings under moratorium for the moratorium period as stipulated above, including all Shares, if any, issued to our Promoters during the moratorium period, in accordance with the SC Guidelines.

6. APPROVALS AND CONDITIONS (Cont'd)

The moratorium is specifically endorsed on the Share certificates representing the shareholdings of our Promoters to ensure that our registrars do not register any transfer not in compliance with the moratorium restrictions. In compliance with the restrictions, Bursa Depository will, on our registrars' instructions in the prescribed forms, ensure that trading of these shares are not permitted in the moratorium period.

The endorsement affixed on the Share certificates is as follows: -

*"The Shares comprised herein are not capable of being sold, transferred or assigned for the period as determined by the SC ("**moratorium period**"). The Shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange during the moratorium period. No share certificates will be issued to replace this certificate during the moratorium period unless the same shall be endorsed with this restriction".*

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

7. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST

7.1 EXISTING AND PROPOSED RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST

Save as disclosed below, for the past three (3) FYEs up to 31 December 2008 and the subsequent financial period up to 30 June 2009, our Group does not have any other existing and / or proposed related-party transactions or other subsisting contracts or arrangement entered into by our Group that involved the interest, direct or indirect, of our Directors, substantial shareholders and / or key management and / or persons connected to them as defined under Section 122A of the Malaysian Companies Act.

7.1.1 Recurrent related-party transactions

Transacting parties	Potential / actual areas of conflict of interest and / or related-party transaction	Nature of transaction	Transaction value for			
			FYE			6-month period up to 30 June 09
			2006 RMB'000 /*RM'000	2007 RMB'000 /*RM'000	2008 RMB'000 /*RM'000	
Baixing and JHX	Lin Huozhi, our Promoter, substantial shareholder, Executive Chairman and CEO, is the sole shareholder and director of JHX	Lease of factory building on Yanshang Industry Zone, Chendai Town, Jinjiang City, Fujian Province, China, by Baixing from JHX	1,092 / 583	1,092 / 583	1,092 / 583	546 / 291

Note: -

* Based on the exchange rate of RMB1: RM0.5335 as at 31 March 2009, as set out in Paragraph 4 of the Accountants' Report in Section 10 of this Prospectus.

The above recurrent related-party transaction is in relation to the lease of the factory building, which houses the bulk of our production equipment used in our manufacturing process, by Baixing from JHX.

Pursuant to a lease agreement entered into by Baixing and JHX on 28 June 2005, JHX agreed to lease the factory building to Baixing from 1 July 2005 to 30 June 2010, for RMB77,000 per month up to 31 December 2005, and for an aggregate of RMB1,092,000 per annum from 1 January 2006 onwards. Subsequently, pursuant to a supplementary lease with purchase option agreement entered into by Baixing and JHX on 24 February 2009, JHX agreed to extend the lease of the factory building to Baixing to 30 June 2013, for an aggregate of RMB1,092,000 per annum. Upon expiry of the lease term, Baixing shall be entitled to renew the lease at the market rate at the time of expiry, for an additional two (2) years up to 30 June 2015.

The supplementary lease agreement provides Baixing the sole discretion to reduce the leased area and the corresponding payment of rental during the lease term. In addition, the supplemental lease agreement also provides Baixing the entitlement to purchase from JHX the factory building at the market value determined by two (2) independent appraisal agencies, throughout the lease term.

The above transactions between Baixing and JHX were based on commercial terms not more favourable to the related party than those generally available to other parties and are entered into at arm's length basis. Kindly refer to Section 7.7 of this Prospectus for further details in relation to the shareholders' mandate for related-party transactions.

7. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

7.1.2 Non-recurrent related-party transactions

Save for the Acquisitions, RCLS Agreements and as disclosed below, for the past three (3) FYEs up to 31 December 2008 and the subsequent financial period up to 30 June 2009, our Group does not have any other existing and / or proposed related-party transactions or other subsisting contracts or arrangement entered into by our Group that involved the interest, direct or indirect, of our Directors, substantial shareholders and / or key management and / or persons connected to them as defined under Section 122A of the Malaysian Companies Act: -

(a) Repayment for purchase of production machinery and moulds

Transacting parties	Potential / actual areas of conflict of interest and / or related-party transaction	Nature of transaction	Transaction value for			
			FYE			6-month period up to 30 June 09
			2006 RMB'000 /*RM'000	2007 RMB'000 /*RM'000	2008 RMB'000 /*RM'000	
Baixing and JHX	Lin Huozhi, our Promoter, substantial shareholder, Executive Chairman and CEO, is the sole shareholder and director of JHX	Repayment for purchase of fixed asset (plant and machinery and moulding equipments) from JHX	10,000 / 5,335	14,602 / 7,790	-	-

Note: -

* Based on the exchange rate of RMB1: RM0.5335 as at 31 March 2009, as set out in Paragraph 4 of the Accountants' Report in Section 10 of this Prospectus.

Pursuant to an asset transfer agreement dated 20 June 2005 entered into between Baixing and JHX, Baixing acquired from JHX its production machinery and moulds for an aggregate consideration of RMB23,925,600 based on a willing-buyer willing-seller basis, after taking into consideration an independent valuation of the acquired machinery and moulds by Xiamen Junhe Appraisal & Counsel Co., Ltd. (厦门均和评估咨询有限公司), in its asset valuation report dated 10 July 2005.

Following this acquisition, Baixing took over the entire business operations of JHX, which has since ceased all its operations in shoe-sole design, manufacturing, and sales.

In addition to the above, pursuant to a raw material transfer agreement dated 26 June 2005 entered into between Baixing and JHX, Baixing acquired from JHX its raw materials for an aggregate consideration of RMB676,010.90 based on a willing-buyer willing-seller basis.

The consideration for the above acquisitions were fully paid as at end 2007. Our Directors believe that the above acquisitions were conducted on an arm's length basis. Going forward, we do not expect to enter into any transactions of such nature.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

7. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

(b) Advances from and to Lin Huozhi and JHX

No.	Transacting parties	Potential / actual areas of conflict of interest and / or related-party transaction	Nature of transaction	Transaction value for			
				FYE			6-month period up to 30 June 09
				2006 RMB'000 /*RM'000	2007 RMB'000 /*RM'000	2008 RMB'000 /*RM'000	
(i)	Baixing and JHX	Lin Huozhi, our Promoter, substantial shareholder, Executive Chairman and CEO, is the sole shareholder and director of JHX	Amount advanced from Baixing to JHX	5,000 / 2,668	-	-	-
	Baixing, Lin Huozhi and JHX		Settlement of amount advanced from Lin Huozhi to Baixing in FYE 2005, by JHX on behalf of Baixing	(5,000) / (2,668)	-	-	-
(ii)	Baixing and Lin Huozhi		Amount advanced from Baixing to Lin Huozhi	-	780 / 416	-	-
	Baixing, Lin Huozhi and JHX		Payment by Lin Huozhi to JHX to offset amounts owed to JHX by Baixing	-	-	(780) / (416)	-
(iii)	JHX and Paksing		Dividend payment by JHX on behalf of Baixing	(15,000) / (8,003)	(65,000) / (34,678)	(90,000) / (48,015)	-
	Baixing and JHX		Advance from Baixing to JHX	-	58,898 / 31,422	46,000 / 24,541	-
	Baixing and JHX		Repayment by JHX to Baixing	-	-	(678) / (362)	-
(iv)	Paksing and Lin Huozhi		Amount advanced from Lin Huozhi to Paksing	-	12,824 / 6,842	-	-
(v)	Baixing and Lin Huozhi	Amount advanced from Lin Huozhi to Baixing	-	-	9,433 / 5,033	-	
(vi)	Paksing and Lin Huozhi	Amount advanced from Paksing to Lin Huozhi	-	-	-	9,189 / 4,902	
	Baixing and Lin Huozhi	Amount advanced from Lin Huozhi to Baixing to offset amount owed to Paksing by Lin Huozhi	-	-	-	(9,189) / (4,902)	

Note: -

* Based on the exchange rate of RMB1: RM0.5335 as at 31 March 2009, as set out in Paragraph 4 of the Accountants' Report in Section 10 of this Prospectus.

7. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

- (i) In FYE 2005, Lin Huozhi extended a non-trade advance for the sum of RMB5 million to Baixing for its working capital use. The advance was not made on an arm's length basis as it was interest-free, unsecured and without any fixed terms of repayment.

In FYE 2006, Baixing extended a non-trade advance for the sum of RMB5 million to JHX for its working capital use. The advance was not made on an arm's length basis as it was interest-free, unsecured and without any fixed terms of repayment. This advance was eventually used to settle the RMB5 million advanced from Lin Huozhi to Baixing in FYE 2005, as JHX then paid RMB5 million to Lin Huozhi, on behalf of Baixing, in FYE 2006.

- (ii) In FYE 2007, Baixing extended non-trade advances for an aggregate sum of RMB780,000 to Lin Huozhi for his personal use. These advances were not made on an arm's length basis as it was interest-free, unsecured and without any fixed terms of repayment. These advances were settled in FYE 2008 via the payment of RMB780,000 by Lin Huozhi to JHX, to offset amounts owed to JHX by Baixing.

- (iii) In FYE 2007 and FYE 2008 respectively, Baixing extended non-trade advances for a sum of approximately RMB58,898,000 and RMB46,000,000 to JHX. These advances were not made on an arm's length basis as it was interest-free, unsecured and without any fixed terms of repayment.

Pursuant to dividend payment agreements entered into between Baixing, JHX, Paksing, Lin Huozhi and Leung Sing Kit, dividend payable by Baixing to Paksing were assigned from Paksing to JHX. Advances amounting to approximately RMB58,898,000 and RMB45,000,000 were used to offset dividend payable amounting to approximately RMB65,000,000 and RMB90,000,000 for FYE 2007 and FYE 2008 respectively, of which the balance payable by Baixing to JHX has been settled via cash payment. A balance of RMB678,000 payable by JHX to Baixing was repaid in FYE 2008.

As at LPD, all the above advances were fully settled, and there was no outstanding amounts owing by Lin Huozhi to Baixing.

- (iv) In FYE 2007, Lin Huozhi extended non-trade advances for an aggregate sum of RMB12,824,200 to Paksing, for investment in Baixing. These advances were not made on an arm's length basis as it was interest-free, unsecured and without any fixed terms of repayment.

- (v) In FYE 2008, subsequent to the share transfer agreements detailed in Section 7.1.2(d) of this Prospectus, Lin Huozhi extended non-trade advances for an aggregate sum of RMB9,433,000 to Baixing for its working capital use. These advances were not made on an arm's length basis as it was interest-free, unsecured and without any fixed terms of repayment. These advances for an aggregate sum of RMB9,433,000 have been fully repaid by Baixing to Lin Huozhi as at LPD.

- (vi) In June 2009, Paksing extended a non-trade advance for the sum of RMB9,189,115 to Lin Huozhi. This advance was not made on an arm's length basis as it was interest-free, unsecured and without any fixed terms of repayment. This advance was settled by way of set-off against an advance for the sum of RMB9,189,115 made by Lin Huozhi to Baixing for its working capital use in June 2009.

7. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

Going forward, we do not expect to enter into any transactions of the above nature.

(c) Purchase of motor vehicles

Transacting parties	Potential / actual areas of conflict of interest and / or related-party transaction	Nature of transaction	Transaction value for			
			FYE			6-month period up to 30 June 09
			2006 RMB'000 / RM'000	2007 RMB'000 / RM'000	2008 RMB'000 / RM'000	
Baixing and JHX	Lin Huozhi, our Promoter, substantial shareholder, Executive Chairman and CEO, is the sole shareholder and director of JHX; Lin Liying, our Executive Director, is the daughter of Lin Huozhi	Purchase of one (1) motor vehicle by Baixing from JHX	-	-	11.90 / 6.35	-
Baixing and Lin Huozhi		Purchase of one (1) motor vehicle by Baixing from Lin Huozhi	-	-	23.03 / 12.29	-
Baixing and Lin Liying		Purchase of six (6) motor vehicles by Baixing from Lin Liying	-	-	181.16 / 96.65	-

Note: -

* Based on the exchange rate of RMB1: RM0.5335 as at 31 March 2009, as set out in Paragraph 4 of the Accountants' Report in Section 10 of this Prospectus.

In FYE 2008, Baixing purchased a total of 1 motor vehicle from JHX, 1 motor vehicle from Lin Huozhi, and 6 motor vehicles from Lin Liying for an aggregate consideration of RMB216,090, based on the then prevailing market price of such vehicles at the time of the purchases. Our Directors believe that the above transactions were conducted on an arm's length basis.

Prior to these purchases, the vehicles were provided to Baixing for the daily use of its employees without any consideration, save for fuel, insurance and maintenance expenses, which were borne by Baixing.

(d) Share transfer agreements

Transacting parties	Potential / actual areas of conflict of interest and / or related-party transaction	Nature of transaction
Baixing, Lin Huozhi and Lim Geok Tin	Lin Huozhi is our Promoter, substantial shareholder, Executive Chairman and CEO	Baixing and Lin Huozhi guarantee that 4.75% of the enlarged issued and paid-up share capital in Multi Sports shall be issued to Lim Geok Tin
Baixing, Lin Huozhi and Fortune United Investment Limited		Baixing and Lin Huozhi guarantee that 3.75% of the enlarged issued and paid-up share capital in Multi Sports shall be issued to Fortune United Investment Limited
Baixing, Lin Huozhi and Supreme Business Investments Limited		Baixing and Lin Huozhi guarantee that 3.00% of the enlarged issued and paid-up share capital in Multi Sports shall be issued to Supreme Business Investments Limited

7. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

Transacting parties	Potential / actual areas of conflict of interest and / or related-party transaction	Nature of transaction
Baixing, Lin Huozhi and Houton Limited		Baixing and Lin Huozhi guarantee that 1.50% of the enlarged issued and paid-up share capital in Multi Sports shall be issued to Houton Limited

Pursuant to an agreement on equity transfer dated 21 April 2008 between Lin Huozhi, Lim Geok Tin and Baixing, Lin Huozhi and Baixing guaranteed that 4.75% of the enlarged issued and paid-up share capital in Multi Sports shall be issued to Lim Geok Tin, prior to Listing, for a cash consideration of S\$1,900,000 paid to Lin Huozhi.

Pursuant to an agreement on equity transfer dated 8 April 2008 between Lin Huozhi, Fortune United Investment Limited and Baixing, Lin Huozhi and Baixing guaranteed that 3.75% of the enlarged issued and paid-up share capital in Multi Sports shall be issued to Fortune United Investment Limited, prior to Listing, for a cash consideration of S\$1,500,000 paid to Lin Huozhi.

Pursuant to an agreement on equity transfer dated 21 April 2008 between Lin Huozhi, Supreme Business Investments Limited and Baixing, Lin Huozhi and Baixing guaranteed that 3.00% of the enlarged issued and paid-up share capital in Multi Sports shall be issued to Supreme Business Investment Limited, prior to Listing, for a cash consideration of S\$1,200,000 paid to Lin Huozhi.

Pursuant to an agreement on equity transfer dated 21 April 2008 between Lin Huozhi, Houton Limited and Baixing, Lin Huozhi and Baixing guaranteed that 1.50% of the enlarged issued and paid-up share capital in Multi Sports shall be issued to Houton Limited, prior to Listing, for a cash consideration of S\$600,000 paid to Lin Huozhi.

Lim Geok Tin, Fortune United Investment Limited, Supreme Business Investments Limited and Houton Limited are not parties related to or connected with, directly or indirectly, to the Promoters of Multi Sports.

The above obligations of Lin Huozhi and Baixing have been satisfied with the allotment of Multi Sports Shares to the said individual / entities upon completion of the Acquisition Of Paksing on 15 July 2009. Going forward, we do not expect to enter into any transactions of the above nature.

(e) Loan guarantee

Transacting parties	Potential / actual areas of conflict of interest and / or related-party transaction	Nature of transaction
Baixing and Industrial and Commercial Bank of China, Jinjiang Branch	Lin Huozhi, our Promoter, substantial shareholder, Executive Chairman and CEO, is the sole shareholder and director of JHX	The bank loan was pledged by JHX's land use rights and buildings

On 30 April 2009, Baixing entered into a loan agreement with Industrial and Commercial Bank of China, Jinjiang Branch to obtain bank loans amounting to RMB4.3 million (RM2.3 million). The bank loan was secured by mortgaging JHX's land use rights and buildings to Industrial and Commercial Bank of China, Jinjiang Branch.

7. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

The above transaction was not conducted on an arm's length basis as JHX was not entitled to receive any interest or other benefits from providing the guarantee. Going forward, we do not expect to enter into any transactions of such nature.

Upon Listing, our Audit Committee will supervise the terms of related-party transactions, and our Directors will report related-party transactions, if any, annually in our Company's annual report. In the event there are any proposed related-party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the details of the nature and extent of his interest, including all matters in relation to the proposed related-party transactions that he is aware or should reasonably be aware of, which is not in our best interests. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related-party transactions.

In the event there are any proposed related-party transactions that require the prior approval of Shareholders, the Directors, major Shareholders and/or persons connected with a Director or major Shareholder, which have any interest, direct or indirect, in the proposed related-party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major Shareholder has interest, direct or indirect, in any proposed related-party transactions, the Director or major Shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major Shareholders will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related-party transaction at the general meeting.

7.2 TRANSACTIONS OF UNUSUAL NATURE OR CONDITIONS

Save as disclosed in Section 7.1 and 7.3 of this Prospectus, our Directors have confirmed that to the best of their knowledge and belief, there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we or any of our subsidiaries was a party in respect of the past three (3) FYE up to 31 December 2008 and the subsequent financial period up to LPD.

7.3 OUTSTANDING LOANS MADE TO / FOR THE BENEFIT OF RELATED PARTIES

Save as disclosed in Section 7.1.2 of this Prospectus and below, there are no outstanding loans (including guarantees of any kind) made by us or any of our subsidiaries to or for the benefit of our related parties in respect of the past three (3) FYE up to 31 December 2008 and the subsequent financial period up to LPD: -

Transacting parties	Potential / actual areas of conflict of interest and / or related-party transaction	Nature of transaction
JHX and Quanzhou City Commercial Bank, Jinjiang Branch	Lin Huozhi, our Promoter, substantial shareholder, Executive Chairman and CEO, is the sole shareholder and director of JHX	Guarantee provided by Baixing, for JHX to procure a maximum facility of RMB13,000,000

Baixing provided a repayment guarantee for the facility of up to RMB13,000,000 for JHX granted by Quanzhou City Commercial Bank Jinjiang Branch, from 3 August 2007 to 3 August 2009. On 15 October 2008, the aforementioned guarantee was discharged, subsequent to the issuance of a letter by Quanzhou City Commercial Bank Jinjiang Branch informing as such.

The above transaction was not conducted on an arm's length basis as Baixing was not entitled to receive any interest or other benefits from providing the guarantee. Going forward, we do not expect to enter into any transactions of such nature.

7. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

7.4 INTERESTS IN SIMILAR BUSINESSES

Save as disclosed below, as at LPD, to the best knowledge and belief of our Directors, none of our Directors and/or substantial shareholders are interested, directly or indirectly in any other business and/or corporations carrying on a similar trade as our Group: -

(i) Lin Huozhi

Lin Huozhi, our Promoter, substantial shareholder, Executive Chairman and CEO, is the sole shareholder and director of JHX, a company incorporated in the PRC. JHX is engaged in the business of investment holding.

However, to mitigate any potential conflict of interest, JHX and Lin Huozhi signed a "letter of non-competition undertaking" addressed to Baixing dated 10 March 2009 ("**Letter**"), undertaking: -

- (a) not to assume any position in any enterprise that has similar business scope with Baixing, or otherwise participate in the business, transaction, management or operation thereof;
- (b) not to directly or indirectly participate in any business similar with that of Baixing, or competing therewith;
- (c) not to induce or attempt to induce the personnel of Baixing to leave Baixing;
- (d) not to directly or indirectly incur or permit any related person or organisation of JHX and Lin Huozhi to commit any such behaviours; and
- (e) to indemnify Baixing for any loss, liability, damage, or expense incurred to Baixing directly or indirectly arising from the breach of the Letter.

(ii) Chan Chiu Hung Alex

Chan Chiu Hung Alex, our Independent Non-Executive Director, is the chief financial officer of China Sports International Limited ("**China Sports**"). China Sports is listed on SGX, and is engaged in the design, manufacture and sale of sports fashion footwear, apparel and accessories.

In mitigation, China Sports does not directly compete with our Group as China Sports' product offering consists of sports shoes and apparels, whilst its target market is the retail public. This is in contrast to our product offering of shoe-soles to manufacturers of sports shoes such as China Sports. China Sports is currently not a customer of our Group. Nevertheless, should this happen, Chan Chiu Hung Alex will not be considered to have a conflict of interest because he is merely a non-executive director of our Company and will not be involved in the day-to-day decision making of our Group, which is left to our management team. Moreover, any significant decisions made by China Sports will have to be made via its board of directors, of which Chan Chiu Hung Alex is not a member. In addition, as at LPD, Chan Chiu Hung Alex does not have any shareholdings in either our Company or China Sports. Notwithstanding this, it is provided in Bye-law 102(1) that a Director shall not vote on any resolution of our Board in respect of any contract or arrangement in which he has a personal material interest.

Our Group will benefit from tapping Chan Chiu Hung Alex's experience in the sports-shoe industry. In addition, his vast experience as Independent Non-Executive Director and Chairman of Audit Committee in various other public companies, as detailed in Section 5.3.3 of this Prospectus, and experience in implementing internal controls and corporate governance and practices, as well as liaising with external parties and regulatory bodies in respect of China Sports' financial matters will greatly assist our endeavours towards good corporate governance.

7. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

7.5 PROMOTIONS OF ANY MATERIAL ASSETS ACQUIRED / TO BE ACQUIRED WITHIN THREE (3) YEARS PRECEDING THE DATE OF THIS PROSPECTUS

Save for the Acquisitions, RCLS Agreements and as set out in Section 7.1 of this Prospectus, none of our Directors and / or substantial shareholders has any interest, direct or indirect, in the promotion of or in any material assets acquired or proposed to be acquired or disposed or proposed to be disposed of or leased or proposed to be leased to us or any of our subsidiaries within the past three (3) FYE up to 31 December 2008 and the subsequent financial period up to LPD.

7.6 CONTRACTS OR ARRANGEMENTS IN WHICH OUR DIRECTORS OR SUBSTANTIAL SHAREHOLDERS ARE INTERESTED AND SIGNIFICANT IN RELATION TO OUR BUSINESS

Save as disclosed in Section 7.1, as at LPD, none of our Directors and / or substantial shareholders has interest in any contracts or arrangements, which is significant in relation to the business of our Group.

7.7 RECURRENT RELATED-PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Pursuant to Paragraph 10.09 of the Listing Requirements, a listed issuer may seek a shareholders' mandate in respect of related party transactions involving recurrent transactions of a revenue or trading nature, which are necessary for its day-to-day operations such as supplies of materials, subject to, inter-alia, the following: -

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or exceeds the applicable prescribed threshold under paragraph 2.1 of Practice Note No. 12/2001 of the Listing Requirements; and
- (c) in a meeting to obtain shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

Our Group would in the ordinary course of our business enter into transactions, including but not limited to the transactions described in related party transactions set out in Section 7.1 of this Prospectus, with persons which are considered "related party" as defined in Chapter 10 of the Listing Requirements. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

Due to the time-sensitive nature of commercial transactions, the shareholders' mandate will enable us, in our normal course of business, to enter into the categories of related party transactions, provided such interested person transactions are made at arm's length and on normal commercial terms.

Transactions that do not fall within the ambit of the shareholders' mandate shall be subject to the relevant provisions of the Listing Requirements.

7. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

Bursa Securities has approved an extension of time up to our next annual general meeting or extraordinary general meeting, whichever is held earlier, to obtain shareholders' ratification and mandate for recurrent related-party transactions. The said transactions shall be of a revenue or trading nature to be entered between us or any of our subsidiaries and our Directors or substantial shareholders or persons connected with such Directors or substantial shareholders, commencing from our Listing date up to the annual general meeting or extraordinary general meeting.

7.8 DECLARATION BY THE ADVISERS, SOLE UNDERWRITER AND SOLE PLACEMENT AGENT

AmInvestment Bank hereby confirms that, as at the date of the Prospectus, there is no conflict of interest with respect to its capacity as Adviser to our Group for the Listing.

AmInvestment Bank is the Sole Underwriter and Sole Placement Agent for the IPO Shares. AmInvestment Bank hereby confirms that, as at the date of this Prospectus, there is no conflict of interest with respect to its capacity as the Sole Underwriter and Sole Placement Agent for the IPO Shares. The Underwriting Agreement, which certain details are as set out in Section 2.8, was entered into an arms-length basis and on market terms.

Messrs. Wong Beh & Toh hereby confirm that there is no conflict of interest in their capacity as Solicitors for the Listing.

Conyers Dill & Pearman Pte. Ltd. hereby confirms that there is no conflict of interest in its capacity as Legal Advisers to the Company on Bermuda Law for the IPO.

Messrs. Gallant Y.T. Ho & Co. hereby confirm that there is no conflict of interest in their capacity as Legal Advisers to the Company on Hong Kong Law for the Listing.

Grandall Legal Group (Guangzhou) hereby confirms that there is no conflict of interest in its capacity as Legal Advisers to the Company on PRC Law for the Listing.

Messrs. SJ Grant Thornton hereby confirm that there is no conflict of interest in their capacity as Reporting Accountants for the Listing.

Messrs. Foo Kon Tan Grant Thornton hereby confirm that there is no conflict of interest in their capacity as Auditors for our Group for the Listing.

Vital Factor Consulting Sdn Bhd hereby confirms that there is no conflict of interest in its capacity as Independent Market Research Consultants for the Listing.

PFA Corporate Consultants Sdn Bhd hereby confirms that there is no conflict of interest in its capacity as Company Agent in Malaysia to our Group.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

8. OTHER INFORMATION CONCERNING OUR GROUP

8.1 INFORMATION ON LAND AND BUILDINGS

A summary of the land and buildings owned by our Group is as follows: -

No.	Registered owner	Postal address/tittle identification	Approximate age of building (years)/tenure	Description and existing use/certificate of fitness	Land area (sq m)	Restriction in interest/major encumbrances	Cost of investment (RMB'000)/cost of investment (RMB'000)/date of transaction	Audited net book value @ 31 March 2009 (RMB'000) / (RMB'000)
1	Baixing	Longgang Salt Yard, Shanxia Town, Hui'an County, Quanzhou City, Fujian Province, PRC	N/a / 18 September 2058	Vacant land / N/a	30,704	Mortgaged to Industrial and Commercial Bank of China, Jinjiang Branch	4,743 / 2,530 / 22 October 2008	4,695 / 2,505

Note: -
*

Based on the exchange rate of RMB1: RM0.5335 as at 31 March 2009, as set out in Paragraph 4 of the Accountants' Report in Section 10 of this Prospectus.

A summary of the land and buildings leased by our Group is as follows: -

No.	Lessor	Postal address/tittle identification	Approximate age of building (years)/ date of expiry of lease	Description and existing use/certificate of fitness	Built up area (sq m)	Restriction in interest/major encumbrances	Monthly rental (RMB) / (RM)
1.	JHX	Yanshang Village, Chendai Town, Jinjiang City, Fujian Province, PRC	7 / 30 June 2013	Factory / N/a	13,000	Mortgaged to Industrial and Commercial Bank of China, Jinjiang Branch	91,000 / 48,549
2.	Villagers' Committee of Yanshang Village, Chendai Town	Yanshang Village, Chendai Town, Jinjiang City, Fujian Province, PRC	15 (office), 7 (factory, office and dormitory) / 30 June 2013	Head office, factory, office and dormitory / N/a	8,700	Nil	64,800 / 34,571

Note: -
*

Based on the exchange rate of RMB1: RM0.5335 as at 31 March 2009, as set out in Paragraph 4 of the Accountants' Report in Section 10 of this Prospectus.

8. OTHER INFORMATION CONCERNING OUR GROUP (Cont'd)

Save as disclosed above, in respect to our land and buildings as set out above, our Directors wish to confirm that, save as disclosed above, to the best of their knowledge and belief: -

- (i) there are no other restrictions in interest or major encumbrances;
- (ii) there has not been any breach of land-use conditions / permissible land use; and
- (iii) there has not been any material non-compliance with current statutory requirements, land rules or building regulations.

8.2 ACQUISITION OF PROPERTIES

All the properties owned by our Group acquired within the two (2) years preceding the date of this Prospectus are as follows:

Name of registered owner / Postal address	Date of SPA	Date of completion	Purchase consideration	
			RMB'000	*RM'000
Baixing / Longgang Salt Yard, Shanxia Town, Hui-an County, Quanzhou City, Fujian Province, PRC	18 September 2008	22 October 2008	4,743	2,530

Note: -

* Based on the exchange rate of RMB1: RM0.5335 as at 31 March 2009, as set out in Paragraph 4 of the Accountants' Report in Section 10 of this Prospectus.

The purchase consideration for the land use right at Longgang Salt Yard, Shanxia Town, Hui-an County, Quanzhou City, Fujian Province, PRC was RMB4,610,000 (RM2,459,435), in addition to a deed tax of RMB130,830 (RM69,798) and a stamp tax of RMB2,305 (RM1,230).

8.3 MATERIAL PLANT AND EQUIPMENT

Listed below is the detailed information on material equipment utilised by us at our factory in Jinjiang City, Fujian Province, PRC: -

Description	Net book value @ 31 March 2009	
	RMB'000	*RM'000
i. Plant and machinery	18,682	9,967
ii. Office equipment	168	90
iii. Moulding Equipment	18,704	9,978
Total	37,554	20,035

Note: -

* Based on the exchange rate of RMB1: RM0.5335 as at 31 March 2009, as set out in Paragraph 4 of the Accountants' Report in Section 10 of this Prospectus.

The manufacturing capacity of our plant and equipment is as set out in Section 4.6 of this Prospectus.

Our Board is of the opinion that our Group has sufficient capacity to carry out our current operations and will be acquiring additional equipment for an anticipated increase in our manufacturing operations, details of which are set out in Section 4.20 of this Prospectus.

9. FINANCIAL INFORMATION

Exchange Rate

All RMB amounts set out below are converted to RM for information purposes only, based on the exchange rate of RMB1: RM0.5335 as at 31 March 2009, as set out in Paragraph 4 of the Accountants' Report in Section 10 of this Prospectus.

9.1 HISTORICAL FINANCIAL INFORMATION

The following table sets out a summary of the proforma consolidated results of our Group for the past three (3) FYE 31 December 2006 to 31 December 2008, and for 1Q 2008 and 1Q 2009. The proforma consolidated results were prepared on the assumption that our Group had been in existence throughout the periods under review. The proforma consolidated results are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the proforma consolidated financial information set out in Section 9.7 of this Prospectus.

	Audited			Unaudited						
	FYE 2006 RMB'000	FYE 2007 RMB'000	FYE 2008 RMB'000	1Q 2008 ⁽¹⁾ RMB'000	1Q 2009 ⁽¹⁾ RMB'000	1Q 2009 ⁽²⁾ RM'000				
Revenue	214,771	114,580	306,630	163,587	385,310	205,563	83,812	44,714	81,577	43,521
Cost of sales	(157,370)	(83,957)	(221,332)	(118,081)	(269,661)	(143,864)	(60,446)	(32,248)	(54,420)	(29,033)
Gross profit	57,401	30,623	85,298	45,506	115,649	61,699	23,366	12,466	27,157	14,488
Other operating income	1,009	538	2,028	1,082	1,773	946	921	491	50	27
Selling and distribution costs	(4,867)	(2,596)	(5,172)	(2,759)	(5,982)	(3,192)	(1,337)	(713)	(1,379)	(736)
Administrative expenses	(5,027)	(2,682)	(5,990)	(3,196)	(6,242)	(3,330)	(1,350)	(720)	(1,321)	(705)
Operating profits	48,516	25,883	76,164	40,633	105,198	56,123	21,600	11,524	24,507	13,074
Finance costs	-	-	-	-	-	-	-	-	(229)	(122)
PBT	48,516	25,883	76,164	40,633	105,198	56,123	21,600	11,524	24,278	12,952
Taxation	-	-	-	-	(13,018)	(6,945)	(2,613)	(1,394)	(3,036)	(1,619)
PAT	48,516	25,883	76,164	40,633	92,180	49,178	18,987	10,130	21,242	11,333
Attributable to: - Equity holders of Multi Sports	48,516	25,883	76,164	40,633	92,180	49,178	18,987	10,130	21,242	11,333
- MI	-	-	-	-	-	-	-	-	-	-
Number of Shares in Multi Sports had our Group been in existence										
EPS (sen)	0.16	0.09	0.25	0.13	0.30	0.16	(⁽⁴⁾)0.25	(⁽⁴⁾)0.13	(⁽⁴⁾)0.28	(⁽⁴⁾)0.15
- Diluted ⁽³⁾	0.16	0.09	0.25	0.13	0.30	0.16	(⁽⁴⁾)0.25	(⁽⁴⁾)0.13	(⁽⁴⁾)0.28	(⁽⁴⁾)0.15

9. FINANCIAL INFORMATION (Cont'd)

	Audited		Unaudited		Audited					
	FYE 2006 RMB'000	FYE 2007 RMB'000	FYE 2008 RMB'000	1Q 2008 ⁽¹⁾ RMB'000	1Q 2009 RMB'000	1Q 2009 RMB'000				
EBIDTA	55,399	29,555	85,125	45,414	114,605	61,142	24,149	12,883	26,598	14,190
Interest income	112	60	134	71	239	128	43	23	38	20
Depreciation	6,883	3,672	8,961	4,781	9,383	5,006	2,549	1,360	2,067	1,103
Amortisation	-	-	-	-	24	13	-	-	24	13
Gross profit margin (%)	26.73	26.73	27.82	27.82	30.01	30.01	27.88	27.88	33.29	33.29
PAT margin (%)	22.59	22.59	24.84	24.84	23.92	23.92	22.65	22.65	26.04	26.04
Effective tax rate (%)	-	-	-	-	12.37	12.37	12.10	12.10	12.51	12.51

Notes:-

- (1) Stated for comparison purposes only.
- (2) Based on the issued share capital of 302,400,000 Shares after completion of the Consolidation and Acquisitions.
- (3) Based on the issued share capital of 302,400,000 Shares after completion of the Consolidation and Acquisitions; there is no dilutive effect.
- (4) Annualised to 12 months for comparison purposes.
- (5) Based on the exchange rate of RMB1: RM0.5335 as at 31 March 2009, as set out in Paragraph 4 of the Accountants' Report in Section 10 of this Prospectus.

The proforma consolidated results of our Group are extracted from the audited combined financial statements of our Group for the FYE 2006 to 2008, 1Q 2008 and 1Q 2009, which have been prepared in accordance with International Financial Reporting Standards and after incorporating adjustments that are appropriate for the preparation of the proforma consolidated financial information.

Multi Sports was incorporated on 18 September 2008 and does not by itself have any financial records prepared for FYE 2008 and 1Q 2009.

Further information on the proforma consolidated results are set out in Section 9.7 and Section 10 of this Prospectus.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

9. FINANCIAL INFORMATION (Cont'd)

9.2 CAPITALISATION AND INDEBTEDNESS

The following table summarises our cash and cash equivalents, capitalisation and indebtedness: -

- (i) as at 31 March 2009 based on our audited proforma consolidated financial statements after the Acquisitions; and
- (ii) as adjusted for the net proceeds arising from the issue of the 57,600,000 IPO Shares pursuant to our IPO and the utilisation of proceeds as set out in Section 2.5 of this Prospectus.

	Proforma audited as at 31 March 2009 after the Acquisitions		After the IPO and utilisation of proceeds	
	RMB'000	RM'000	RMB'000	RM'000
Cash and cash equivalents	191,040	101,920	121,687	64,920
Indebtedness				
Short-term indebtedness:				
- Term loan and hire purchase (secured and guaranteed)	-	-	-	-
- Interest bearing bank borrowings (secured and guaranteed)	15,700	8,376	15,700	8,376
Long-term indebtedness:				
- Term loan and hire purchase (secured and guaranteed)	-	-	-	-
Total indebtedness	15,700	8,376	15,700	8,376
Total shareholders' equity / capitalisation	215,373	114,902	202,252	107,902
Total capitalisation and indebtedness	231,073	123,278	217,952	116,278

The indirect and contingent liabilities of our Group are as set out in Section 9.4.8 of this Prospectus.

9.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

The following management's discussion and analysis of our Group's past financial performances and results of operations should be read in conjunction with the proforma consolidated financial information and the related notes thereon for the past three (3) FYE 31 December 2006, 2007 and 2008, and for 1Q 2008 and 1Q 2009 included in Section 9.7 of this Prospectus.

This discussion and analysis contains data derived from our audited financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 3 of this Prospectus.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

9. FINANCIAL INFORMATION (Cont'd)

9.3.1 Overview of operations

Revenue

	Audited						Unaudited		Audited	
	FYE 2006		FYE 2007		FYE 2008		1Q 2008		1Q 2009	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Revenue	214,771	114,580	306,630	163,587	385,310	205,563	83,812	44,714	81,577	43,521
% increase	-	-	42.8%	42.8%	25.7%	25.7%	-	-	-2.7%	-2.7%

As set out above, our Group reported an increase in revenue of 42.8% in FYE 2007 and thereafter a 25.7% increase to RMB385.3 (RM205.6) million in FYE 2008.

We were able to enjoy such increases in revenues as we gradually expanded our production capacity and output over the years as follows: -

	FYE 2006 (‘000 pairs)	FYE 2007 (‘000 pairs)	FYE 2008 (‘000 pairs)
Design capacity ⁽¹⁾	17,835	19,477	24,582
% increase	-	9.2%	26.2%
Production output ⁽²⁾	13,406	18,062	22,118
% increase	-	34.7%	22.5%
Utilisation rate	75.2%	92.7%	90.0%

Notes: -

- (1) Design capacity is calculated based on the respective production lines operating at full capacity for 24 hours a day, 7 days a week, and: -
- (a) 345 days a year for EVA MD II shoe soles;
 - (b) 330 days a year for EVA MD I shoe soles;
 - (c) 300 days a year for TPR shoe soles; and
 - (d) 345 days a year for RB shoe soles,
- taking into consideration the respective production machineries' maintenance requirements.
- (2) Depending on our production plan and order backlog, we may opt to halt production during national holidays and/or Sundays, as we incur higher wage costs on these days.

We wish to highlight that during the years under review, demand from customers has consistently exceeded what we were able to produce and deliver. As such, as we successfully expanded our production capacity, each such increment was able to be directly translated into more customers and higher revenues.

For example, in FYE 2007, we increased the production capacity for the major products of EVA MD I and EVA MD II, via the purchase of 4 units of production machinery. Due to this ramping up of production capacity, our EVA MD products enjoyed an increase in sales by 47% and 24% for FYE 2007 and FYE 2008 respectively, directly correlating with the increase in revenue. Note that both these series of products are our major contributors to total revenue, at 87% and 86% for FYE 2007 and FYE 2008 respectively.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

9. FINANCIAL INFORMATION (Cont'd)

We believe that we can further translate increased production capacity into higher revenues as the market is large enough to provide the demand from existing and new customers. Part of our business expansion plan involves increasing our production capacity by utilising the IPO proceeds, with purchase of additional production machinery and equipment, and construction of a new 60,000 sq m production centre in Fujian Province, China. Upon its expected completion within 24 months after Listing, annual production capacity should increase from 24.6 million pairs per annum to approximately 74.6 million pairs per annum.

Apart from the increase in production capacity, we also attribute our increased revenues to our competent development and design team, which enabled us to enhance our product offerings and secure more customers. In FYE 2007, we successfully developed an accumulated number of approximately 235 models of shoe soles, a significant contrast to only an accumulated number of approximately 175 models of shoe soles in FYE 2006. Subsequently in FYE 2008, an accumulated number of approximately 300 models of shoe soles were developed to match the higher demand as we were then able to cater for higher order volumes from our increased production output.

Apart from increased sales volume, revenues were also boosted by an increase in the average selling price of our major products – EVA MD I, EVA MD II, TPR and RB, averaging from RMB16.12 (RM8.60) in FYE 2006, to RMB17.06 (RM9.10) in FYE 2007, and RMB17.51 (RM9.34) in FYE 2008. Average selling price was on the uptrend, in line with the increase in prices of raw materials and commodities globally. As set out under Section 3.2(ii) of this Prospectus, we expect to be able to pass on price increases of raw materials to customers, as shoe soles ordered from us would form a critical component in our customers' intended production of specific sports-shoe designs. Customers may likely have commenced the procurement of materials and/or production of the upper sections of sports shoes designed specifically for a particular sports-shoe sole, and thus would require the shoe soles to complete their shoe production.

Additionally, our customer base also enlarged over the years under review, from 269 customers in FYE 2006 to 305 customers for FYE 2008 respectively. This was possible based on our sales and marketing efforts, which we intend to further expand as part of our business expansion plans, which shall involve inter-alia, the setup of additional sales and marketing offices in strategic locations. This will enable us to showcase our products and allow us to be in close proximity with existing and potential customers. We aim to strengthen our sales and marketing team, which will facilitate in providing after-sales services and achieve regular contact and feedback, thus enabling us to respond more promptly to customers' needs.

In recognition of our standing in the industry, we were awarded the following: -

- i) the "Quality Reliable Products" award, a testament to the quality of our shoe soles by China Light Industry Products Guarantee Centre; and
- ii) the ISO 9001:2000 Quality Management System, in which our production process was accredited.

In summary, the increase in our revenues from FYE 2006 to FYE 2008 was attributable to the following factors: -

- (i) increase in production capacity to fulfill customer demand;
- (ii) increase in production capacity of EVA MD series, which yields higher selling prices and improved margins;
- (iii) increased offering of designs from our development and design team;
- (iv) increase in average selling prices of our products;
- (v) increase in size of customer base;
- (vi) strengthening of sales and marketing team in line with our business expansion plans; and
- (vii) continuous improvements in product quality through R&D, awareness of market trends and enhancement of production process.

9. FINANCIAL INFORMATION (Cont'd)

Revenue for 1Q 2009 of RMB81.6 (RM43.5) million decreased by RMB2.2 (RM1.2) million or 2.7%, as compared to 1Q 2008. This was mainly due to the longer Chinese New Year festival break in 2009 granted to our staff, as a number of our employees could not return to their hometowns for Chinese New Year in 2008, due to breakdowns in the public transport system caused by severely adverse weather conditions in early 2008. As such, there was a decrease of 9 working days in 1Q 2009 as compared to 1Q 2008.

Segmental analysis - Revenue

Our revenues were principally generated from the sale of shoe-soles by Baixing within China. Therefore we will not report a segmental analysis based on geographical segment, principal activity or subsidiaries.

Our sales may be segmented into the following product categories: -

	FYE 2006			FYE 2007			FYE 2008		
	RMB '000	RM '000	%	RMB '000	RM '000	%	RMB '000	RM '000	%
Products⁽¹⁾									
TPR	27,632	14,741	12.9	33,852	18,059	11.0	46,428	24,770	12.1
RB	5,459	2,912	2.5	5,977	3,189	2.0	9,236	4,927	2.4
EVA MD I	131,709	70,267	61.3	147,677	78,786	48.2	181,183	96,661	47.0
EVA MD II	49,971	26,660	23.3	119,124	63,553	38.8	148,463	79,205	38.5
Total revenue	214,771	114,580	100.0	306,630	163,587	100.0	385,310	205,563	100.0

	1Q 2008 ⁽²⁾			1Q 2009		
	RMB '000	RM '000	%	RMB '000	RM '000	%
Products⁽¹⁾						
TPR	9,698	5,174	11.6	8,838	4,715	10.8
RB	1,705	910	2.0	1,792	956	2.2
EVA MD I	44,350	23,661	52.9	36,317	19,375	44.5
EVA MD II	28,059	14,969	33.5	34,630	18,475	42.5
Total revenue	83,812	44,714	100.0	81,577	43,521	100.0

Notes: -

- (1) Please refer to Section 4.3 of this Prospectus for a description on the various attributes and characteristics peculiar to each product category.
- (2) Unaudited and stated for comparison purposes only.

The main contributor to our revenues is the EVA MD I category which accounted for 61.3%, 48.2%, 47.0% and 44.5% of total revenues for FYE 2006 to FYE 2008 and 1Q 2009 respectively.

Revenue for EVA MD I shoe soles increased by 12.1% to RMB147.7 (RM78.8) million in FYE 2007 and by 22.7% to RMB181.2 (RM96.7) million in FYE 2008. Sales volume increased from 6.7 million pairs in FYE 2006 to 7.1 million pairs in FYE 2007 and to 8.5 million pairs in FYE 2008.

We were able to derive more revenue from the sale of EVA MD I shoe soles in FYE 2007 as we increased the production capacity for the major products of EVA MD I and EVA MD II, via the purchase of 4 units of production machinery. This increased the Group's production capacity and enabled the Group to better fulfill the increased demand of EVA MD I and EVA MD II shoe soles from our customers.

9. FINANCIAL INFORMATION (Cont'd)

Revenue from category EVA MD II shoe soles accounted for 23.3%, 38.8%, 38.5% and 42.5% of our total revenue for FYE 2006, FYE 2007, FYE 2008 and 1Q 2009 respectively.

Revenue for EVA MD II shoe soles increased by 138.4% to RMB119.1 (RM63.5) million in FYE 2007 and by 24.6% to RMB148.5 (RM79.2) million in FYE 2008. Sales volume increased from 2.7 million pairs in FYE 2006 to 6.3 million pairs in FYE 2007 and to 7.5 million pairs in FYE 2008.

Apart from increased production capacity, the increase was also due to more orders from existing and new customers as our development and design team were able to develop more models / variants of EVA MD II shoe soles at higher quality which were able to meet the needs of customers. We commenced production of EVA MD II shoe soles only in April 2006, thus only recording revenue for a period of nine months for FYE 2006 as compared to the 12-month period in FYE 2007. The increase in revenue derived from EVA MD II shoe soles was also due to the increase in production capacity via the acquisition of machineries in the third quarter of FYE 2007 as mentioned above.

Revenue from TPR accounted for 12.9%, 11.0%, 12.1% and 10.8% of our total revenue for FYE 2006, FYE 2007, FYE 2008 and 1Q 2009 respectively.

Revenue for TPR shoe soles increased by 22.5% to RMB33.9 (RM18.1) million in FYE 2007 and by 37.15% to RMB46.4 (RM24.8) million in FYE 2008. Sales volume increased from 3.2 million pairs in FYE 2006 to 3.9 million pairs in FYE 2007 and to 4.9 million pairs in FYE 2008, respectively. The increase was due to more orders from existing and potential customers as well as an increase in the average selling price.

Revenue from RB accounted for 2.5%, 2.0%, 2.4% and 2.2% of our total revenue for FYE 2006, FYE 2007, FYE 2008 and 1Q 2009 respectively.

Revenue for RB shoe soles increased by 9.5% to RMB6.0 (RM3.2) million in FYE 2007 and by 54.53% to RMB9.2 (RM4.9) million in FYE 2008. Sales volume remained relatively constant at 0.7 million pairs for each of FYE 2006 and FYE 2007 and at 1.1 million pairs for FYE 2008 as production machineries utilised for production of RB shoes soles were also used in the production of EVA MD I and MD II shoe soles.

The 8.9% and 18.1% decrease in revenue from TPR and EVA MD I for 1Q 2009 to RMB8.8 (RM4.7) million and RMB36.3 (RM19.4) million respectively, as compared to 1Q 2008, was caused by the decrease in sales volume for TPR and EVA MD I, which respectively decreased from approximately 1.1 million pairs to 1.0 million pairs and from approximately 2.0 million pairs to 1.7 million pairs. This was caused by the longer break for Chinese New Year in 1Q 2009 as compared with 1Q 2008.

Nevertheless, despite the aforesaid longer Chinese New Year break, revenue from EVA MD II shows continuing growth, with a 23.4% increase to RMB34.6 (RM18.5) million in 1Q 2009. In 1Q 2009, the sales volume for EVA MD II increased to 1.7 million pairs, as compared to 1.4 million pairs in 1Q 2008. This is mainly due to increasing demand for EVA MD II shoe soles, which are favoured by customers due to its better quality and greater variations in designs, as compared to EVA MD I.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

9. FINANCIAL INFORMATION (Cont'd)

Gross profit margin

The breakdown by products is as follows: -

	FYE 2006			FYE 2007			FYE 2008		
	RMB '000	RM '000	%	RMB '000	RM '000	%	RMB '000	RM '000	%
Products									
TPR	6,969	3,718	12.2	8,582	4,578	10.0	13,768	7,345	11.9
RB	1,114	594	1.9	1,422	759	1.7	2,485	1,326	2.2
EVA MDI	35,427	18,900	61.7	42,709	22,785	50.1	55,315	29,511	47.8
EVA MDII	13,891	7,411	24.2	32,585	17,384	38.2	44,081	23,517	38.1
Total gross profit	57,401	30,623	100.0	85,298	45,506	100.0	115,649	61,699	100.0

	1Q 2008			1Q 2009		
	RMB '000	RM '000	%	RMB '000	RM '000	%
Products						
TPR	2,466	1,316	10.6	2,828	1,508	10.4
RB	382	204	1.6	590	315	2.2
EVA MD I	12,696	6,773	54.3	12,157	6,486	44.8
EVA MD II	7,822	4,173	33.5	11,582	6,179	42.6
Total gross profit	23,366	12,466	100.0	27,157	14,488	100.0

Our gross profit margins are as follows: -

	FYE 2006	FYE 2007	FYE 2008	1Q 2008	1Q 2009
	Gross profit margin %				
Products					
TPR	25.2	25.4	29.7	25.4	32.0
RB	20.4	23.8	26.9	22.4	32.9
EVA MDI	26.9	28.9	30.5	28.6	33.5
EVA MDII	27.8	27.4	29.7	27.9	33.4
Average gross profit margin	26.7	27.8	30.0	27.9	33.3

Components of cost of sales	FYE 2006			FYE 2007			FYE 2008		
	RMB '000	RM '000	%	RMB '000	RM '000	%	RMB '000	RM '000	%
Raw materials	106,529	56,833	67.7	149,700	79,865	67.6	182,404	97,313	67.6
Direct labour	21,830	11,646	13.9	33,506	17,875	15.2	42,572	22,712	15.8
Manufacturing overhead	28,856	15,395	18.3	37,893	20,216	17.1	44,381	23,677	16.5
Sales tax	155	83	0.1	233	125	0.1	304	162	0.1
Total	157,370	83,957	100.0	221,332	118,081	100.0	269,661	143,864	100.0

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

9. FINANCIAL INFORMATION (Cont'd)

Components of cost of sales	1Q 2008			1Q 2009		
	RMB '000	RM '000	%	RMB '000	RM '000	%
Raw materials	41,251	22,007	68.2	34,390	18,347	63.2
Direct labour	9,346	4,986	15.5	10,125	5,402	18.6
Manufacturing overhead	9,784	5,220	16.2	9,830	5,244	18.1
Sales tax	64	34	0.1	75	40	0.1
Total	60,445	32,247	100.0	54,420	29,033	100.0

Our gross profit margin increased from 26.7% in FYE 2006 to 27.8% in FYE 2007 and 30.0% in FYE 2008. The improvement in margins was attributable mainly to: -

- (a) cost savings from economies of scale achieved with the increase of approximately 35.1% in production output from 13.4 million pairs of shoe soles in FYE 2006 to 18.1 million pairs in FYE 2007, and a further increase of approximately 22.1% in production output to 22.1 million pairs of shoe soles in FYE 2008. This was substantiated by the decline of our manufacturing overhead as a proportion of total cost of sales, from 18.3% in FYE 2006 to 17.1% in FYE 2007, and 16.5% in FYE 2008; and
- (b) a general increase in the overall average selling prices of our products in FYE 2007 as we adjusted the prices in tandem with increases in costs of raw materials, from RMB16.12 (RM8.60) in FYE 2006 to RMB17.06 (RM9.10) in FYE 2007 and RMB17.51 (RM9.34) in FYE 2008.

In summary, the improvement of gross profit margin was due to: -

1. Higher gross profit margin products were being introduced, such as EVA MD II shoe soles, which were launched in FYE 2006.
2. Due to our ability to negotiate better discounts for bulk purchases from suppliers in Fujian, we were able to maintain our raw material costs at 67.7%, 67.6% and 67.6% as a proportion of total cost of sales for FYE 2006, 2007 and 2008 respectively, in spite of increases in prices of commodities and raw materials globally.
3. Decrease in average cost of sale per pair of shoe sole by RMB0.06 (RM0.03) or 0.49% from RMB12.32 (RM6.57) in FYE 2007 to RMB12.26 (RM6.54) in FYE 2008.
4. New machinery acquired to enable in-house production of EVA compound pellets that are key components for production of EVA MD I and EVA MD II shoe soles, resulting in better cost efficiencies.

Our gross profit margin increased from 27.9% in 1Q 2008 to 33.3% in 1Q 2009, mainly as we started in-house production of EVA compound pellets only in the 3rd quarter of 2008. This resulted in a decrease in the average cost of sales per pair of shoe sole by RMB1.11 (RM0.59) from RMB12.93 (RM6.90) in 1Q 2008 to RMB11.82 (RM6.31) in 1Q 2009.

PBT

PBT for FYE 2006 was RMB48.5 (RM25.9) million, increasing by RMB27.7 (RM14.8) million to RMB76.2 (RM40.7) million in FYE 2007 and subsequently to RMB105.2 (RM56.1) million in FYE 2008. PBT for 1Q 2009 of RMB24.3 (RM13.0) showed an increase of RMB2.7 (RM1.4) million as compared to 1Q 2008.

9. FINANCIAL INFORMATION (Cont'd)

In terms of percentage, the Group achieved PBT increases of 57.0% for FYE 2007, 38.1% for FYE 2008, and 12.4% for 1Q 2009 respectively from the corresponding preceding periods.

The key factors that enabled the Group to achieve higher PBT were due to:-

- PBT margin improvements from 22.59% in FYE 2006, to 24.84% in FYE 2007 and 27.30% in FYE 2008, and from 25.77% in 1Q 2008 to 29.76% in 1Q 2009 as increases in selling and distribution costs and administration expenses were proportionately lower when compared to increases in gross profit, as can be seen from the table below: -

	FYE 2006	FYE 2007	FYE 2008	1Q 2008	1Q 2009
Gross Profit (RMB'000)	57,401	85,298	115,649	23,366	27,157
% increase	-	48.6%	35.6%	-	16.2%
Selling and distribution costs (RMB'000)	4,867	5,172	5,982	1,337	1,379
% increase	-	6.3%	15.7%	-	3.1%
Administration expenses (RMB'000)	5,027	5,990	6,242	1,350	1,321
% increase	-	19.2%	4.2%	-	(2.1%)

Selling and distribution costs	FYE 2006			FYE 2007			FYE 2008		
	RMB '000	RM '000	%	RMB '000	RM '000	%	RMB '000	RM '000	%
Advertisement	678	362	13.9	625	333	12.1	486	259	8.1
Entertainment	796	425	16.4	814	434	15.7	1,134	605	19.0
Staff costs	972	518	20.0	1,202	641	23.2	1,288	687	21.5
Samples	511	273	10.5	625	333	12.1	400	213	6.7
Transportation	815	435	16.7	810	432	15.7	1,115	595	18.7
Upkeep of motor vehicles	668	356	13.7	652	348	12.6	953	508	15.9
Others	427	227	8.8	444	238	8.6	606	324	10.1
Total	4,867	2,596	100.0	5,172	2,759	100.0	5,982	3,192	100.0

Selling and distribution costs	1Q 2008			1Q 2009		
	RMB '000	RM '000	%	RMB '000	RM '000	%
Advertisement	155	83	11.6	49	26	3.6
Entertainment	232	124	17.3	289	154	20.9
Staff costs	319	170	23.9	291	155	21.1
Samples	89	47	6.7	98	52	7.1
Transportation	210	112	15.7	281	150	20.4
Upkeep of motor vehicles	196	104	14.7	238	127	17.3
Others	136	73	10.1	133	72	9.6
Total	1,337	713	100.0	1,379	736	100.0

9. FINANCIAL INFORMATION (Cont'd)

As our market reputation and brand is fairly strong, and our production capacities were able to keep pace with demand for our products, we lowered our advertisement expenses from FYE 2006 to FYE 2008. However, we decided to nurture our relationships with our valued customers, thus entertainment expenses had been on an uptrend during the period under review.

The increased customer visits for marketing, as well as for obtaining feedback to conceptualise and jointly finalise product designs based on customers' specific needs also resulted in increases in the upkeep of motor vehicles relating to petrol consumption, repairs and maintenance, insurance and toll fees.

Administrative expenses	FYE 2006			FYE 2007			FYE 2008		
	RMB '000	RM '000	%	RMB '000	RM '000	%	RMB '000	RM '000	%
Labour union expenses	572	305	11.4	842	449	14.1	1,041	555	16.7
Rental	672	358	13.4	672	359	11.2	672	359	10.8
R&D	914	488	18.2	1,172	625	19.6	843	450	13.5
Staff costs	1,497	799	29.8	1,593	850	26.6	1,698	906	27.2
Others	1,372	732	27.2	1,711	913	28.5	1,988	1,060	31.8
Total	5,027	2,682	100.0	5,990	3,196	100.0	6,242	3,330	100.0

Administrative expenses	1Q 2008			1Q 2009		
	RMB '000	RM '000	%	RMB '000	RM '000	%
Labour union expenses	232	124	17.2	122	65	9.2
Rental	168	90	12.4	168	90	12.7
R&D	182	97	13.5	133	71	10.1
Staff costs	388	207	28.7	451	241	34.2
Others	380	202	28.2	447	238	33.8
Total	1,350	720	100.0	1,321	705	100.0

From FYE 2006 to FYE 2008, labour union expenses increased in tandem with the increase in the number of our employees (which increased due to expansion of our production capacities). Labour union expenses relate to fees paid to the labour union fund in Jinjiang City, a centralised fund managed by the PRC Labour Department. The increase in the total number of employees also necessitated the increase in administrative staff, thus resulting in increases in administrative staff costs. Labour union expenses decreased from 1Q 2008 to 1Q 2009, mainly due to a decrease in the labour union's contribution rate, from 2% in 1Q 2008 to 1% in 1Q 2009.

Rental remained constant during the period under review as we did not face rental increases, whilst our existing production facilities were sufficient for our expansion in production capacities during the periods under review. R&D expenses for the creation of sample moulds increased in FYE 2007, due to increased demands for samples and iterations of new shoe-sole designs. We were able to lower our R&D expenses in FYE 2008 and 1Q 2009 compared to the corresponding period as our closer collaboration with customers' R&D staff resulted in better cooperation and improved efficiency in creating new designs, which resulted in lower expenses in creating samples and iterations of new shoe-sole designs.

9. FINANCIAL INFORMATION (Cont'd)

Other selling and distribution costs and administrative expenses, such as office and travelling expenses, local authority fees, stamp duty, water and electricity, consumable goods, training expenses, insurance etc increased in tandem with our operational expansion during the period under review.

Although total selling and distribution costs increased by 6.3%, 15.7% and 3.1% in FYE 2007, FYE 2008 and 1Q 2009 respectively from the corresponding preceding periods, and administrative expenses increased by 19.2%, 4.2% and (2.1%) respectively, gross profit increased by 48.6%, 35.6% and 16.2% over the same periods. Our ability to keep our overall selling and distribution costs and administrative expenses in check resulted in our PBT margin improving from 22.59% in FYE 2006, to 24.84% in FYE 2007 and 27.30% in FYE 2008, and from 25.77% in 1Q 2008 to 29.76% in 1Q 2009.

PAT

Our Company, which was incorporated in Bermuda, is not subject to any taxation since its incorporation.

Paksing, which was incorporated in Hong Kong, is an investment holding company. Since incorporation, it has no assessable profit and thus was not subject to any taxation.

As a WFOE established under the laws of the PRC, Baixing is entitled to full exemption from PRC EIT (Enterprise Income Tax) for the first two years and a 50% reduction in EIT for the next three years (the "Regular Tax Reduction and Exemption Treatment" 二免三減半). Baixing elected FYE 2006 to be its first profitable year for the purpose of determining the commencement of its tax holiday period. Baixing was not subject to EIT in FYE 2006 and FYE 2007, and was subjected to an EIT rate of 12.5% for FYE 2008. Under the Regular Tax Reduction and Exemption Treatment, Baixing may continue to enjoy the remaining incentives for FYE 2009 and FYE 2010 in accordance with the requirements by the State Council. With effect from 1 January 2011, Baixing will be taxed in accordance with the PRC EIT Law. The current EIT rate in the PRC is 25.0%.

Our income tax was RMB13.0 (RM6.9) million in FYE 2008, taxed at a rate of 12.5% as we entered into the third year of assessment under the "Regular Tax Reduction and Exemption Treatment" (二免三減半). In 1Q 2009, our income tax was RMB3.0 (RM1.6) million, taxed at a rate of 12.5% as we entered into the fourth year of assessment under the "Regular Tax Reduction and Exemption Treatment".

Factors and trends affecting future financial conditions and results

After taking into consideration the risk factors relating to our business and industry, and our ability to mitigate such risk factors as set out in Section 3 of this Prospectus, we are of the opinion that our future financial condition will remain favourable and that our revenue growth is expected to improve.

This is due to the large market size of the footwear industry and the rubber/plastic shoes industry in China, as set out in Section 4.19.5(i) of this Prospectus, which provides favourable prospects for product penetration and market-share growth. In view of the increase in China's per capita GDP, expenditure on shoes by end-users are likely to increase as shoes become a form of fashion accessory rather than merely being a functional item to protect the feet. In addition, shoes are regarded as necessity products and it is likely that consumer spending on these products will still continue, albeit at a lower expenditure level during an economic slowdown.

As we are also increasing our production capacity to approximately 74.6 million pairs per annum, our future earnings will not be constrained by production capacity and we stand to gain from further economies of scale as we expect our utilization rate to reach at least 85% in the near to medium term. Our increased production output can be assigned to satisfy demand from the existing customers.

9. FINANCIAL INFORMATION (Cont'd)

Nevertheless, taking into consideration our expansion plans to increase our sales and marketing network in China as well as our increased advertising and promotional activities, our PBT may be slightly affected in the short run due to the expenses arising from setting up these sales and marketing office. However, we expect PBT to improve in the medium term as these offices will empower our people with an efficient communication channel with our customers to better understand their needs and expectations, which in turn serves as a feedback mechanism for our continuous improvement. In addition, with the advertising and promotional activities efforts, this will contribute to create market awareness for sourcing of new customers.

Our competitive strengths and advantages as set out in Section 4.4 of this Prospectus provide the foundation for the sustainability of our business and financial growth. Our future plans and strategies as set out in Section 4.20 of this Prospectus, are to expand our production capacity, enhance our product design and development capabilities, strengthen our sales, marketing and branding initiatives, and explore synergistic acquisitions, investments and/or joint ventures, which will further contribute to sustainable growth for our business.

Despite the uncertain outlook for the global economy in the near term as set out in Section 4.19.10 of this Prospectus, there can still be growth for the footwear industry in China as we have outlined in Section 3.1(i) that in 2008, China experienced real GDP growth of 9.0% and is forecasted to grow by 8.3% in 2009, which alleviates some of the negative impact of any prolonged economic downturn. In contrast, many advanced economies experienced very low or negative GDP growth in 2008, and 2009 is expected to be similar. As such, China's economy is expected to be better off compared to many of the more advanced economies.

Furthermore, as shoes are regarded as necessities, it is likely that consumer spending on shoes will still continue, albeit at a lower expenditure level during an economic slowdown. In addition, manufacturers with strong product quality, financial stability and diverse range of products and designs, such as us, will be in a better position to withstand the impact of a slowdown in China's economy and/or global economies.

9.3.2 Significant factors affecting profits

The main factors that may affect profits from time-to-time include but are not limited to the following: -

(i) Demand and supply conditions

Our Group's revenue and profit is dependent on the demand and supply condition as set out in Sections 4.19.7 and 4.19.8 of the Prospectus.

(ii) Fluctuations in prices of raw materials

Petroleum products are the major feedstock for plastic resins and synthetic rubber used in the manufacture of sports shoe soles. Thus, the prices of plastic resins and synthetic rubber, including EVA, PU, and TPR are therefore dependent on the price of petroleum. Plastic resins and synthetic rubber are by themselves commodities and they are also subjected to fluctuation in world prices.

As these raw materials are subjected to commodity-like fluctuations in global prices, all manufacturers that use these materials are affected equally.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

9. FINANCIAL INFORMATION (Cont'd)

(iii) Tax consideration

Bermuda

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, and there is no Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable to it or any of its operations until 28 March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(iv) Exceptional and extraordinary items

For the past three (3) FYEs 2006, 2007 and 2008 as well as 1Q 2009, there were no exceptional and extraordinary items.

9.3.3 Material changes in sales / revenue

A discussion on the reasons on material changes in our revenue for the past three (3) FYEs 2006, 2007 and 2008, as well as 1Q 2009 is set out in Section 9.3.1 of this Prospectus.

9.3.4 Impact of foreign exchange / interest rates / commodity prices

Our business operations and customers are all primarily contained within China. All our sales and purchases are made in RMB for the last three (3) financial years and 1Q 2009, and as such, the foreign exchange exposure of our Group is minimal. Accordingly, we do not require any hedging policies nor have we entered into any forward contracts with respect to our foreign exchange exposure.

As for fluctuations in the price of raw materials, we believe that we are able to pass on any prolonged price increase of raw materials to customers, as shoes soles ordered from us would form a critical component in our customers' intended production of specific sports-shoe designs. Thus we believe that we are not materially affected by fluctuations in commodity prices.

There is no material impact of foreign exchange, interest rates, and commodity prices on our historical profit for the past three (3) FYEs 2006, 2007, 2008 and 1Q 2009.

9.3.5 Impact of inflation

There is no material impact of inflation on our historical profit for the past three (3) FYEs 2006, 2007, 2008 and 1Q 2009.

9.3.6 Government / economic / fiscal / monetary policies

Risks relating to government, economic, fiscal or monetary policies or factors, which may materially affect our operations, is as set out in Section 3.1, Section 3.2, Section 3.3 and section 3.4 of this Prospectus.

There is no material impact of government, economic, fiscal or monetary policies or factors on our historical profits for the past three (3) FYEs 2006, 2007 and 2008 and 1Q 2009.

9. FINANCIAL INFORMATION (Cont'd)

9.4 LIQUIDITY AND CAPITAL RESOURCES

9.4.1 Working capital

We have been funding our operations through a combination of cash generated from our operations, share capital, retained profits and credit from our suppliers for the past three (3) FYEs 2006, 2007 and 2008.

Nevertheless, in view of relaxations in China's national policies on bank borrowings, we started obtaining bank loans in 2009 for better cash management as well as more efficient utilisation of shareholders' funds. As at 31 March 2009, we have a cash and cash equivalent position of approximately RMB52.4 (RM28.0) million.

As at 31 March 2009, we have total current assets of RMB104.5 (RM55.8) million and current and non-current liabilities of RMB70.3 (RM37.5) million. The current assets comprise mainly of inventories, cash and bank balances and trade receivables. Average inventory holding period for the FYEs 2006, 2007, 2008 and 1Q 2009 was 0.48 month, 0.48 month, 0.46 month and 0.59 month, respectively. Trade receivables turnover for the FYEs 2006, 2007, 2008 and 1Q 2009 was 1.26 month, 1.15 month, 1.11 month and 1.37 month, respectively.

These low numbers implies short inventory holding periods and low trade receivables turnover which we had maintained consistently for the past three (3) FYEs up to 31 December 2008 and 1Q 2009, indicating an efficient working capital management system.

Our Directors are of the opinion that, based on our existing cash and cash equivalents, the cash flows generated from our operations and the gross proceeds from the IPO Shares, we will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

9.4.2 Proforma cash flow

A summary of the our Group's proforma cash flow for 1Q 2009 based on the proforma consolidated cash flow statement as set out in Section 9.7 of this Prospectus, is as follows: -

	1Q 2009 Proforma Cash Flow	
	RMB'000	RM'000
Net cash from operating activities	16,799	8,962
Net cash used in investing activities	(56,820)	(30,314)
Net cash used in financing activities ⁽¹⁾	131,765	70,297
Net increase in cash and cash equivalents	91,744	48,945
Plus : Cash and cash equivalents at beginning of year	29,943	15,975
Cash and cash equivalents at end of the period	121,687	64,920

Notes: -

(1) After adjustments for proceeds from our IPO and the utilisation of proceeds as set out in Section 2.5 of this Prospectus.

Net cashflow from operating activities

In 1Q 2009, our proforma net cash inflow from operating activities amounted to RMB16.8 (RM9.0) million. This was due to profit before tax of RMB24.3 (RM13.0) million recorded for the year adjusted mainly for depreciation and interest expenses of RMB2.1 (RM1.1) million and RMB0.2 (RM0.1) million, respectively.

9. FINANCIAL INFORMATION (Cont'd)

The increase in working capital was due to cash outflows arising from an increase of RMB1.2 (RM0.6) million in receivables and a decrease of RMB5.0 million (RM2.7) in payables, respectively. The cash outflows were partially offset by cash inflows arising from a decrease of RMB0.5 (RM0.3) million in inventories. Our Group paid income tax of RMB3.9 (RM2.1) million for 1Q 2009.

Net cashflow used in investing activities

Using the cashflow generated from operating activities, our Group acquired equipment of approximately RMB0.6 (RM0.3) million during 1Q 2009. For proforma purposes, our Group's actual cash flow used in investing activities has been adjusted to take into account the additional RMB56.2 (RM30.0) million that we are expecting to incur for the expansion of the production capacity and the acquisition of additional production machinery and equipment, as set out in Section 2.5(i) of this Prospectus. Upon completion of our IPO, our net cash used in investing activities would be RMB56.8 (RM30.3) million.

Net cashflow used in financing activities

In 1Q 2009, for proforma purposes, our Group's net cashflow generated from financing activities as above has been adjusted to RMB131.8 (RM70.3) million, taking into account the gross proceeds raised via the Public Issue of RMB91.8 (RM49.0) million and the issuance of Redeemable Convertible Loan Stocks for RMB46.9 (RM25.0) million. Out of this, approximately of RMB13.1 (RM7.0) million will be used to defray the estimated listing expenses.

Excluding the proceeds raised from the Public Issue and the Redeemable Convertible Loan Stocks, in 1Q 2009, our Group's net cash generated from financing activities amounted to approximately RMB6.3 (RM3.3) million. The positive cash inflow was mainly attributable to the bank loan of RMB15.7 (RM8.4) million obtained in the period and was mainly offset by the repayment of amount owing to a director of RMB9.4 (RM5.0) million.

9.4.3 Borrowings

For the past three (3) FYEs 2006, 2007 and 2008, we did not have any borrowings.

On 4 January 2009, Baixing entered into loan agreements with the Industrial and Commercial Bank China, Jinjiang Branch to obtain bank loans amounting to RMB15.7 million (RM8.4 million). The bank loan was pledged by Baixing's land use rights and guaranteed by a third party.

On 30 April 2009, Baixing entered into a loan agreement with Industrial and Commercial Bank of China, Jinjiang Branch to obtain bank loans amounting to RMB4.3 million (RM2.3 million). The bank loan was secured by mortgaging JHX's land use rights and buildings to Industrial and Commercial Bank of China, Jinjiang Branch.

As at LPD, the details of our borrowings are as follows:-

	RMB'000	RM'000
Short-term		
- Bank loans	20,000	10,670
Long-term	-	-
Total	20,000	10,670
Gearing ratio (times)⁽¹⁾		0.1

9. FINANCIAL INFORMATION (Cont'd)

Notes: -

(1) *Computed based on our Group's total interest bearing borrowings as at LPD divided by our Group's proforma consolidated shareholders' equity as at 31 March 2009 upon completion of the IPO and utilisation of proceeds as set out in Section 2.5 of this Prospectus.*

Borrowings of our Group mainly comprised short-term bank loans with repayment term of one (1) year.

As at LPD, we have not defaulted on payments of either interest and/or principal sums in respect of these borrowings.

Save as disclosed above, we do not have any other borrowings as at LPD.

9.4.4 Breach of terms and conditions / covenants associated with credit arrangement / bank loan

To the best of our Directors' knowledge, as at LPD, neither us nor any of our subsidiaries are in breach of any terms and conditions or covenants associated with credit arrangements or bank loans, which can materially affect our financial results or business operations, or the investments by holders of securities in our Company.

9.4.5 Type of financial instruments used

As at LPD, we do not have nor are we using any financial instruments.

9.4.6 Treasury policies and objectives

We have been financing our operations through a combination of cash generated from our operations, share capital, retained profits, credit from our suppliers as well as shareholders' advances. In 2009, we began utilising external sources of funds, comprising bank borrowings.

The principal uses of these cash resources are for the purchase of raw materials and consumables and defray operating expenses as well as other expenses such as repair and maintenance, upkeep of equipment, transport and travelling expenses. Our funds were also used to finance capital expenditure and extending trade credit to our customers.

All our sales and purchases are denominated in RMB, and as such, the foreign exchange exposure of our Group is minimal. Accordingly, we do not have any hedging policies nor have we entered into any forward contracts with respect to our foreign exchange exposure.

9.4.7 Material commitments

As at LPD, our Directors are not aware of any material commitments for capital expenditure, which upon becoming enforceable may have a material effect on the financial position of our Group.

9.4.8 Material litigation / arbitration and contingent liabilities

(i) Material litigation / arbitration

As at LPD, our Group is not engaged whether as plaintiff or defendant in any legal action, proceedings, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of our Group, and our Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Group.

9. FINANCIAL INFORMATION (Cont'd)

(ii) Contingent liabilities

As at LPD, our Directors are not aware of any material contingent liabilities, which upon becoming enforceable may have a material effect on the financial position of our Group.

9.4.9 Key financial ratios

The key financial ratios of our Group are as follows: -

	FYE 2006	FYE 2007	FYE 2008	1Q 2008 ⁽²⁾	1Q 2009 ⁽²⁾
Trade receivables turnover (days) ⁽¹⁾	38.20	35.06	33.79	37.96	41.76
Trade payables turnover (days) ⁽¹⁾	36.10	34.87	33.11	39.06	35.80
Inventory turnover (days) ⁽¹⁾	14.74	14.58	13.85	14.68	18.01

Note: -

(1) Based on average balance.

(2) Annualised to 12 months for comparison purposes.

9.4.10 Trade receivables

Our Group's audited trade receivables balance (excluding inter-company trade receivables) as at 31 December 2008 and 31 March 2009 and the ageing analysis thereon based on the records of our Group are as follows: -

As at 31 December 2008	Not past due	Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-120 days	Past due > 120 days	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	37,321	415	-	-	-	-	37,736
Bad and doubtful debts	-	-	-	-	-	-	-
Net Group trade debtors	37,321	415	-	-	-	-	37,736
Percentage of total	98.9%	1.1%	-	-	-	-	100%

As at 31 December 2008	Not past due	Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-120 days	Past due > 120 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	19,911	221	-	-	-	-	20,132
Bad and doubtful debts	-	-	-	-	-	-	-
Net Group trade debtors	19,911	221	-	-	-	-	20,132
Percentage of total	98.9%	1.1%	-	-	-	-	100%

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

9. FINANCIAL INFORMATION (Cont'd)

As at 31 March 2009	Not past due	Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-120 days	Past due >120 days	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	35,905	1,033	-	-	-	-	36,938
Bad and doubtful debts	-	-	-	-	-	-	-
Net Group trade debtors	35,905	1,033	-	-	-	-	36,938
Percentage of total	97.2%	2.8%	-	-	-	-	100%

As at 31 March 2009	Not past due	Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-120 days	Past due >120 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	19,155	551	-	-	-	-	19,706
Bad and doubtful debts	-	-	-	-	-	-	-
Net Group trade debtors	19,155	551	-	-	-	-	19,706
Percentage of total	97.2%	2.8%	-	-	-	-	100%

The normal credit period given to our trade debtors ranges from 30 to 40 days.

No allowance for doubtful debts have been made in our consolidated financial statements for the trade receivables.

It is our policy to make full provisions for all trade receivables that are in dispute, under legal action or where recoveries are considered to be doubtful.

There are no trade debts exceeding the normal credit period.

9.5 TREND INFORMATION

As at LPD, to the best of our Directors' knowledge and belief, our operations have not been and are not expected to be affected by any of the following: -

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in this section, Section 3 and Section 4 of this Prospectus;
- (ii) material commitments for capital expenditure, as set out in Section 9.4.7 of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as disclosed in this section and in Section 3 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that have resulted in a material impact on our Group revenue and / or profits, save for those that had been disclosed in this section, Section 4.19 and Section 4.20 of this Prospectus;
- (v) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this section, Section 3 and Section 4 of this Prospectus; and

9. FINANCIAL INFORMATION (Cont'd)

- (vi) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in Section 3 of this Prospectus.

Our Board of Directors is optimistic about the future prospects of our Group, and the outlook of the sports-footwear industry, due to the factors set out in Sections 4.19.1, 4.19.2, 4.19.4, 4.19.5, 4.19.7, and 4.19.10 of this Prospectus, in consideration of our Group's competitive strengths as set out in Section 4.4 of this Prospectus, the factors and trends affecting our future financial condition and results as set out in Section 9.3.1 of this Prospectus, and our Group's dedication to implement the future plans and strategies as set out in Section 4.20 of this Prospectus.

9.6 DIVIDEND POLICY

Subject to the factors outlined below, our Directors intend to recommend and distribute dividends of 20% of our net profit distributable to our Shareholders with respect to FYE 2010 and FYE 2011.

The abovesaid intention is in line with our Directors' policy to recommend dividends to allow our Shareholders to participate in the profits of our Group. Our Company will declare dividends, if any, in RM and will make payment of the dividends in RM.

Notwithstanding the above, our ability to pay dividends or make other distributions to our Shareholders for FYE 2009 as well as for future years post-FYE 2011 is subject to various factors, such as having profits and excess funds not required to be retained to fund our business. Our Directors will consider the following factors, amongst others, when recommending dividends for approval by our Shareholders or when declaring any interim dividends: -

- (i) the availability of adequate distributable reserves and cash flows;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans; and
- (iv) any material impact of tax laws and other regulatory requirements.

Any declaration and payment of dividends in the future will be at the discretion of the Board of Directors. There is no assurance on whether dividend distributions will occur as intended, the amount of dividend payment, or timing of such payments.

Subject to the Bermuda Companies Act, shareholders in general meeting may from time to time declare a dividend or other distribution, but no dividend or distribution shall be declared in excess of the amount recommended by our Directors. Subject to the Bermuda Companies Act, our Directors may also from time to time declare a dividend or other distribution.

No inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

Information relating to taxes payable on our dividends is set out in Sections 16, 17 and 18 of this Prospectus. Kindly refer to Sections 3 for risks relating to payment of dividends.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

9. FINANCIAL INFORMATION (Cont'd)

9.7 PROFORMA CONSOLIDATED FINANCIAL INFORMATION TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON

(Prepared for inclusion in this Prospectus)



REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

(Prepared for inclusion in this Prospectus)

Date: 9 July 2009

The Board of Directors
Multi Sports Holdings Ltd
Level 18, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

SJ Grant Thornton (AF:0737)
Level 11, Faber Imperial Court
Jalan Sultan Ismail
P. O. Box 12337
50774 Kuala Lumpur, Malaysia

T +6 (03) 2692 4022
F +6 (03) 2691 5229
www.gt.com.my

Dear Sirs,

**MULTI SPORTS HOLDINGS LTD
AND ITS SUBSIDIARY COMPANIES
PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

We have reviewed the Proforma Consolidated Financial Information of Multi Sports Holdings Ltd ("Multi Sports" or "the Company") and its subsidiary companies: Paksing Shoe Material (H.K.) Limited ("Paksing") and JinJiang Baixing Shoe Material Co., Ltd ("Baixing") (collectively known as "Multi Sports Group" or "the Group") for the financial years ended 31 December 2006 to 2008 and financial period ended 31 March 2009, together with the notes and assumptions thereto, as set out in this Prospectus, which we have stamped for the purpose of identification, in connection with the listing and quotation of the entire enlarged issued and fully paid-up share capital of Multi Sports on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Proforma Consolidated Financial Information have been prepared for illustrative purposes only on the basis of assumptions as set out below and after making certain adjustments to show that:

- i) the financial results of Multi Sports Group for the financial years ended 31 December 2006 to 2008 and financial period ended 31 March 2009 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the years/period being reported on;
- ii) the financial position of Multi Sports Group as at 31 March 2009 would have been if the group structure as of the date of the Prospectus had been in place on that date, adjusted for the acquisitions, public issue and utilisation of listing proceeds; and
- iii) the cash flows of Multi Sports Group for the financial period ended 31 March 2009 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the financial period ended 31 March 2009, adjusted for the acquisitions, public issue and utilisation of listing proceeds.

The combined financial information of Multi Sports Group for the financial period ended 31 March 2008 was not audited and was included for comparison purpose only.

9. FINANCIAL INFORMATION (Cont'd)



The Proforma Consolidated Financial Information, because of its nature, may not give a true picture of Multi Sports Group's actual financial results, financial position and cash flows. Further, such information does not predict the Group's future financial position, results and cash flows.

It is the sole responsibility of the Directors of Multi Sports Group to prepare the Proforma Consolidated Financial Information in accordance with the requirements of the Prospectus Guidelines in respect of Public Offerings issued by the Securities Commission. Our responsibility is to form an opinion as required by the Prospectus Guidelines on the Proforma Consolidated Financial Information and our letter is given to you solely for this, and no other purpose.

In providing this opinion, we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Proforma Consolidated Financial Information, nor do we accept responsibility for such reports or opinions beyond that is owed to those to whom those letter or opinions were addressed by us at the date of their issue.

Our work, which involved no independent examination of any of the underlying financial information, primarily to compare the Proforma Consolidated Financial Information with the audited combined balance sheets, combined income statements, combined statements of changes in equity, combined cash flow statements, a summary of significant accounting policies and other explanatory notes of Multi Sports Group ("audited Combined Financial Statements"), considering the evidence supporting the adjustments and discussing the Proforma Consolidated Financial Information with the Directors of Multi Sports Group.

In our opinion, the Proforma Consolidated Financial Information together with the accompanying notes which are provided solely for illustrative purposes only,

- (a) have been properly compiled on a basis of preparation as stated in the notes thereto; such basis is consistent with the accounting policies adopted by Multi Sports Group in the audited Combined Financial Statements;
- (b) the adjustments are appropriate for the purposes of the Proforma Consolidated Financial Information; and
- (c) the audited Combined Financial Statements used in the preparation of the Proforma Consolidated Financial Information were prepared in accordance with International Financial Reporting Standards ("IFRS").

9. **FINANCIAL INFORMATION (Cont'd)**



This letter is not to be reproduced, referred to in any other document, or used or relied upon for any other purpose without our prior written consent.

Yours faithfully,

A handwritten signature in black ink, appearing to be "S.J. Grant Thornton", written over a horizontal line.

SJ GRANT THORNTON
NO. AF: 0737
CHARTERED ACCOUNTANTS

A handwritten signature in black ink, appearing to be "Dato' N.K. Jasani", written over a horizontal line.

DATO' N.K. JASANI
NO: 708/03/10 (J/PH)
PARTNER OF THE FIRM

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia –
Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

Basis of preparation of Proforma Consolidated Financial Information

1. The Proforma Consolidated Financial Information have been prepared to illustrate that:
 - a) the financial results of Multi Sports Group for the Financial Years Ended (“FYE”) 31 December 2006 to 2008 and Financial Period Ended (“FPE”) 31 March 2009 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the years/period being reported on;
 - b) the financial position of Multi Sports Group as at 31 March 2009 would have been if the group structure as of the date of the Prospectus had been in place on that date, adjusted for the acquisitions, public issue and utilisation of listing proceeds; and
 - c) the cash flows of Multi Sports Group for the FPE 31 March 2009 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the FPE 31 March 2009, adjusted for the acquisitions, public issue and utilisation of listing proceeds.
2. The Proforma Consolidated Financial Information has been prepared based on the audited Combined Financial Statements of Multi Sports and its subsidiary companies for the FYE 31 December 2006 to 2008 and FPE 31 March 2009 using the bases and the accounting principles consistent with those adopted in the audited Combined Financial Statements, after giving effect to the proforma adjustments which are considered appropriate.
3. For illustrative purposes, it was assumed that the acquisitions of Pak Sing Shoe Material (H.K.) Limited (“Paksing”) and JinJiang Baixing Shoe Material Co., Ltd (“Baixing”), which collectively known as Multi Sports Group, which were completed subsequent to the FPE 31 March 2009 took place prior to 1 January 2006 in arriving at the proforma consolidated financial results for the FYE 31 December 2006 to 2008 and FPE 31 March 2009.
4. The Proforma Consolidated Financial Information have been prepared for illustrative purposes only and, because of their nature, may not give a true picture of the actual financial position, results and cash flows of Multi Sports Group.
5. The audited Combined Financial Statements for the FYE 31 December 2006 to 2008 and FPE 31 March 2009 were prepared in accordance with International Financial Reporting Standards (“IFRS”).
6. The financial information of Multi Sports Group is measured using the currency of the primary economic environment in which the Group operates. The functional currency of the Group is China’s Renminbi.

Stamped for the purpose of identification on:
09 JUL 2009
SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia –
Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

(i) PROFORMA CONSOLIDATED INCOME STATEMENTS

The Proforma Consolidated Income Statements of Multi Sports Group for the past three (3) FYE 31 December 2006 to 2008 and FPE 31 March 2009 are provided for illustrative purposes extracted from the audited Combined Financial Statements of Multi Sports Group assuming that Multi Sports Group has been in existence throughout the financial years/period under review. Adjustments were made to the Proforma Consolidated Income Statements to account for retrospective effects of the acquisition of Paksing which were completed subsequent to the FPE 31 March 2009.

Years/Period ended	31 December 2006		31 December 2007		31 December 2008		31 March 2008 @		31 March 2009	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Revenue	214,771	114,580	306,630	163,587	385,310	205,563	83,812	44,714	81,577	43,521
Gross profit	57,401	30,623	85,298	45,506	115,649	61,699	23,366	12,466	27,157	14,488
Profit before depreciation, amortisation, interest expenses and taxation	55,399	29,555	85,125	45,414	114,605	61,142	24,149	12,884	26,598	14,190
Depreciation	(6,883)	(3,672)	(8,961)	(4,781)	(9,383)	(5,006)	(2,549)	(1,360)	(2,067)	(1,103)
Amortisation	-	-	-	-	(24)	(13)	-	-	(24)	(13)
Interest expenses	-	-	-	-	-	-	-	-	(229)	(122)
Profit before taxation but after depreciation, amortisation and interest expenses	48,516	25,883	76,164	40,633	105,198	56,123	21,600	11,524	24,278	12,952
Taxation	-	-	-	-	(13,018)	(6,945)	(2,613)	(1,394)	(3,036)	(1,619)
Profit after taxation	48,516	25,883	76,164	40,633	92,180	49,178	18,987	10,130	21,242	11,333
Gross profit margin (%)	26.73	26.73	27.82	27.82	30.01	30.01	27.88	27.88	33.29	33.29
PBT margin (%)	22.59	22.59	24.84	24.84	27.30	27.30	25.77	25.77	29.76	29.76
PAT margin (%)	22.59	22.59	24.84	24.84	23.92	23.92	22.65	22.65	26.04	26.04
Number of ordinary shares of USD0.05 each assumed to be issued ('000)	302,400	302,400	302,400	302,400	302,400	302,400	302,400	302,400	302,400	302,400
Gross Earnings Per Share "EPS"* (RMB/RM)	0.16	0.09	0.25	0.13	0.35	0.19	0.29^	0.15^	0.32^	0.17^
Net EPS* (RMB/RM)	0.16	0.09	0.25	0.13	0.30	0.16	0.25^	0.13^	0.28^	0.15^

* Based on enlarged Share Capital of 302,400,000 ordinary shares (number of shares assumed to be issued upon completion of the Consolidation and Increase in Authorised Share Capital and Acquisitions).

^ Annualised to 12 months for comparison purposes.

@ The income statement for the FPE 31 March 2008 is unaudited and is included for comparison purposes only.

Stamped for the purpose of identification on:
09 JUL 2009
SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia –
Malaysia Branch No: 995199 H)

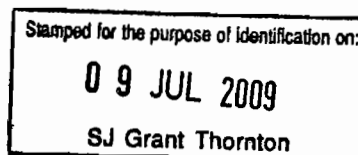
AND ITS SUBSIDIARY COMPANIES

(i) PROFORMA CONSOLIDATED INCOME STATEMENTS (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED INCOME STATEMENTS

1. The Proforma Consolidated Income Statements have been prepared based on the audited Combined Financial Statements of Multi Sports for the past three (3) FYE 31 December 2006 to 2008 and FPE 31 March 2009.
2. There were no extraordinary or exceptional items in all the financial years/period under review.
3. Multi Sports Group's results have been restated through appropriate consolidation adjustments to eliminate inter-company transactions under the existing group structure.
4. In preparing this report, we have converted all figures stated in China Renminbi (RMB), Hong Kong Dollar (HKD) and United States Dollar (USD) to Ringgit Malaysia (RM).

The applied rates of exchange for all the FYE 31 December 2006 to 2008 and FPE 31 March 2009 under review are RMB1:RM0.5335, HKD1:RM0.4704, USD1:RM3.6456 and USD1:RMB6.8330 respectively based on the exchange rate as at 31 March 2009, as extracted from www.xe.com.



9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD
(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)
AND ITS SUBSIDIARY COMPANIES

(ii) PROFORMA CONSOLIDATED BALANCE SHEETS

The Proforma Consolidated Balance Sheets of Multi Sports as at 31 March 2009 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 3 to the Proforma Consolidated Balance Sheets on the assumption that these transactions were completed on 31 March 2009.

	As at									
	31 March 2009		Proforma I		Proforma II		Proforma III		Proforma IV	
	RMB' 000	RM' 000	RMB' 000	RM' 000	RMB' 000	RM' 000	RMB' 000	RM' 000	RMB' 000	RM' 000
Share capital	@	@	@	@	103,315	55,119	122,994	65,618	122,994	65,618
Share premium	-	-	-	-	-	-	72,092	38,461	66,116	35,273
Merger deficit	-	-	-	-	(56,444)	(30,113)	(56,444)	(30,113)	(56,444)	(30,113)
Statutory reserve	-	-	-	-	13,184	7,034	13,184	7,034	13,184	7,034
Retained earnings	-	-	-	-	63,547	33,902	63,547	33,902	56,402	30,090
Total shareholders' equity	-	-	-	-	123,602	65,942	215,373	114,902	202,252	107,902
Represented by:										
NON-CURRENT ASSETS										
Property, plant and equipment	-	-	-	-	37,881	20,209	37,881	20,209	94,113	50,209
Land use rights	-	-	-	-	4,695	2,505	4,695	2,505	4,695	2,505
Total non-current assets	-	-	-	-	42,576	22,714	42,576	22,714	98,808	52,714
CURRENT ASSETS										
Inventories	-	-	-	-	10,494	5,599	10,494	5,599	10,494	5,599
Trade and other receivables	-	-	-	-	41,576	22,181	41,576	22,181	41,576	22,181
Fixed deposit with a licensed bank	-	-	-	-	37,488	20,000	37,488	20,000	37,488	20,000
Cash and bank balances	@	@	@	@	61,781	32,960	153,552	81,920	84,199	44,920
Total current assets	-	-	-	-	151,339	80,740	243,110	129,700	173,757	92,700

Stamped for the purpose of identification on:

09 JUL 2009

SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
 (Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

(ii) PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

	As at 31 March 2009							
	RMB' 000	RM' 000	RMB' 000	RM' 000	RMB' 000	RM' 000	RMB' 000	RM' 000
		← Proforma I →	← Proforma II →	← Proforma III →	← Proforma III →	← Proforma III →	← Proforma III →	← Proforma III →
CURRENT LIABILITIES								
Trade and other payables	-	-	51,577	27,516	51,577	27,516	51,577	27,516
Interest bearing bank borrowings	-	-	15,700	8,376	15,700	8,376	15,700	8,376
Tax payable	-	-	3,036	1,620	3,036	1,620	3,036	1,620
Total current liabilities	-	-	70,313	37,512	70,313	37,512	70,313	37,512
NET CURRENT ASSETS	-	-	81,026	43,228	172,797	92,188	103,444	55,188
	-	-	123,602	65,942	215,373	114,902	202,252	107,902
	RMB	RM	RMB	RM	RMB	RM	RMB	RM
NET ASSETS PER ORDINARY SHARE OF:								
- USD0.01 EACH	0.07	0.04	-	-	-	-	-	-
- USD0.05 EACH	-	-	0.35	0.20	0.41	0.22	0.60	0.30
NET TANGIBLE ASSETS PER ORDINARY SHARE OF:								
- USD0.01 EACH	0.07	0.04	-	-	-	-	-	-
- USD0.05 EACH	-	-	0.35	0.20	0.41	0.22	0.60	0.30

@ Less than RMB/RM1,000

Stamped for the purpose of identification on:
09 JUL 2009
 SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

(ii) PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS

1. The Proforma Consolidated Balance Sheets have been prepared based on the audited Combined Financial Statements of Multi Sports as at 31 March 2009 using the merger method of accounting for Multi Sports Group.

2. Conversion rate

In preparing this report, we have converted all figures stated in China Renminbi (RMB), Hong Kong Dollar (HKD) and United States Dollar (USD) to Ringgit Malaysia (RM).

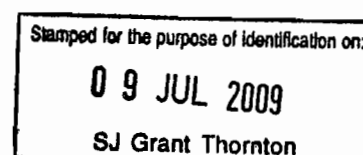
The applied rates of exchange for all the FYE 31 December 2006 to 2008 and FPE 31 March 2009 under review are RMB1:RM0.5335, HKD1:RM0.4704, USD1:RM3.6456 and USD1:RMB6.8330 respectively based on the exchange rate as at 31 March 2009, as extracted from www.xe.com.

3. The Proforma Consolidated Balance Sheets together with notes thereon, have been prepared based on accounting principles and bases consistent with those adopted in the preparation of audited Combined Financial Statements of Multi Sports to illustrate the Consolidated Balance Sheets of Multi Sports Group assuming that all the transactions mentioned below had taken place on 31 March 2009:

Proforma I: Consolidation and Increase in Authorised Share Capital

The Company consolidated every five (5) existing ordinary shares of USD0.01 each in its authorised and issued share capital into one (1) ordinary share of USD0.05, resulting in an authorised share capital of USD10,000 divided into 200,000 ordinary shares of USD0.05 each and an issued share capital of USD1.00 divided into 20 ordinary shares of USD0.05 each (“Shares”) (“Consolidation”).

Following the Consolidation, the Company increased its authorised share capital from USD10,000 divided into 200,000 Shares (after the Consolidation) to USD50,000,000 divided into 1,000,000,000 Shares.



9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

(ii) PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

3. (cont'd)

Proforma II: Acquisitions

(a) Acquisition of Pak Sing Shoe Material (H.K.) Limited (“Paksing”)

The Company acquired the entire issued and paid-up share capital of Paksing, comprising 12,175 ordinary shares of HKD1.00 each in Paksing, for an aggregate purchase consideration of USD15,119,999, which is to be wholly satisfied by the issuance of an aggregate of 302,399,980 new Shares in Multi Sports, credited as fully paid at par value of USD0.05 per Share (“Acquisition of Paksing”).

The acquisition had taken in the Investment Agreement (“IA”) entered by Paksing on 12 May 2009 to issue and redeem Redeemable Convertible Loan Stocks (“RCLS”) amounting to USD7,094,010 at the date of acquisition.

(b) Acquisition of Multi Sports Shares by Power Wide Holdings Limited

Subsequent to the completion of the Acquisition of Paksing, Power Wide Holdings Limited shall then acquire the 20 Shares that was held directly by Lin Huozhi, for a nominal amount of USD1.00, which is to be wholly satisfied by cash.

The above acquisitions will be collectively referred to as the Acquisitions.

Proforma III: Initial Public Offering (“IPO”)

Public Issue

Public issue of 57,600,000 Shares (“Public Issue Shares”)/ (“Public Issue”), representing 16% of the enlarged issued share capital of Multi Sports, at an Initial Public Offering (“IPO”) Price of RM0.85, payable in full on application, and will be allocated and allotted in the following manner:

(a) Malaysian Public via balloting

18,000,000 Public Issue Shares, representing 5% of the enlarged issued share capital of Multi Sports, to be allocated via balloting, will be made available for application by the Malaysian Public; and

(b) Selected investors via placement

39,600,000 Public Issue Shares, representing 11% of the enlarged issued share capital of Multi Sports, by way of private placement to selected investors.

Stamped for the purpose of identification on:
09 JUL 2009
SJ Grant Thornton

9. **FINANCIAL INFORMATION (Cont'd)**

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
 (Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

(ii) **PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)**

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

3. (cont'd)

Proforma III: Initial Public Offering (“IPO”) (cont'd)

Offer for Sale

An offer for sale of up to 42,500,000 Shares (“Offer Shares”)/ (“Offer for Sale”) representing approximately 11.81% of Multi Sports’s enlarged issued share capital, to potential investors to be identified via private placement at the IPO Price of RM0.85 per Share.

Proforma IV: Utilisation of Proceeds from Public Issue

The gross proceeds arising from the Public Issue amounting RM48,960,000 (RMB91,771,000) are expected to be fully utilised for the core business of Multi Sports Group in the following manner:

	RMB'000	RM'000
Expansion of production capacity	56,232	30,000
Expansion of sales and marketing network in China	7,423	3,960
Advertising and branding	5,623	3,000
Enhancement of product development capabilities	7,498	4,000
Working capital	1,874	1,000
Estimated listing expenses	13,121	7,000
	91,771	48,960

The listing expenses are estimated at RM7,000,000 (RMB13,121,000) and will be set off against the share premium account and reserve account.

Stamped for the purpose of identification on:
 09 JUL 2009
 SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
 (Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

(ii) **PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)**

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

4. The movement of the issued and paid-up share capital account is as follows:

	RMB'000	RM'000
As at 31 March 2009/As per Proforma I Acquisitions	@ 103,315	@ 55,119
As per Proforma II	103,315	55,119
Public Issue	19,679	10,499
As per Proforma III Utilisation of Proceeds from Public Issue	122,994 -	65,618 -
As per Proforma IV	122,994	65,618

@ Less than RMB/RM1,000

5. The movement of the share premium account is as follows:

	RMB'000	RM'000
As at 31 March 2009/As per Proforma I to II Public Issue	- 72,092	- 38,461
As per Proforma III	72,092	38,461
Utilisation of Proceeds from Public Issue – Listing expenses	(5,976)	(3,188)
As per Proforma IV	66,116	35,273

Stamped for the purpose of identification on:
09 JUL 2009
 SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
 (Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

(ii) **PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)**

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

6. The movement of the merger deficit account is as follows:

	RMB'000	RM'000
As at 31 March 2009/As per Proforma I	-	-
Acquisitions	(56,444)	(30,113)
As per Proforma II	(56,444)	(30,113)
Public Issue	-	-
As per Proforma III	(56,444)	(30,113)
Utilisation of Proceeds from Public Issue	-	-
As per proforma IV	(56,444)	(30,113)

7. The movement of the statutory reserve account is as follows:

	RMB'000	RM'000
As at 31 March 2009/As per Proforma I	-	-
Acquisitions	13,184	7,034
As per Profoma II	13,184	7,034
Public Issue	-	-
As per Profoma III	13,184	7,034
Utilisation of Proceeds from Public Issue	-	-
As per Proforma IV	13,184	7,034

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
 (Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

(ii) **PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)**

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

8. The movement of the retained profit account is as follows:

	RMB'000	RM'000
As at 31 March 2009/As per Proforma I	-	-
Acquisitions	63,547	33,902
As per Profoma II	63,547	33,902
Public Issue	-	-
As per Profoma III	63,547	33,902
Utilisation of Proceeds from Public Issue – Listing expenses	(7,145)	(3,812)
As per Proforma IV	56,402	30,090

9. The movement of the property, plant and equipment account is as follows:

	RMB'000	RM'000
As at 31 March 2009/As per Proforma I	-	-
Acquisitions	37,881	20,209
As per Profoma II	37,881	20,209
Public Issue	-	-
As per Profoma III	37,881	20,209
Utilisation of Proceeds from Public Issue – Expansion of production capacity	56,232	30,000
As per Proforma IV	94,113	50,209

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
 (Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

(ii) **PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)**

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

10. The movement of the fixed deposit with a licensed bank is as follows:

	RMB'000	RM'000
As at 31 March 2009/As per Proforma I Acquisitions	-	-
	<u>37,488</u>	<u>20,000</u>
As per Proforma II Public Issue	37,488	20,000
	<u>-</u>	<u>-</u>
As per Proforma III Utilisation of Proceed from Public Issue	37,488	20,000
	<u>-</u>	<u>-</u>
As per Proforma IV	<u>37,488</u>	<u>20,000</u>

11. The movement of the cash and bank balances account is as follows:

	RMB'000	RM'000
As at 31 March 2009/As per Proforma I Acquisitions	@ <u>61,781</u>	@ <u>32,960</u>
As per Profoma II Public Issue	61,781	32,960
	<u>91,771</u>	<u>48,960</u>
As per Profoma III Utilisation of Proceeds from Public Issue – Expansion of production capacity	153,552	81,920
	<u>(56,232)</u>	<u>(30,000)</u>
Utilisation of Proceeds from Public Issue – Listing expenses	(13,121)	(7,000)
	<u>(13,121)</u>	<u>(7,000)</u>
As per Proforma IV	<u>84,199</u>	<u>44,920</u>

@ Less than RMB/RM1,000

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

(ii) PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

12. Costs of an initial public offering (Listing expenses)

The listing expenses of this initial public offering involved both issuing new shares and a stock market listing. These listing expenses are accounted for as follows:

- a) incremental costs that are directly attributable to issuing new shares are deducted from equity (share premium); and
- b) costs that relate to stock market listing or are otherwise not incremental and directly attributable to issuing new shares are recorded as an expense in the income statement.

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)

(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

(iii) STATEMENT OF ASSETS AND LIABILITIES

The following is a proforma group statement of assets and liabilities of Multi Sports Group prepared based on the audited Combined Financial Statements of Multi Sports Group as at 31 March 2009.

The proforma group statement of assets and liabilities is prepared for illustrative purpose only, to show the effects of all the transactions stated in Note 3 to the statement of assets and liabilities. The statement should be read in conjunction with the notes thereto.

	<u>Note</u>	<u>Proforma Group</u> RMB'000	RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	4	94,113	50,209
Land use rights	5	4,695	2,505
Total non-current assets		98,808	52,714
CURRENT ASSETS			
Inventories	6	10,494	5,599
Receivables	7	41,576	22,181
Fixed deposits with a licensed bank	8	37,488	20,000
Cash and bank balances	9	84,199	44,920
Total current assets		173,757	92,700
CURRENT LIABILITIES			
Payables	10	51,577	27,516
Interest bearing bank borrowings	11	15,700	8,376
Tax payable		3,036	1,620
Total current liabilities		70,313	37,512
NET CURRENT ASSETS		103,444	55,188
		202,252	107,902
SHARE CAPITAL	12	122,994	65,618
SHARE PREMIUM	13	66,116	35,273
RESERVES	14	13,142	7,011
		202,252	107,902

Stamped for the purpose of identification on:
 09 JUL 2009
 SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
 (Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

1. FINANCIAL RISK MANAGEMENT OBJECTIVES - POLICIES

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

As at 31 December 2006, 2007, 2008 and 31 March 2009, the Group's financial instruments mainly comprise cash and bank balances, trade receivables, prepayment and other receivables, trade payables, accrued liabilities, bills payable and other payables, borrowings and amount due to a shareholder.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's interest rate risk only arises primarily from bank deposits placed with the financial institutions and interest-bearing bank borrowings.

The Group's exposure to interest rate risk from the interest-bearing bank borrowings are minimal as the Group's policy is to maintain the borrowings on a fixed rate basis. The Group does not have investment in other financial assets.

The carrying amounts, by maturity, of the Group's financial instruments that are exposed to interest rate risk.

	31/12/2006		31/12/2007		31/12/2008		31/3/2009	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Within 1 year	-	-	-	-	-	-	15,700	8,376
Total	-	-	-	-	-	-	15,700	8,376
Effective interest rate	-	-	-	-	-	-	6.90%	6.90%

Bank borrowings subject to fixed interest rates are contractually repriced at intervals of 12 months. The other financial instruments of the Group are not subject to significant interest rate risk.

Fluctuations in the interest rate of bank borrowings will not have an impact on the Group's net profit for the FYE 31 December 2006 to 2008 and FPE 31 March 2009.

Stamped for the purpose of identification on:
 09 JUL 2009
 SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)

(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

1. FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONT'D)

(ii) Foreign currency risk

Foreign Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises when transactions are denominated in foreign currencies. The Group carries out its business in the People's Republic of China ("PRC") and most of the transactions are denominated in Renminbi except that the amount due to a shareholder is denominated in Hong Kong Dollar. Accordingly, the Group's exposure to risk resulting from changes in foreign currency exchange rates is minimal.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserve of cash to meet its liquidity requirement in the short and long term. Except for amount due to a shareholder, the Group's financial liabilities are short-term maturity.

(iv) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations. The carrying amounts of trade receivables and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group does not have significant concentration of credit risk as the top five customers in aggregate form approximately 17.40%, 19.46%, 19.45% and 14.09% of trade receivables balance as at 31 December 2006, 2007, 2008 and 31 March 2009 respectively.

The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The provision for impairment loss for doubtful debts is based upon a review of the expected collectibles of all trade and other receivables.

There is no impairment loss recognised in the relevant periods since all receivables are collected within the credit period granted and directors expect all balances to be recoverable.

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

	31 December 2006		31 December 2007		31 December 2008		31 March 2009	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Not past due	23,206	12,380	29,180	15,568	37,321	19,911	35,905	19,155
Past due 0 to 1 month	1,265	675	3,862	2,060	415	221	1,033	551
Past due 1 to 2 months	682	364	331	177	-	-	-	-
Past due more than 2 months	149	80	235	125	-	-	-	-
	25,302	13,499	33,608	17,930	37,736	20,132	36,938	19,706

Stamped for the purpose of identification on:

09 JUL 2009

SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

1. FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONT'D)

(v) Fair value

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments, except for amount due to a shareholder.

(vi) Price risk

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

The Group does not hold any quoted or marketable financial instrument, hence is not exposed to any movement in market prices.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The audited Combined Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including related Interpretations and have been consistently applied throughout the FYE 31 December 2006, 2007, 2008 and FPE 31 March 2009.

2.2 Basis of preparation of audited Combined Financial Statements

The Group has early adopted IFRSs and Interpretations which are effective for accounting periods beginning on or after 1 January 2007 for the preparation of these audited Combined Financial Statements of the Group since 1 January 2006. IFRS 1, First-time Adoption of Financial Reporting Standards, has been applied in preparing these audited Combined Financial Statements. These audited Combined Financial Statements are the first set of financial statements prepared in accordance with IFRS by the Group.

The accounting policies set out below have been applied consistently to all periods presented in these audited Combined Financial Statements and in preparing an opening IFRS balance sheet as at 1 January 2006 for the purpose of the first set of IFRS financial statements. The accounting policies have been applied consistently by the Group.

On 1 January 2007, the Group adopted the new or revised IFRS and Interpretations that are mandatory for application on that date. This includes the following which are relevant to the Group:

IAS 1 (Amendment)	Presentation of Financial Statements- Capital Disclosures
IFRS 7	Financial Instruments: Disclosure
IFRIC 8	Scope of IFRS 2
IFRIC 10	Interim Financial Reporting and Impairment

Stamp for the purpose of identification on:

10 9 JUL 2009

SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)

(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of audited Combined Financial Statements (cont'd)

The adoption of the above IFRS and Interpretations did not result in substantial changes to the Group's accounting policies nor any significant impact on these audited Combined Financial Statements. IFRS 7 and the complimentary amended IAS 1 introduce new disclosures relating to financial instruments and capital respectively.

On 1 January 2009, the Group adopted the new or revised IFRS and interpretations that are mandatory for application on that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS.

The following are the new or amended IFRS adopted by the Group:

IAS 1 (Revised Presentation of Financial Statements 2008)

Amendments to IAS 1 (revised 2008) Amendments relating to puttable financial instruments and obligations arising on liquidation

IAS 23 (Revised) Borrowing costs

Amendments to IAS 32 Amendments relating to puttable financial instruments and obligations arising on liquidation

IFRS 8 Operating Segments

The adoption of the above IFRS and interpretations did not result in substantial changes to the Group's accounting policies nor any significant impact on these audited Combined Financial Statements except for a revision in the titles of some of the financial statements primary statements and IFRS 8 which requires disclosure of financial information about the Group's operating segments. The Group determines that the reportable operating segments are in accordance with IFRS 8.

At the date of this report, certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods after 1 January 2009 or later periods and which the Group has not early adopted.

The following are the IFRS that have been published but not yet effective:

Amendments to IFRS 1 and IAS 27 Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate.

Amendments to IFRS 2 Amendments relating to vesting conditions and cancellation

The management does not anticipate that the adoption of the above IFRSs (including consequential amendments) and interpretations will result in any material impact to the financial statements in the period of initial application.

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of audited Combined Financial Statements (cont'd)

Critical accounting estimates and judgement

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Key sources of estimation uncertainty

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 3 to 10 years. The carrying amounts of the Group's property, plant and equipment as at 31 December 2006, 2007, 2008 and 31 March 2009 were approximately RMB40,268,000, RMB42,107,000, RMB39,360,000 and RMB37,881,000 (before proforma adjustment) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Critical judgement made in applying accounting policies

In the process of applying the Group's accounting policies as described below, the management is of the opinion that there are no instances of application of judgements which are expected to have a significant effect on the amounts recognised in the financial statements.

Impairment of trade receivables

The Group's management assesses the collectability of trade receivables. This estimate is based on the credit history of the Group's customers and the current market condition. Management reassesses the impairment loss at the balance sheet date and makes the provision, if any.

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of audited Combined Financial Statements (cont'd)

Critical judgement made in applying accounting policies (cont'd)

Net realisable value of inventories

Net realisable value of inventories is the management's estimation of future selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of "similar nature". It could change significantly as a result of competitors in response to the severe industry's cycles.

Basis of preparation under common control business combination and subsidiaries

A business combination involving entities under common control is a business combination in which all the combining entities or business are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The Acquisition resulted in a business combination involving common control entities, and accordingly the accounting treatment is outside the scope of IFRS 3 Business Combination. For such common control business combinations, the merger accounting principles are applied to include the assets, liabilities, results, changes in equity and cash flows of the combining entities in the audited Combined Financial Statements.

In applying merger accounting, components of financial statements of the combining entities or businesses for the reporting period in which the common control combination occurs are included in the audited Combined Financial Statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognised the assets, liabilities and equity of the combining entities or businesses at the carrying amounts recognised previously in the audited Combined Financial Statements of the controlling party or parties prior to the common control combination. The carrying amounts are included as if such audited Combined Financial Statements had been prepared by the controlling party or parties, including adjustments required to conform to the combined entity's accounting policies and applying those policies to all periods presented.

There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the audited Combined Financial Statements of the combined entity.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls an entity.

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of audited Combined Financial Statements (cont'd)

Basis of preparation under common control business combination and subsidiaries (cont'd)

Shares in subsidiaries are stated at cost less accumulated impairment losses, if any, on an individual subsidiary basis.

For acquisition of subsidiaries under common control, the identifiable assets and liabilities were accounted for at their carrying values, in a manner similar to the pooling-of-interest method of consolidation.

In preparing the audited Combined Financial Statements, transactions, balances and unrealised gains on transactions between the combining entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the assets transferred.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditure incurred after property, plant and equipment has been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, and the expenditure of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Plant and machinery	5 -10 years
Office equipment	5 years
Moulding equipment	3 - 5 years
Motor vehicle	3 years

If there is a change in the level of usage and technological developments affecting the useful lives and the residual values of these assets, the residual values, useful lives and depreciation method will be reviewed and adjusted as appropriate at each balance sheet date.

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

Stamped for the purpose of identification on:
09 JUL 2009
SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of audited Combined Financial Statements (cont'd)

Property, plant and equipment (cont'd)

The gain or loss on disposal or retirement of an item of property, plant and equipment recognised in the combined income statement is the difference between the net sales proceeds and the carrying amount of the asset.

Impairment of non-financial assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of the Group's property, plant and equipment and land use rights, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the combined income statement in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, and to the extent that the carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the combined income statement in the period in which it arises.

Financial assets

Financial assets which are within the scope of IAS 39, other than hedging instruments, are classified as either financial assets at fair value through income statement, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. Financial assets which are initially recognised at fair value are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired.

The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through income statement is not revocable.

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of audited Combined Financial Statements (cont'd)

Financial assets (cont'd)

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

De-recognition of financial assets occurs when the rights to receive cash flows from the assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each of the balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised. At the balance sheet date, the Group carries only loan and receivables on its balance sheet.

Loan and receivables

Loan and receivables are measured initially at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the combined income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Financial liabilities

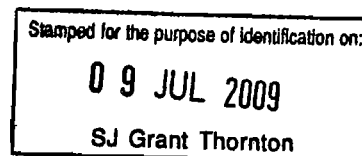
The Group's financial liabilities include trade payables, accrued liabilities, bills payable and other payables, amount due to shareholders and borrowings. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Trade payables, accrued liabilities, bills payable and other payables

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

Borrowings

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.



9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of audited Combined Financial Statements (cont'd)

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and conditions are accounted for as follows:

- (a) Raw materials at purchase cost on a weighted average basis; and
- (b) Finished goods and work in progress at cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

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

Provisions

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group which can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow of economic resources will be required in settlement of the obligations is determined by considering the class of obligations as a whole. In addition, long term provisions are discounted to their present values, where the effect of the time value of money is material.

All provisions are reviewed at the balance sheet date and adjusted to reflect the current best estimates.

In cases where the possible outflow of economic resources as a result of present obligations is considered impossible or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the balance sheet, unless assumed in the course of a business combination.

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of audited Combined Financial Statements (cont'd)

Recognition of revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, sales rebates and sales related taxes on the following bases:

- (i) Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (ii) Interest income is recognised on a time-proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

Income tax

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. PRC corporate income tax is provided at rates applicable to an enterprise in the PRC on income for financial reporting purpose, adjusted for income and expenses items which are not assessable or deductible for income tax purposes.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the audited Combined Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that is not a business combination and that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of audited Combined Financial Statements (cont'd)

Income tax (cont'd)

Deferred tax (cont'd)

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Value-added tax

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

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

- VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of VAT included.

Retirement benefits scheme

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

Stamped for the purpose of identification on:
09 JUL 2009
SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of audited Combined Financial Statements (cont'd)

Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Renmimbi and Ringgit Malaysia.

(ii) Transactions and balances

Foreign currency transactions are translated to the functional currencies of the entities using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rates ruling at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Group companies

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

- (1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (3) All resulting exchange differences are recognised as a separate component of equity.

Stamped for the purpose of identification on:
09 JUL 2009
SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of audited Combined Financial Statements (cont'd)

Related parties

A party is considered to be related to the Group if:

- (i) directly, or indirectly through one or more intermediaries, the party (1) controls, is controlled, or is under common control with, the Company/Group; (2) has an interest in the Company that gives it significant influence over the Company/Group; or (3) has joint control over the Company/Group;
- (ii) the party is an associate;
- (iii) the party is a jointly-controlled entity;
- (iv) the party is a member of the key management personnel of the Company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is a related party of the Company/Group.

Key management personnel

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

Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the combined income statement on a straight-line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the combined income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the combined income statement in the accounting period in which they are incurred.

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of preparation of audited Combined Financial Statements (cont'd)

Financial instruments

The recognition methods adopted of financial assets and liabilities are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Segment reporting

A operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Equity

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from the proceeds (net of any related income tax benefits) to the extent that they are incidental costs directly attributable to the equity transaction.

Retained earnings include all current and prior period results as determined in the combined income statement.

Cash and cash equivalents

For the purpose of the combined cash flow statement and balance sheet classification, cash and cash equivalents comprise cash on hand and in banks and deposit pledged

Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged so as to write off the cost of land use rights, using the straight-line method, over the period of the grant of 50 years, which is the lease term.

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

3. LISTING SCHEME

As an integral part of the listing and quotation of the entire enlarged issued and paid-up share capital of Multi Sports, Multi Sports Group undertook the listing scheme (as defined below) that was approved by the Securities Commission (“SC”) on 29 May 2009. The listing scheme involves the following:

(i) Consolidation and Increase in Authorised Share Capital

The Company consolidated every five (5) existing ordinary shares of USD0.01 each in its authorised and issued share capital into one (1) ordinary share of USD0.05, resulting in an authorised share capital of USD10,000 divided into 200,000 ordinary shares of USD0.05 each and an issued share capital of USD1.00 divided into 20 ordinary shares of USD0.05 each (“Shares”) (“Consolidation”).

Following the Consolidation, the Company increased its authorised share capital from USD10,000 divided into 200,000 Shares (after the Consolidation) to USD50,000,000 divided into 1,000,000,000 Shares.

The Consolidation and Increase in Authorised Share Capital were completed on 28 May 2009.

(ii) Acquisitions

(a) Acquisition of Pak Sing Shoe Material (H.K.) Limited (“Paksing”)

The Company acquired the entire issued and paid-up share capital of Paksing, comprising 12,175 ordinary shares of HKD1.00 each in Paksing, for an aggregate purchase consideration of USD15,119,999, which is to be wholly satisfied by the issuance of an aggregate of 302,399,980 new Shares in Multi Sports, credited as fully paid at par value of USD0.05 per Share (“Acquisition of Paksing”).

The acquisition had taken in the Investment Agreement (“IA”) entered by Paksing on 12 May 2009 to issue and redeem the Redeemable Convertible Loan Stocks (“RCLS”) amounting to USD7,094,010 at the date of acquisition.

9. **FINANCIAL INFORMATION (Cont'd)**

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

3. LISTING SCHEME (CONT'D)

(ii) **Acquisitions (cont'd)**

(b) **Acquisition of Multi Sports Shares by Power Wide Holdings Limited**

Subsequent to the completion of the Acquisition of Paksing, Power Wide Holdings Limited shall then acquire the 20 Shares that was held directly by Lin Huozhi, for a nominal amount of USD1.00, which is to be wholly satisfied by cash.

The above acquisitions will be collectively referred to as the Acquisitions.

The Acquisitions are expected to be completed on 15 July 2009.

(iii) **Initial Public Offering (“IPO”)**

Public Issue

Public Issue of 57,600,000 Shares (“Public Issue Shares”)/ (“Public Issue”), representing 16% of the enlarged issued share capital of Multi Sports, at an IPO Price of RM0.85, payable in full on application, and will be allocated and allotted in the following manner:

(a) **Malaysian Public via balloting**

18,000,000 Public Issue Shares, representing 5% of the enlarged issued share capital of Multi Sports, to be allocated via balloting, will be made available for application by the Malaysian Public; and

(b) **Selected investors via placement**

39,600,000 Public Issue Shares, representing 11% of the enlarged issued share capital of Multi Sports, by way of private placement to selected investors.

Offer for Sale

An offer for sale of up to 42,500,000 Shares (“Offer Shares”)/ (“Offer for Sale”) representing approximately 11.81% of Multi Sports’s enlarged issued share capital, to potential investors to be identified via private placement at an IPO Price of RM0.85 per Share.

(iv) **Listing and Quotation on the Main Board of Bursa Securities**

In conjunction with the listing, Multi Sports seeks a listing and quotation of its entire enlarged issued share capital comprising 360,000,000 Shares on the Main Board of Bursa Securities.

Stamped for the purpose of identification on:

09 JUL 2009

SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

3. LISTING SCHEME (CONT'D)

(iv) Listing and Quotation on the Main Board of Bursa Securities (cont'd)

The gross proceeds arising from the Public Issue amounting to RM48,960,000 (RMB91,771,000) are expected to be fully utilised for the core business of Multi Sports Group in the following manner:

	RMB'000	RM'000
Expansion of production capacity	56,232	30,000
Expansion of sales and marketing network in China	7,423	3,960
Advertising and branding	5,623	3,000
Enhancement of product development capabilities	7,498	4,000
Working capital	1,874	1,000
Estimated listing expenses	13,121	7,000
	<u>91,771</u>	<u>48,960</u>

The listing expenses are estimated at RM7,000,000 (RMB13,121,000) and will be set off against the share premium account and reserve account.

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda - Company No: 42425)
 (Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia - Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB'000	Office equipment RMB'000	Mould equipment RMB'000	Motor vehicle RMB'000	Total RMB'000
Proforma Group Cost					
Addition through acquisition of subsidiary companies	29,632	358	37,226	376	67,592
Additions [Note 3 (iv)]	56,232	-	-	-	56,232
Carried forward	85,864	358	37,226	376	123,824
Accumulated depreciation					
Addition through acquisition of subsidiary companies	10,950	190	18,522	49	29,711
Carried forward	10,950	190	18,522	49	29,711
Net carrying amount	74,914	168	18,704	327	94,113
				175	50,209

Stamped for the purpose of identification on:

09 JUL 2009

SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

5. LAND USE RIGHTS

	Proforma Group	
	RMB'000	RM'000
Addition through acquisition of subsidiary companies	4,695	2,505

6. INVENTORIES

	Proforma Group	
	RMB'000	RM'000
Raw materials	6,642	3,544
Work in progress	1,319	704
Finished goods	2,527	1,348
Consumables	6	3
	10,494	5,599

7. RECEIVABLES

	Proforma Group	
	RMB'000	RM'000
Trade receivables	36,938	19,706
Advance to supplier	1,193	637
Amount owing by related party	273	146
Prepaid listing expenses	2,928	1,562
Prepayment	244	130
	41,576	22,181

8. FIXED DEPOSIT WITH A LICENSED BANK

Assumed fixed deposit received upon the issuance of Redeemable Convertible Loan Stocks (“RCLS”) at Paksing based on investment agreement dated 12 May 2009.

The fixed deposit has been pledged to a licensed bank to secure the Redeemable Convertible Loan Stocks (“RCLS”).

Stamped for the purpose of identification on: <div style="text-align: center; font-size: 1.2em; font-weight: bold;">09 JUL 2009</div> SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
 (Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

9. CASH AND BANK BALANCES

	Proforma Group	
	RMB'000	RM'000
Cash in hand	67	36
Cash at bank	52,342	27,924
Assumed proceeds received from issuance of RCLS	9,372	5,000
Assumed remaining listing proceeds after utilisation of listing proceeds	22,418	11,960
	<u>84,199</u>	<u>44,920</u>

Cash and bank balances are denominated in the following currencies:

	Proforma Group	
	RMB'000	RM'000
Renminbi	52,409	27,960
Hong Kong Dollar (included assumed proceeds received from issuance of RCLS)	9,372	5,000
Ringgit Malaysia (assumed remaining listing proceeds after utilisation of listing proceeds)	22,418	11,960
	<u>84,199</u>	<u>44,920</u>

10. PAYABLES

	Proforma Group	
	RMB'000	RM'000
Trade payables	18,360	9,795
Accrued liabilities	8,573	4,574
VAT payable	2,911	1,553
Bills payable	4,000	2,134
Amount due to a shareholder	17,723	9,455
Others	10	5
	<u>51,577</u>	<u>27,516</u>

Stamped for the purpose of identification on:
09 JUL 2009
 SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
 (Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

11. INTEREST BEARING BANK BORROWINGS

	Proforma Group	
	RMB'000	RM'000
Short term bank loans - Secured	15,700	8,376

12. SHARE CAPITAL

	Proforma Group	
	RMB'000	RM'000
Issued and fully paid:-		
Ordinary shares of USD0.01 each	@	@
Consolidation of shares, at USD0.05 each	@	@
Issued pursuant to the acquisition of subsidiary	103,315	55,119
Public issue, at USD0.05 each	19,679	10,499
360,000,000 ordinary shares of USD0.05 each	122,994	65,618

@ Less than RMB/RM1,000

13. SHARE PREMIUM

	Proforma Group	
	RMB'000	RM'000
Share premium arising from Public Issue	72,092	38,461
Listing expenses	(5,976)	(3,188)
	66,116	35,273

14. RESERVES

	Proforma Group	
	RMB'000	RM'000
Retained earnings	63,547	33,902
Statutory reserve	13,184	7,034
Merger deficit	(56,444)	(30,113)
Listing expenses	(7,145)	(3,812)

13,143 Stamped for the purpose of identification on:

09 JUL 2009

SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
 (Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

15. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Other than the approval obtained from the SC, completion of the Shares Consolidation and Increase in Authorised Share Capital and Acquisition as mentioned in section 3, the following are the significant events subsequent to 31 March 2009:

- (a) On 30 April 2009, Jinjiang Baixing enter a loan agreement with 中国工商银行股份有限公司晋江支行 to obtain a bank loan amounting to RMB4,300,000. The bank loan is pledged by a related party's land use right and property.
- (b) On 12 May 2009, Paksing enters into an investment agreement with Guoline Capital Limited to issue Redeemable Convertible Loan Stocks ("RCLS") amounting to USD 7,094,010.
- (c) On 9 June 2009, Pak Sing increased its authorised share capital from HK\$10,000 to HK\$15,000 by the creation of 5,000 shares of HKD 1 each.

16. FINANCIAL INSTRUMENTS

Fair values

The carrying amounts of all financial assets and liabilities with a maturity of less than one year approximate their fair values.

The Group does not anticipate that the carrying amounts recorded at balance sheet date would be significantly different from the values that would eventually be received or settled.

17. OPERATING LEASE COMMITMENTS

The Group leases production factory from a related party and non-related party under non-cancellable operating lease arrangements. The Group also leases office building and employees' hostel from a non-related party under a non-cancellable operating lease arrangement. The leases have varying terms and the total future minimum lease payments of the Group under non-cancellable operating leases are as follows:-

	Proforma Group	
	RMB'000	RM'000
Not later than one year	1,870	998
Later than one year and not later than five years	6,076	3,242
	<u>7,946</u>	<u>4,240</u>

Stamped for the purpose of identification on:
09 JUL 2009
 SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
 (Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

18. NET TANGIBLE ASSETS AND NET ASSETS PER ORDINARY SHARE

Based on the proforma group statement of assets and liabilities of Multi Sports Group as at 31 March 2009, the proforma net tangible assets (“NTA”) and net assets (“NA”) per share is calculated as follows:

	Proforma Group	
	RMB'000	RM'000
Proforma NTA as per group statement of assets and liabilities	<u>202,252</u>	<u>107,902</u>
Proforma NA as per group statement of assets and liabilities	<u>202,252</u>	<u>107,902</u>
Total number of fully issued and paid-up ordinary share of USD0.05 each assumed to be issued ('000)	<u>360,000</u>	<u>360,000</u>
Proforma NTA per ordinary share of USD0.05 each	<u>0.56</u>	<u>0.30</u>
Proforma NA per ordinary share of USD0.05 each	<u>0.56</u>	<u>0.30</u>

Stamped for the purpose of identification on:
09 JUL 2009
 SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

(iv) **PROFORMA CONSOLIDATED CASH FLOW STATEMENT**

The following is the proforma consolidated cash flow statement of Multi Sports Group prepared for illustrative purpose based on the audited Combined Financial Statements of Multi Sports for the FPE 31 March 2009 assuming that Multi Sports Group has been existence throughout the financial period under review.

Year/Period ended	31 December 2008		31 March 2009	
	RMB'000	RM'000	RMB'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	105,198	56,123	24,278	12,952
Adjustments for:-				
Amortisation	24	13	24	13
Depreciation	9,383	5,006	2,067	1,103
Currency translation difference	2	1	-	-
Interest expense	-	-	229	122
Interest income	(239)	(128)	(38)	(20)
Operating profit before working capital changes	114,368	61,015	26,560	14,170
Changes in working capital:-				
(Decrease)/Increase in inventories	(1,511)	(806)	494	263
Decrease in receivables	(5,730)	(3,057)	(1,214)	(648)
Increase/(Decrease) in payables	1,612	860	(4,962)	(2,647)
Cash generated from operations	108,739	58,012	20,878	11,138
Interest received	239	128	38	20
Interest paid	-	-	(229)	(122)
Tax paid	(9,131)	(4,872)	(3,888)	(2,074)
Net cash from operating activities	99,847	53,268	16,799	8,962
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment				
- by working capital	(6,636)	(3,540)	(588)	(314)
- by listing proceeds	-	-	(56,232)	(30,000)
Purchase of land use rights	(4,743)	(2,530)	-	-
Net cash used in investing activities	(11,379)	(6,070)	(56,820)	(30,314)

Stamped for the purpose of identification on:

09 JUL 2009

SJ Grant Thornton

9. FINANCIAL INFORMATION (Cont'd)

MULTI SPORTS HOLDINGS LTD

(Incorporated in Bermuda under Companies Act 1981 of Bermuda – Company No: 42425)
(Registered as a foreign company in Malaysia under Companies Act 1965 of Malaysia – Malaysia Branch No: 995199 H)

AND ITS SUBSIDIARY COMPANIES

(iv) **PROFORMA CONSOLIDATED CASH FLOW STATEMENT (CONT'D)**

Year/Period ended	31 December 2008		31 March 2009	
	RMB'000	RM'000	RMB'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Listing proceeds through Public Issue	-	-	91,771	48,960
Proceeds from issuance of Redeemable Convertible Loan Stocks ("RCLS")	-	-	46,860	25,000
Payment of dividends	(90,000)	(48,015)	-	-
Payment of listing expenses	-	-	(13,121)	(7,000)
Amount due from/(to) a director	9,433	5,033	(9,433)	(5,033)
Repayment of advances from related parties	(828)	(442)	-	-
Bank loan obtained	-	-	15,700	8,376
Exchange difference arising from shareholder's loan	(1,060)	(566)	(12)	(6)
Net cash (used in)/from financing activities	(82,455)	(43,990)	131,765	70,297
CASH AND CASH EQUIVALENTS				
Net increase	6,013	3,208	91,744	48,945
Brought forward	23,930	12,767	29,943	15,975
Carried forward	29,943	15,975	121,687	64,920

The Proforma Consolidated Cash Flow Statement has been prepared based on the audited Combined Financial Statements of Multi Sports Group as at 31 March 2009, with the assumption that Acquisitions, Public Issue and Utilisation of Proceeds have been completed.

The Proforma Consolidated Cash Flow Statement has been prepared based on accounting principles and basis consistent with those normally adopted in the preparation of audited Combined Financial Statements of Multi Sports Group.

← end of report →

Stamped for the purpose of identification on:
09 JUL 2009
SJ Grant Thornton

10. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)



Date: 9 July 2009

The Board of Directors
Multi Sports Holdings Ltd
Level 18, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

Dear Sirs,

MULTI SPORTS HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES ACCOUNTANTS' REPORT

SJ Grant Thornton (AF:0737)
Level 11, Faber Imperial Court
Jalan Sultan Ismail
P. O. Box 12337
50774 Kuala Lumpur, Malaysia
T +6 (03) 2692 4022
F +6 (03) 2691 5229
www.gt.com.my

1. INTRODUCTION

This report has been prepared by us, an approved company auditor, for inclusion in this Prospectus in connection with the listing and quotation of the entire enlarged issued and paid-up share capital of Multi Sports Holdings Ltd ("Multi Sports" or "the Company") on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") which includes, amongst others, the following:

(i) Initial Public Offering ("IPO")

Public Issue

Public Issue of 57,600,000 new ordinary shares of USD0.05 each ("Public Issue Shares")/("Public Issue"), representing 16% of the enlarged issued share capital of Multi Sports, at an IPO Price of RM0.85 per share, payable in full on application, and will be allocated and allotted in the following manner:

(a) Malaysian Public via balloting

18,000,000 Public Issue Shares, representing 5% of the enlarged issued share capital of Multi Sports, to be allocated via balloting, will be made available for application by the Malaysian Public; and

(b) Selected investors via placement

39,600,000 Public Issue Shares, representing 11% of the enlarged issued share capital of Multi Sports, by way of private placement to selected investors.

Offer for Sale

An offer for sale of up to 42,500,000 ordinary shares ("Offer Shares")/("Offer for Sale") representing approximately 11.81% of Multi Sports's enlarged issued share capital, to potential investors to be identified via private placement at an IPO Price of RM0.85 per share.

(ii) Listing and Quotation on the Main Board of Bursa Securities

In conjunction with the Listing Scheme (as defined in Section 2.1.1), Multi Sports seeks a listing and quotation of its entire enlarged issued share capital comprising 360,000,000 ordinary shares on the Main Board of Bursa Securities.

10. ACCOUNTANTS' REPORT (Cont'd)



2. GENERAL INFORMATION

2.1 Background

Multi Sports was incorporated in Bermuda under the Bermuda Companies Act, 1981 on 18 September 2008 as an exempted company limited by shares under the name of Multi Sports Holdings Ltd. On 3 June 2009, Multi Sports was registered in Malaysia as a foreign company.

2.1.1 Listing Scheme

As an integral part of the listing and quotation of its entire enlarged issued share capital, Multi Sports undertook the listing scheme that was approved by the Securities Commission ("SC") on 29 May 2009. The listing scheme involves the following:

(i) Consolidation and Increase in Authorised Share Capital

The Company consolidated every five (5) existing ordinary shares of USD0.01 each in its authorised and issued share capital into one (1) ordinary share of USD0.05, resulting in an authorised share capital of USD10,000 divided into 200,000 ordinary shares of USD0.05 each and an issued share capital of USD1.00 divided into 20 ordinary shares of USD0.05 each ("Shares") ("Consolidation").

Following the Consolidation, the Company increased its authorised share capital from USD10,000 divided into 200,000 Shares (after the Consolidation) to USD50,000,000 divided into 1,000,000,000 Shares.

The Consolidation and Increase in Authorised Share Capital were completed on 28 May 2009.

(ii) Acquisitions

(a) Acquisition of Pak Sing Shoe Material (H.K.) Limited ("Paksing")

The Company acquired the entire issued and paid-up share capital of Paksing, comprising 12,175 ordinary shares of HKD1.00 each in Paksing, for an aggregate purchase consideration of USD15,119,999, which is to be wholly satisfied by the issuance of an aggregate of 302,399,980 new Shares in Multi Sports, credited as fully paid at par value of USD0.05 per Share ("Acquisition of Paksing").

The acquisition had taken in the Investment Agreement ("IA") entered by Paksing on 12 May 2009 to issue and redeem the Redeemable Convertible Loan Stocks ("RCLS") amounting to USD7,094,010 at the date of acquisition.

(b) Acquisition of Multi Sports Shares by Power Wide Holdings Limited

Subsequent to the completion of the Acquisition of Paksing, Power Wide Holdings Limited shall then acquire the 20 Shares that was held directly by Lin Huozhi, for a nominal amount of USD1.00, which is to be wholly satisfied by cash.

The above acquisitions will be collectively referred to as the Acquisitions.

The Acquisitions are expected to be completed on 15 July 2009.

10. ACCOUNTANTS' REPORT (Cont'd)



2. GENERAL INFORMATION (CONT'D)

2.1.1 Listing Scheme (cont'd)

(iii) Initial Public Offering ("IPO")

Public Issue

Public Issue of 57,600,000 new ordinary shares of USD0.05 each ("Public Issue Shares")/("Public Issue"), representing 16% of the enlarged issued share capital of Multi Sports, at an IPO Price of RM0.85, payable in full on application, and will be allocated and allotted in the following manner:

(a) Malaysian Public via balloting

18,000,000 Public Issue Shares, representing 5% of the enlarged issued share capital of Multi Sports, to be allocated via balloting, will be made available for application by the Malaysian Public; and

(b) Selected investors via placement

39,600,000 Public Issue Shares, representing 11% of the enlarged issued share capital of Multi Sports, by way of private placement to selected investors.

Offer for Sale

An offer for sale of up to 42,500,000 Shares ("Offer Shares")/("Offer for Sale") representing approximately 11.81% of Multi Sports's enlarged issued share capital, to potential investors to be identified via private placement at an IPO Price of RM0.85 per Share.

(iv) Listing and Quotation on the Main Board of Bursa Securities

Multi Sports seeks a listing and quotation of its entire enlarged issued share capital comprising 360,000,000 Shares on the Main Board of Bursa Securities ("the Listing").

The gross proceeds arising from the Public Issue amounting to RM48,960,000 (RMB91,771,000) are expected to be fully utilised for the core business of Multi Sports Group in the following manner:

	RMB'000	RM'000
Expansion of production capacity	56,232	30,000
Expansion of sales and marketing network in China	7,423	3,960
Advertising and branding	5,623	3,000
Enhancement of product development capabilities	7,498	4,000
Working capital	1,874	1,000
Estimated listing expenses	13,121	7,000
	91,771	48,960

The listing expenses are estimated at RM7,000,000 (RMB13,121,000) and will be set off against the share premium account and reserve account.

10. ACCOUNTANTS' REPORT (Cont'd)



2. GENERAL INFORMATION (CONT'D)

2.2 Share capital

The changes in the Company's authorised share capital since its date of incorporation were as follows:

Date of Creation	Par Value USD	Value USD'000	Cumulative Total USD'000
18 September 2008	0.01	10	10
28 May 2009	0.05	10	10
28 May 2009	0.05	49,990	50,000

The changes in the Company's issued and paid-up share capital since its date of incorporation were as follows:

Date of Allotment	Par Value USD	Value USD'000	Consideration	Cumulative Total USD'000
14 October 2008	0.01	@	Issued, nil paid	@
28 May 2009	0.01	@	Cash	@
28 May 2009	0.05	@	Consolidation	@
15 July 2009*	0.05	15,120	Acquisition of subsidiary	15,120

@ Less than USD1,000

* Expected date of allotment

2.3 Principal activity

The Company's principal activity is investment holding.

The subsidiary companies are as follows:

Name of company	Effective ownership	Principal activities	Date and place of incorporation
Pak Sing Shoe Material (H.K.) Limited ("Paksing")	100%	Investment holding	11 June 2003 Hong Kong Special Administrative Region ("HKSAR")
JinJiang Baixing Shoe Material Co., Ltd ("Baixing")	100%	Design, development and manufacture of sports-shoe soles	28 May 2004 The People's Republic of China ("PRC")

Multi Sports, Paksing and Baixing are collectively referred to as "Multi Sports Group".

Baixing is a subsidiary company of Paksing.

10. ACCOUNTANTS' REPORT (Cont'd)



2. GENERAL INFORMATION (CONT'D)

2.4 Share capital history of subsidiary companies

PAKSING

The changes in the Company's authorised share capital since its date of incorporation were as follows:

Date of Creation	Par Value HKD	Value HKD '000	Cumulative Total HKD '000
11 June 2003	1.00	10	10
9 June 2009	1.00	5	15

The changes in the Company's issued and paid-up share capital since its date of incorporation were as follows:

Date of Allotment	Par Value HKD	Value HKD '000	Consideration	Cumulative Total HKD '000
11 June 2003	1.00	10	Cash	10
6 July 2009	1.00	2	Redemption of RCLS	12

BAIXING

The present registered capital of Baixing is HKD20,000,000 and the paid-up capital is HKD20,000,000.

The contributions to Baixing's paid up capital since its date of incorporation were as below:

Date of Allotment	Value HKD'000	Consideration	Cumulative Total HKD'000
16 May 2005	3,303	Cash	3,303
11 July 2005	3,699	Cash	7,002
16 May 2007	12,998	Cash	20,000

3. FINANCIAL STATEMENTS AND AUDITORS

Foo Kon Tan Grant Thornton (Grant Thornton Singapore) performed a special audit in accordance with International Standards on Auditing on the Multi Sports Group's combined balance sheets, combined income statements, combined statements of changes in equity, combined cash flow statements, a summary of significant accounting policies and other explanatory notes ("audited Combined Financial Statements") and the reports were prepared in accordance with International Financial Reporting Standards for Financial Year Ended ("FYE") 31 December 2006, 2007, 2008 and Financial Period Ended ("FPE") 31 March 2009.

10. ACCOUNTANTS' REPORT (Cont'd)



3. FINANCIAL STATEMENTS AND AUDITORS (CONT'D)

The Group is regarded as a continuing entity resulting from the Acquisitions since the management of all the entities which took part in the Acquisitions were controlled by the same directors and under common shareholders before and immediately after the Acquisitions. Consequently, immediately after the Acquisitions, there was a continuation of the control over the entities' financial and operating policy decision and risk and benefits to the ultimate shareholders that existed prior to the Acquisitions. The Acquisitions have been accounted for as a business combination under common control in a manner similar to pooling of interests. Accordingly, the audited Combined Financial Statements for the FYE 2006, 2007, 2008 and FPE 2009 have been prepared on the basis of merger accounting and comprise the financial statements of the subsidiary companies which were under common control of the ultimate shareholders and directors that existed prior to the Acquisitions during the relevant years/period or since their respective dates of incorporation.

For FYE 31 December 2006 to 2008 and FPE 31 March 2009, the audited Combined Financial Statements were unqualified with an emphasis on the fact that the financial information of the listed company, Multi Sports was not incorporated in the audited Combined Financial Statements, as the share swap arrangement with Paksing has not been completed and hence Multi Sports Group was not in existence as at the date of the auditors' report.

The financial year end adopted by Multi Sports Group is 31 December.

SJ Grant Thornton (Grant Thornton Malaysia) performed the independent audit procedures by reviewing working papers of Grant Thornton Singapore in accordance with International Standards on Auditing - AI 600 - Using the work of another auditor in order to obtain sufficient appropriate audit evidence, that the work of Grant Thornton Singapore is adequate. Grant Thornton Malaysia has also performed additional independent audit procedures as follows:

- a) On site interview of customers and suppliers of the Multi Sports Group on sampling basis;
- b) Verify after year end collections and payments for trade receivables and trade payables respectively of the Multi Sports Group;
- c) Obtain tax declaration letters from local tax authorities; and
- d) Factory site visit and physical sighting of the property, plant and equipment on sampling basis.

4. CONVERSION RATE

In preparing this report, we have converted all figures stated in China Renminbi (RMB), Hong Kong Dollar (HKD) and United States Dollar (USD) to Ringgit Malaysia (RM).

The applied rates of exchange for all the FYE 31 December 2006 to 2008 as well as FPE 31 March 2009 under review are RMB1:RM0.5335, HKD1:RM0.4704, USD1:RM3.6456 and USD1:RMB6.8330 respectively based on the exchange rate as at 31 March 2009, as extracted from www.xe.com.

10. ACCOUNTANTS' REPORT (Cont'd)



5. FINANCIAL RISK MANAGEMENT OBJECTIVES - POLICIES

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

As at 31 December 2006, 2007, 2008 and 31 March 2009, the Group's financial instruments mainly comprise cash and bank balances, trade receivables, prepayment and other receivables, trade payables, accrued liabilities, bills payable, other payables, borrowings and amount due to a shareholder.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's interest rate risk only arises primarily from bank deposits placed with the financial institutions and interest-bearing bank borrowings.

The Group's exposure to interest rate risk from the interest-bearing bank borrowings are minimal as the Group's policy is to maintain the borrowings on a fixed rate basis. The Group does not have investment in other financial assets.

The carrying amounts, by maturity, of the Group's financial instruments that are exposed to interest rate risk.

	31/12/2006		31/12/2007		31/12/2008		31/3/2009	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Within 1 year	-	-	-	-	-	-	15,700	8,376
Total	-	-	-	-	-	-	15,700	8,376
Effective interest rate	-	-	-	-	-	-	6.90%	6.90%

Bank borrowings subject to fixed interest rates are contractually repriced at intervals of 12 months. The other financial instruments of the Group are not subject to significant interest rate risk.

Fluctuation in the interest rate of bank borrowings will not have an impact on the Group's net profit for the FYE 31 December 2006 to 2008 and FPE 31 March 2009.

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises when transactions are denominated in foreign currencies. The Group carries out its business in the People's Republic of China ("PRC") and most of the transactions are denominated in Renminbi except that the amount due to a shareholder is denominated in Hong Kong Dollar. Accordingly, the Group's exposure to risk resulting from changes in foreign currency exchange rates is minimal.

10. ACCOUNTANTS' REPORT (Cont'd)



5. FINANCIAL RISK MANAGEMENT OBJECTIVES – POLICIES (CONT'D)

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserve of cash to meet its liquidity requirement in the short and long term. Except for amount due to a shareholder, the Group's financial liabilities are short-term maturity.

(iv) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations. The carrying amounts of trade receivables and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group does not have significant concentration of credit risk as the top five customers in aggregate form approximately 17.40%, 19.46%, 19.45% and 14.09% of trade receivables balance as at 31 December 2006, 2007, 2008 and 31 March 2009 respectively.

The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The provision for impairment loss for doubtful debts is based upon a review of the expected collectibles of all trade and other receivables.

There is no impairment loss recognised in the relevant periods since all receivables are collected within the credit period granted and directors expect all balances to be recoverable.

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

	31 December 2006		31 December 2007		31 December 2008		31 March 2009	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Not past due	23,206	12,380	29,180	15,568	37,321	19,911	35,905	19,155
Past due 0 to 1 month	1,265	675	3,862	2,060	415	221	1,033	551
Past due 1 to 2 months	682	364	331	177	-	-	-	-
Past due more than 2 months	149	80	235	125	-	-	-	-
	<u>25,302</u>	<u>13,499</u>	<u>33,608</u>	<u>17,930</u>	<u>37,736</u>	<u>20,132</u>	<u>36,938</u>	<u>19,706</u>

(v) Fair value

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments, except for amount due to a shareholder.

(vi) Price risk

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

The Group does not hold any quoted or marketable financial instrument, hence is not exposed to any movement in market prices.

10. ACCOUNTANTS' REPORT (Cont'd)



6. SIGNIFICANT ACCOUNTING POLICIES

6.1 Statement of compliance

The audited Combined Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including related Interpretations and have been consistently applied throughout the FYE 31 December 2006, 2007, 2008 and FPE 31 March 2009.

6.2 Basis of preparation of audited Combined Financial Statements

The Group has early adopted IFRSs and Interpretations which are effective for accounting periods beginning on or after 1 January 2007 for the preparation of these audited Combined Financial Statements of the Group since 1 January 2006. IFRS 1, First-time Adoption of Financial Reporting Standards, has been applied in preparing these audited Combined Financial Statements. These audited Combined Financial Statements are the first set of financial statements prepared in accordance with IFRS by the Group.

The accounting policies set out below have been applied consistently to all periods presented in these audited Combined Financial Statements and in preparing an opening IFRS balance sheet as at 1 January 2006 for the purpose of the first set of IFRS financial statements. The accounting policies have been applied consistently by the Group.

On 1 January 2007, the Group adopted the new or revised IFRS and Interpretations that are mandatory for application on that date. This includes the following which are relevant to the Group:

IAS 1 (Amendment)	Presentation of Financial Statements- Capital Disclosures
IFRS 7	Financial Instruments: Disclosure
IFRIC 8	Scope of IFRS 2
IFRIC 10	Interim Financial Reporting and Impairment

The adoption of the above IFRS and Interpretations did not result in substantial changes to the Group's accounting policies nor any significant impact on these audited Combined Financial Statements. IFRS 7 and the complimentary amended IAS 1 introduce new disclosures relating to financial instruments and capital respectively.

On 1 January 2009, the Group adopted the new or revised IFRS and interpretations that are mandatory for application on that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS.

The following are the new or amended IFRS adopted by the Group:

IAS 1 (Revised 2008)	Presentation of Financial Statements
Amendments to IAS 1 (revised 2008)	Amendments relating to puttable financial instruments and obligations arising on liquidation
IAS 23 (Revised)	Borrowing costs
Amendments to IAS 32	Amendments relating to puttable financial instruments and obligations arising on liquidation
IFRS 8	Operating Segments

The adoption of the above IFRS and interpretations did not result in substantial changes to the Group's accounting policies nor any significant impact on these audited Combined Financial Statements except for a revision in the titles of some of the financial statements primary statements and IFRS 8 which requires disclosure of information about the Group's operating segments. The Group determines that the reportable operating segments are in accordance with IFRS 8.

10. ACCOUNTANTS' REPORT (Cont'd)



6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 Basis of preparation of audited Combined Financial Statements (cont'd)

At the date of this report, certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods after 1 January 2009 or later periods and which the Group has not early adopted.

The following are the IFRS that have been published but not yet effective:

Amendments to IFRS 1 and IAS 27	Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate.
Amendments to IFRS 2	Amendments relating to vesting conditions and cancellation

The management does not anticipate that the adoption of the above IFRSs (including consequential amendments) and interpretations will result in any material impact to the financial statements in the period of initial application.

Critical accounting estimates and judgement

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Key sources of estimation uncertainty

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 3 to 10 years. The carrying amounts of the Group's property, plant and equipment as at 31 December 2006, 2007, 2008 and 31 March 2009 were approximately RMB40,268,000, RMB42,107,000, RMB39,360,000 and RMB37,881,000 respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Critical judgement made in applying accounting policies

In the process of applying the Group's accounting policies as described below, the management is of the opinion that there are no instances of application of judgements which are expected to have a significant effect on the amounts recognised in the financial statements.

Impairment of trade receivables

The Group's management assesses the collectability of trade receivables. This estimate is based on the credit history of the Group's customers and the current market condition. Management reassesses the impairment loss at the balance sheet date and makes the provision, if any.

Net realisable value of inventories

Net realisable value of inventories is the management's estimation of future selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of "similar nature". It could change significantly as a result of competitors in response to the severe industry's cycles.