動感集團
Active Group

Active Group Holdings Limited*
動感集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1096

ANNUAL REPORT 2014

Jimaile 金迈王 | COREMSS 克雷獅 | BULL TITAN 公牛巨人 | Greiff | camel active

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Ms. Cai Xiuman *(Chairman)*
Mr. Zhang Wenbin *(Chief executive officer)*
Mr. Huang Jianren *(Chief operation officer)*
Mr. Chen Yuanjian *(Chief financial officer)*

Independent Non-Executive Directors
Mr. Wu Xiaoqiu
Mr. Ye Lin
Mr. Lee Ho Yiu Thomas

BOARD COMMITTEES

Audit Committee
Mr. Lee Ho Yiu Thomas *(Chairman)*
Mr. Wu Xiaoqiu
Mr. Ye Lin

Nomination Committee
Mr. Wu Xiaoqiu *(Chairman)*
Mr. Ye Lin
Mr. Lee Ho Yiu Thomas

Remuneration Committee
Mr. Ye Lin *(Chairman)*
Mr. Wu Xiaoqiu
Mr. Lee Ho Yiu Thomas

COMPANY SECRETARY

Miss Yau Suk Yan *CPA*

AUTHORISED REPRESENTATIVES

Mr. Chen Yuanjian
Miss Yau Suk Yan

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Shoes Industrial Park
Baogai Town
Shishi
Fujian Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office C, 21st Floor
Legend Tower
No.7 Shing Yip Street
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of Communications
China Merchants Bank
Industrial Bank of China
Industrial and Commercial Bank of China

AUDITORS

KPMG

LEGAL ADVISER

As to Hong Kong law:
Eversheds

STOCK CODE

01096

COMPANY WEBSITE

www.active-group.com.cn

Financial Highlights

Financial Highlights

KEY FINANCIAL HIGHLIGHTS

For the year ended 31 December

	Note	2014	2013	% change
Revenue (RMB'000)		**584,270**	792,572	-26.3%
Gross profit (RMB'000)		**62,858**	174,380	-64.0%
(Loss)/profit before taxation (RMB'000)		**(135,788)**	102,710	-232.2%
(Loss)/profit for the year (RMB'000)		**(130,341)**	71,976	-281.1%
Gross profit margin (%)		**10.8%**	22.0%	
(Loss)/profit before tax margin (%)		**-23.2%**	13.0%	
(Loss)/earnings per share – Basic (RMB)	1	**(0.11)**	0.06	
Dividend per share – final (HK cents)		**–**	–	
As at 31 December				
Current ratio (times)	2	**2.3**	1.7	
Trade and bills payables turnover days (days)	3	**161**	134	
Trade and bills receivables turnover days (days)	4	**224**	161	
Inventory turnover days (days)	5	**77**	59	
Gearing ratio	6	**37.4%**	15.6%	

Notes for key ratios:

1/	Basic EPS:	Profit attributable to shareholders/weighted average number of ordinary shares
2/	Current ratio:	Current assets/current liabilities
3/	Trade and bills payables turnover days:	Average of opening and closing balances on trade and bills payables/purchase of raw materials and outsourced products (include 17% VAT) and multiplied by 365 days
4/	Trade and bills receivables turnover days:	Average of opening and closing balances on trade and bills receivables/turnover (include 17% VAT) and multiplied by 365 days
5/	Inventory turnover days:	Average of opening and closing balances on inventory/cost of sales and multiplied by 365 days
6/	Gearing ratio:	Total borrowings (including bank loans and debentures)/total assets

Chairman's Letter to Shareholders

Chairman's Letter to Shareholders

On behalf of the Board of Directors (the "**Board**"), I am pleased to present the annual results of Active Group Holdings Limited (the "**Company**") and its subsidiaries (collectively "**Active Group**" or the "**Group**"; stock code: 1096.HK) for the year ended 31 December 2014 (the "**Year**").

In 2014, despite the recovery in global economy, economy of the People's Republic of China (the "**PRC**" or "**China**") continued to slow down with a 7.4% growth in annual gross national product (GDP), slightly below the 7.5% growth target set by the Central Government. Coupled with a relatively conservative consumer sentiment in general and the tightened bank credit in 2014, the purchasing power of the consumer group at age 20-35 was weakened as a result. However, China's economy remained stable and experienced certain positive movements in trend, which included rapid growth and higher proportion of the tertiary industry based on service sector, and the acceleration in development of new industries such as e-commerce and mobile internet.

Nevertheless, 2014 was regarded as the "cold winter" for China's footwear industry. A number of footwear companies with less financial backup or operating a single brand were affected and had to shut down most of their stores or even terminated their business, or had to reduce the inventory accumulation through big sales. However, along with the industry consolidation, the quality disparity condition in the market was improved and vicious competitions were reduced. By virtues of a solid foundation built over years of casual footwear production of the Group, experiences in related marketing, and the multi-brand business model for accommodating customer bases of different ages and styles, our market share and competitive advantage were intact. The Group has confidence in getting its results back on track in 2015.

For the year ended 31 December 2014, turnover of the Group recorded a decrease of 26.3% to RMB584.3 million (2013: RMB792.6 million). Gross profit amounted to RMB62.9 million (2013: RMB174.4 million) and gross profit margin stood at 10.8% (2013: 22.0%). During the Year, loss attributable to equity shareholders of the Group was RMB130.3 million, while there was a profit of RMB72.0 million for the same period last year. The substantial fall in the Group's profit was mainly attributable to the immediate recognized expenses for the grant-date fair value of RMB34.2 million arising from the share options granted by the Company during the Year and the significant decrease in gross profit margin. Basic loss per share was RMB0.11 (2013: basic earnings per share was RMB0.06).

Various brands under the Group were challenged by the cut-throat price competition from counterparties in the industry as they needed to clear their inventories. To cope with the vicious competitions in the market, the Group had to reduce the products' prices of its brands. Meanwhile, the Group also strengthened the products' designs of its brands, ***Jimaire***, ***Coremss*** and ***Camel Active***, and enhanced their products' features so as to highlight their market positioning. During the Year, the Group continued its immense effort in developing new products, such as shockproof soles, casual pea-sole shoes and men's bumper leather hiking shoes, which were all well received by the market. While the cost of production increased along with the Group's endeavor on enhancing the products' features and designs, the Group was unable to pass the rising production cost to consumers, causing a fall in gross profit. In addition, two brands under the Group, namely ***Bull Titan*** and ***Greiff***, which target at young people, were deeply impacted by the overall weakening economy in 2014. In response, the Group lowered the products' wholesale prices of this two brands and introduced diversified styles so that our distributors could devote more resources to marketing activities, thereby enhancing the brand awareness of the Group for market share expansion.

As labor cost in China rose along with the increasingly developed economy, many original equipment manufacturing ("**OEM**") orders were directed to neighboring countries such as Indonesia, Thailand and Vietnam, where the production costs were lower and a number of OEM production bases were established in recent years. Despite the reduction of about 2.5% in sales price by the Group, the Group's OEM orders in 2014 still dropped by 44.5% compared with 2013.

To maximize the economies of scale in the production process and provide a more stable labor supply, the Group has built a new plant equipped with five production lines in Suining, Jiangsu Province, the construction of which is close to completion, with an estimated annual output of about 3 million pairs of footwear and a small amount of apparels. As for our shops, while maintaining a reasonable and steady pace of retail sales network expansion, the Group conducted a stringent review over its retail sales points portfolio and closed 627 retail sales points and one self-owned flagship store with unsatisfactory performance during the Year.

OUTLOOK

In 2015, in spite of the acceleration in global economic recovery, the Group still faces the risks from aspects including monetary policy divergence and geopolitics; while China's macroeconomic and business environment remain stable and optimistic. This year, the Group will continue to tackle the forthcoming challenges with the principle of steady development and progress to overcome the obstacles ahead. In the first half of 2015, adhering to the development and market-oriented strategies implemented in 2014, the Group will consider adjusting the sales prices of its brands after recovery in consumption sentiment and sales volume, with an aim to raise the gross profit margin back to its original level.

In view of the maturing Online-to-offline commerce ("**O2O**") in recent years, the Group believes that O2O sales model is the key to the future success of business development. To enable our consumers to simultaneously enjoy the online preferential prices as well as the offline personal services, the Group entered into an agreement with a technology company in relation to the establishment and operation of an O2O project last September for the development of corporate resources allocation system, customer relationship management system, distribution system, members award system and office automation system.

The project is expected to be fully launched by the fourth quarter of 2015, which will lead to new breakthroughs for the Group's sales in the future.

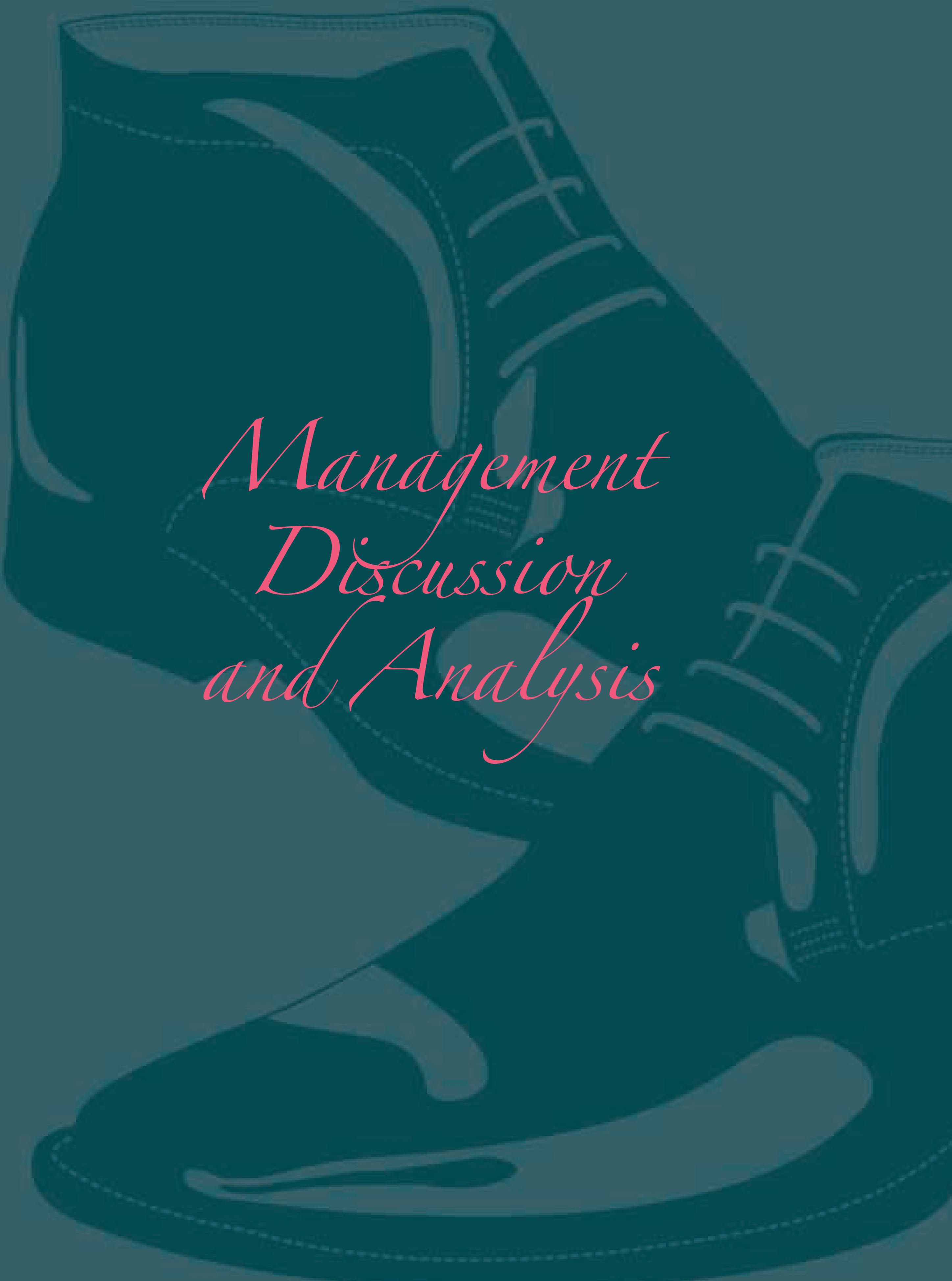
In addition, the Group intended to acquire a 51% equity interest of a Beijing company operating mobile games at the end of 2014 in the hope of providing a good opportunity for the Group to diversify its business. The Group will also utilize the expertise and mature business model of the target company to enter the personal computer and mobile applications business of high growth potential with low capital investment. The Group will continue to seek suitable investment opportunities for business diversification.

I would like to take this opportunity to extend my heartfelt gratitude to our shareholders of the Company ("**Shareholders**"), investors and business partners for their trust and support. I also wish to thank our Board members, management team and staff for their tireless efforts in making contributions to the Group.

Cai Xiuman
Chairman

Hong Kong, 31 March 2015

Management Discussion and Analysis



MARKET REVIEW

The global economy is still struggling to gain momentum as many high-income countries continue to grapple with legacies of the global financial crisis and emerging economies are less dynamic than in the past. Global growth in 2014 was lower than initially expected, as the world's second-largest economy, China grew at its slowest pace in the past few years, recorded an annual GDP growth of 7.4% during 2014. With property prices cool down, companies and local governments struggled under heavy debt burdens, China's economic growth still faces relatively heavy downward pressure amid structure adjustments.

In the retail market, due to the structural transition of China's economy which has great impact on consumer behavior, and lack of new consumption stimulants, annual total retail sales of consumer goods reached RMB26,239.4 billion, representing a steady year-on-year growth of 12.0% (a real growth of 10.9% excluding price factors), slightly down as compared with last year. Meanwhile, the national online retail sales was RMB2,789.8 billion, representing a year-on-year growth of 49.7% and occupied 10% of the total retail sales of consumer goods in China. This showed the whole retail market is undergoing a transitional stage of adjustment, with online channels continuously eroding the market share of offline channels, and online shopping became the most powerful engine for the development of e-commerce in China. Additionally, O2O of local lifestyle service grew 42.8% in 2014, contributing to the rapid growth of China e-commerce market. Technological advances and changing consumer preferences are fast reshaping China's retail landscape. The continuous development of e-commerce is changing the shopping habit of consumers, making the integration of the footwear and apparel industry and e-commerce an irresistible trend. With e-commerce, consumers today have different and more sophisticated expectations of products, services, experiences and value. They increasingly demand on not only quality of products, but also a seamless "shopping experience" across all shopping channels.

2014 was a challenging year for the Group when the footwear industry continued to undergo consolidation and rapid changes in terms of the business environment (for example increase of labour costs and materials) and consumers' preference. Facing these severe challenges, besides making prudent adjustments to the strategies of the Group in response to the current market condition, the management believes that the Group will continuously and actively seize the opportunities from 1)the increasing disposable income resulting from the continues efforts from the PRC government in urbanisation reform in China; and 2) the development trend of e-commerce through the setting up and operation of the Group's online marketplace.

BUSINESS REVIEW

Amidst the sluggish retail atmosphere in the market, the Group has been undergoing transition to adapt to the slower market growth which could probably be the new norm for China, and it made great efforts during the year to introduce new measures to increase its products' competitiveness in the market. The Group implemented a multi-brand strategy with five brands currently under operation, including three self-owned brands (***Jimaire, Bull Titan*** and ***Coremss***) and two licensed brands (***Greiff*** and ***Camel Active***) and proactively adjusted the operating strategies and integrated existing resources for further brand development. The launch of more functional footwear and design of novel and fashionable footwear to meet the market demand enabled the Group to optimizing its product mix and product creation. The Group is also continuously expanding its customer base through innovative product design, so as to further consolidate its business base and increase the sources of income.

Meanwhile, due to overall weakness in the market, the sales volume of the Group's branded products slightly decreased by 7.3% with a corresponding decrease in sales value noted in 2014. Despite the short term challenges, the Group still expects to continue to expand its sales and distribution network and increase its business penetration and products' market shares in the longer term. In order to cope with the challenging market environment, the Group selected business partners prudently, and spared no effort in optimizing the existing retail network in addition to steadily increasing the number of its retail sales points. In addition to conventional retail sales points, the e-commerce O2O platform is also a new frontier to be expanded. The management believes that, the expansion of the sales channels will help to attract younger consumers to further enlarge its customer base; and the loyal followers of the Group's brands will also overcome the geographical constraints for product updates at any time, so the sales performance will be improved.

The Group actively carried out the cost control measures, and tackled the burden of increasing production costs through strategies such as bulk purchases. However, the Group has lowered branded products prices and provided more discounts to distributors to encourage them to devote more resources to marketing activities thereby enhancing the brand awareness of the Group for market share expansion, the gross profit has thus been affected. Nevertheless, the management believes that, when the market recovers, its solid foundation will help the Group swiftly seize the opportunities to achieve better operating performance.

On 16 December 2014, the Company announced that the Company entered into an acquisition agreement (as supplemented by the supplemental agreement dated 6 March 2015) with an individual, an independent third party, pursuant to which the Company agreed to purchase, through its indirect wholly-owned subsidiary, Fujian Jinmaiwang Shoes and Garments Products Co., Ltd. (福建金邁王鞋服製品有限公司), the 51% equity interest of a target company established in the PRC (the "**Beijing Target**"). The Beijing Target is principally engaged in the development, promotion and transfer of and consultancy on software and computer technologies, as well as the provision of services on computer systems, data processing, fundamental software and application software. Pursuant to the acquisition agreement, the Company has agreed to pay a consideration of RMB51,000 and allot and issue 64,998,422 ordinary shares of the Company ("**Shares**") as consideration shares to the vendor. The acquisition was not completed as at the date of this report. (Note)

Completion shall be conditional upon (i) the fulfillment or (as the case may be) waiver of the following conditions and (ii) the completion of the pre-completion matters as stated in the announcement of the Company dated 16 December 2014 (the "**December Announcement**"):

(a) the Listing Committee of the Stock Exchange agreeing to grant a listing of and permission to deal in the consideration shares (either unconditionally or subject to conditions which are acceptable to the vendor);

(b) the reorganization under the acquisition agreement having been implemented in accordance with the applicable PRC laws, rules and regulations;

(c) (if required) all necessary approvals, permissions and consents required to be obtained on the part of the vendor in respect of the acquisition and all transactions and matters contemplated under the PRC Agreement (as defined in the December Announcement) having been obtained from the relevant PRC governmental and approving authorities in accordance with the applicable PRC laws, rules and regulations;

(d) the vendor having obtained the consent to the sale of the Sale Equity (as defined in the December Announcement) and the entering into of the PRC Agreement and a waiver of pre-emptive right to the purchase of the Sale Equity from the other member of the Beijing Target;

(e) the purchaser being satisfied with the results of the implementation of the reorganization contemplated under the acquisition agreement, the due diligence conducted or to be conducted on the Beijing Target and the Mobile Game Business (as defined in the December Announcement);

(f) the obtaining of a PRC legal opinion (in form and substance satisfactory to the purchaser) from a PRC legal adviser appointed by the Company covering those matters as set out in the acquisition agreement;

(g) none of the warranties given by the vendor under the acquisition agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect, and no material adverse change having occurred as a result of any event or circumstance; and

(h) no event or circumstance having occurred which may cause a material adverse change to the Company.

The longstop date was originally set on 31 January 2015, and as disclosed in the announcements of the Company dated 29 January 2015 and 17 February 2015, the longstop date was extended to 16 February 2015 and 6 March 2015, respectively. On 6 March 2015, the Company has entered into a supplemental agreement with the vendor to defer the delivery of part of the consideration shares to the extent of 10,998,422 ordinary shares and a moratorium of 3 months commencing from the completion date shall apply to 50% of the consideration shares to be delivered.

Details of the acquisition are disclosed in the announcements released by the Company on 16 December 2014, 29 January 2015, 17 February 2015 and 6 March 2015 respectively.

SALES AND DISTRIBUTION NETWORK

The branded products of the Group are sold through an extensive retail sales network, which is operated and maintained by the Group's customers, including distributors and department stores. As at 31 December 2014, the Group has entered into master sales agreements with 95 distributors and 426 department store customers which operated 1,884 retail sales points (as at 31 December 2013: 2,511 retail sales points) located throughout the PRC. The Group always prefers to maintain a reasonable and steady pace of retail sales network expansion. In order to adapt to the changing market conditions, the Group has conducted a stringent review over its retail sales points portfolio and made a net closure of 627 retail sales points and one self-owned flagship store with unsatisfactory performance and lower profit efficiency during the year.

	Number of retail shops and department store counters	
	31 Dec 2014	31 Dec 2013
Northern Region	252	366
Northeastern Region	154	196
Northwestern Region	235	315
Eastern Region	623	789
Southern Region	184	264
Southwestern Region	151	231
Central Region	285	350
Total	1,884	2,511

Recognizing the increasing demand for online shopping, the Group will place e-commerce as its key development strategy in 2015. During the year, the Group continued to strengthen its online business by selling its branded products through popular e-commerce platforms such as Tmall.com（天貓網）, JD.com （京東商城）and Vip.com（唯品會）. Through using differentiated product merchandising and pricing strategies specifically designed for online channels, the Group is well positioned to seize the potentially enormous opportunity, and broaden the target customer base online. The Group also engaged a third party to develop an O2O platform, which includes setting up an information technology network supported by both hardware and software, to attract target customer online and directing them to offline physical stores at a consideration of RMB120 million. Details of which are disclosed in the announcement released by the Company on 30 September 2014. As part of the O2O platform development plan, the Group has also made prepayment of RMB60 million by the end of 2014 for the acquisition of two spacious roadside retail shops located in Xiamen. The management considers this two retail shops not only could provide experience-based marketing of the Group's branded products, they could also provide track record of consumer's preference over product design and quality.

Despite short term challenges, the Group still expects to continue to expand the retail sales network and increase brand market penetration in the longer term. The Group currently puts more focus on the quality of individual sales point as well as the overall retail sales points portfolio. The new retail sales network expansion will be mainly driven by the increase of the presence of Group's brands that are competitive and suitable.

PRODUCT DESIGN AND DEVELOPMENT

The Group believes functionality and comfort and cutting-edge design are the most critical points for improving product differentiation and enabling the Group's branded products to stand out in the highly competitive footwear market. By leveraging the research and development ("**R&D**") professional team's in-depth knowledge of the market and fashion trends and the preferences of target consumer groups in China, the Group is able to transform its designs into commercially viable, high-quality and widely accepted products. The Group's R&D department located at Guangzhou, which is equipped with advanced facilities and software, enables the Group to access updated industry information in a timely and efficient manner. As at 31 December 2014, there were 103 R&D professionals responsible for maintaining a steady output of high quality new designs. During the year, the Group has designed approximately 2,236 and 177 new styles in the footwear segment and the apparel and accessories segment respectively. Approximately 45.8% of the new designs subsequently went into commercial production. During the year, the Group introduced new features on its products, such as shockproof soles, casual pea-sole shoes and bumper leather hiking shoes, which were all received favourable feedback from sophisticated consumers in the PRC.

R&D spending has accounted for about 1.39% of turnover for the year (2013: 1.07%). The Group continued to make good use of different and special materials to broaden the appearance and functionality of its footwear offerings. It believes that its professional and experienced R&D team is able to provide a solid foundation for expanding its market share. The Group continues to focus on developing its design capacity in terms of style and functional innovation which should help optimise its product portfolio to realise sustainable growth in the market.

PRODUCTION

As at 31 December 2014, the Group operated ten production lines at its production base in Fujian province with a total capacity of 4.7 million pairs of footwear, and the utilisation rate has reached around 96.6% for the year. The Group expects when further internal remedial work and interior decoration work of the new production plant located in Suining, Jiangsu province to be completed in the near future, trial run production can be commenced promptly in 2015.

The new production plant quipped with five production lines and could provide around 3 million pairs of footwear and a small quantity of apparel products once it is in full operation. It would enable the Group to benefit from economies of scale and a more stable labour supply. Enjoying the ideal location closer to its major existing and potential markets, the Group believes that the new plant should strengthen its market presence and underpin its future growth.

FINANCIAL ANALYSIS

Turnover

The total turnover of the Group for the year ended 31 December 2014 was RMB584.3 million, representing a decrease of 26.3% as compared to that of 2013. The

decrease in turnover was mainly due to the decrease in sales of OEM, and slowdown in sales of Group's branded products as a result of the overall weak and sluggish retail market during the year.

Revenue analysis by brand and product is as follows:

Revenue analysis by brand

	For the year ended 31 December 2014 RMB'000	2013 RMB'000
Jimaire	134,676	148,167
Bull Titan	179,305	196,935
Coremss	74,954	104,497
Luotuo Brand	–	15,163
Greiff	15,071	24,981
Camel Active	25,003	23,235
	429,009	512,978
OEM	155,261	279,594
Total	584,270	792,572

Revenue analysis by product

	For the year ended 31 December 2014 RMB'000	%	2013 RMB'000	%
Casual footwear				
— Branded products	423,833	72.5	504,770	63.7
— OEM	155,261	26.6	279,594	35.3
Apparel and accessories	5,176	0.9	8,208	1.0
	584,270	100.0	792,572	100.0

The Group's branded product sales decreased from RMB513.0 million for the year ended 31 December 2013 to RMB429.0 million for the year ended 31 December 2014, representing a decrease of 16.4%.

During 2014, consumer demand and sentiment in China continued to be weak. All the Group's branded products were challenged by the cut-throat price competition from counterparties in the industry when they made rigorous efforts to liquidate old stocks. To cope with the vicious competitions in the market, the Group had to reduce its branded products' prices in order to let its distributors enjoyed a more competitive advantage over their peers. For the year ended 31 December 2014, the sales volume of the Group's branded footwear products was 3.5 million pairs, a decrease of 7.0% from 3.8 million pairs for the year ended 31 December 2013. The average sales price decreased from RMB135.2 per pair to RMB121.5 per pair. This was primarily a result of the mentioned adjustment on price ranges the Group provided to distributors over the Group's branded footwear products in order to have a stronger competitive power among intensive competition in the market.

Especially for the brands ***Bull Titan*** and ***Greiff***, which target consumers are sophisticated young generation, were deeply impacted by the overall weakening economy in 2014. Sales of products under ***Luotuo Brand*** ceased since March 2013 after the expiry of the trademark licence agreement, which was subsequently replaced by the Group's another new brand with similar positioning, ***Coremss***. Through effective marketing and sales strategy, ***Coremss*** has achieved a sound revenue of RMB60.8 million in the first half of 2014, which shows the brand was widely accepted by the consumers. ***Coremss*** is now undergoing a reposition of brand image in the market in order to enrich and diversify the Group's product portfolio, as well as to attract new customer groups. Its autumn-winter collection was in exploration phase and market response still needs to be tested. Overall sales performance under ***Coremss*** was then affected with a decrease of RMB29.5 million or approximately 28.3%, from RMB104.5 million for the year ended 31 December 2013 to RMB75.0 million for 2014.

Revenue from OEM operations decreased by RMB124.3 million or approximately 44.5%, from RMB279.6 million for the year ended 31 December 2013 to RMB155.3 million for 2014. This was the result from the intensed price competition with other manufacturers in the market who try to utilize their spare production capacity under current unfavourable market condition.

In addition, many OEM orders were directed to neighboring countries such as Indonesia, Thailand and Vietnam, where the production costs were comparatively lower than that in China. The Group continuously strives to optimise its production capacity and continue its focus and resources allocation strategy towards the Group's branded products, which contributes over 73.4% of turnover to the Group.

The following table sets out a breakdown of the number of units sold and the average selling price of the Group's branded products during the financial years indicated:

By number of units sold and average selling price		For the year ended 31 December 2014 Total units sold '000	2014 Average selling price RMB	2013 Total units sold '000	2013 Average selling price RMB
Jimaire	— Footwear (pairs)	1,024	131.5	1,105	134.1
Bull Titan	— Footwear (pairs)	1,661	107.9	1,468	134.2
Coremss	— Footwear (pairs)	632	118.7	880	118.7
Luotuo Brand	— Footwear (pairs)	–	–	119	127.8
Camel Active	— Footwear (pairs)	92	270.4	127	182.6
Greiff	— Footwear (pairs)	122	81.4	96	175.4
	— Apparel (pieces)	39	132.4	55	149.5
	— Accessories (pieces/pairs)	–	–	0.07	22.9

Revenue analysis of branded products by geographical location is as follows:

By region	For the year ended 31 December 2014 RMB'000	2014 %	2013 RMB'000	2013 %
Northern Region(1)	24,682	5.8	63,272	12.3
Northeastern Region(2)	23,852	5.5	31,225	6.1
Northwestern Region(3)	24,316	5.7	43,722	8.5
Eastern Region(4)	283,860	66.2	281,605	54.9
Southern Region(5)	22,029	5.1	20,560	4.0
Southwestern Region(6)	29,280	6.8	47,777	9.3
Central Region(7)	20,990	4.9	24,817	4.9
	429,009	100.0	512,978	100.0

Notes:

(1) Northern Region includes Beijing, Tianjin, Shanxi, Hebei and Inner Mongolia.

(2) Northeastern Region includes Heilongjiang, Liaoning and Jilin.

(3) Northwestern Region includes Gansu, Shaanxi, Qinghai, Xinjiang and Ningxia.

(4) Eastern Region includes Fujian, Shandong, Zhejiang, Jiangxi, Jiangsu, Anhui and Shanghai.

(5) Southern Region includes Guangdong, Guangxi and Hainan.

(6) Southwestern Region includes Sichuan, Yunnan, Guizhou, Chongqing and Tibet.

(7) Central Region includes Henan, Hubei and Hunan.

Revenue generated from Northern and Eastern Regions for the year ended 31 December 2014 accounted for 72.0% (2013: 67.2%) of total branded products sales. This was mainly attributable to the location of retail sales points in major first-tier cities such as Shanghai, Fujian and Beijing, where customers are relatively more affluent with strong purchasing power.

GROSS PROFIT AND GROSS PROFIT MARGIN

It was another challenging year in terms of rising labour and raw materials costs, gross profit of the Group decreased by 64.0% and reached RMB62.9 million for the year ended 31 December 2014 (2013: RMB 174.4 million), while gross profit margin of the Group for the year ended 31 December 2014 was 10.8%, representing a decrease of 11.2 percentage point when compared with 2013.

The decrease in gross profit margin of the Group was mainly contributed by the aforesaid adjustment on products selling price to cope with the cut-throat price competition from the peers. Another reason which led to the decrease in gross profit for the year was the increase in unit production cost. The increasing unit production cost was not only driven by the increasing trend in labour and raw material costs, also in order to increase the Group's products' competitive power in the market and in response to the increasing demand over the comfort level, functionality of men's casual footwear and growing health consciousness among consumers in the PRC, the Group introduced more innovative product designs and advanced materials used for production during the year. However, management decided not to pass the increase in production cost to its customers but offered further discounts to them so that they could enjoy a competitive advantage over their peers, in order to enhance the Group's brands recognition and enlarge its market share in the PRC. On the other hand, the Group strives to obtain bulk purchase discount from suppliers by placing orders of purchasing raw materials with larger volume, in order to cope with the pressure of the increasing raw material costs.

The Group believes that when the Group's products have achieved a higher customer loyalty and increased its popularity and market share, and also when the market ends its vicious competitions after the exit of smaller and weaker players in the industry, the Group would decrease its discounts offered to its customers and enjoy a higher gross profit margin afterwards.

SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses primarily consisted of advertising and promotional expenses, royalties for licensed brands, salaries for sales and marketing staff, and other costs related to sales and distribution.

Selling and distribution expenses were RMB22.9 million, amounted to approximately 3.9% of turnover for the year ended 31 December 2014 (2013: 3.4%), primarily as a result of planned execution of marketing and sales strategy, and less marketing promotion support provided to its customers given more discount was offered by the Group during the year. The Group believes when customers launch marketing campaign under the Group's suggested framework with its own planning and design, it would improve the efficiency of marketing activities for the promotion of the Group's brands in different provinces in the PRC with customers having different consumption habits.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 327% to RMB163.1 million for the year ended 31 December 2014, mainly caused by the provision of impairment loss on construction in progress for RMB51.5 million in relation to the delay of completion of construction of the

new production plant in Suining, Jiangsu province. The Group expects that when further interior works of the new production plant are completed in the near future, trial run production can commence in 2015. The Group will engage an independent appraiser to carry out valuation on the whole production plant when it operates with stable production schedule and purchase orders. Increment was also led by the impairment loss on prepayments of RMB15.0 million recognized during the year ended 31 December 2014, in respect of those long outstanding balances with no goods or services received by the Group (2013: RMB2.9 million), and together with additional allowance for doubtful debts recognized for overdue receivables which amounted to RMB26.4 million (2013: RMB2.9 million). The Group will take all necessary measures to tighten its credit control to improve the recovery of its trade receivables in the future. Up to the date of this report, the Group subsequently received RMB42.3 million settlement from customers, and received goods and net off prepayment amounted to RMB88.9 million.

Regarding the arrangement for the issue of debenture and grant of share options to the Directors of the Company ("**Directors**"), certain employees and business partners during the year, additional one-off legal and professional fee and commission was recorded with an amount of RMB1.2 million, together with the immediate recognized expenses for the grant-date fair value of fully vested shares options granted on 17 October 2014 with RMB34.2 million record for the year ended 31 December 2014.

OTHER REVENUE

Other revenue for the year ended 31 December 2014 mainly represented government grants of RMB0.9 million (2013: RMB0.8 million) and interest income yielded from bank deposit during the year of RMB1.9 million (2013: RMB2.2 million).

FINANCE COSTS

Finance costs represented interest expenses on interest-bearing short-term bank loans and debentures. Interest expenses increased by approximately 62.7% from RMB10.6 million for the year ended 31 December 2013 to RMB 17.2 million for the year ended 31 December 2014, primarily due to additional working capital bank loan drawn during the year and increase in effective interest rate of bank borrowings from 6.4% for the year ended 31 December 2013 to 7.1% for the year ended 31 December 2014.

INCOME TAX

Income tax recorded for the year ended 31 December 2014 mainly represented provision of PRC corporate income tax for RMB3.6 million, offset by the deferred income tax assets of RMB9.1 million recognized for allowance for impairment of trade receivables and trade prepayments to the extent that the realization of the related tax benefits through future taxable profits.

LOSS FOR THE YEAR

Loss for the year was RMB130.3 million, as compared to a profit of RMB72.0 million during the corresponding period in 2013. The loss was mainly due to the decline in gross profit earnings from Group's branded products and OEM products, provision for impairment loss on construction in progress of RMB51.5 million (2013: RMB Nil) and one-off expenses for grant-date fair value of fully vested shares options granted of RMB34.2 million recorded for the year ended 31 December 2014.

LIQUIDITY AND CAPITAL RESOURCES

In order to achieve better cost control and minimise the cost of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in Renminbi ("**RMB**"). As at 31 December 2014, the Group had net current assets of RMB778.9 million (31 December 2013: RMB466.9 million), of which cash and cash equivalents amounted to RMB104.0 million (31 December 2013: RMB12.7 million).

The Group has always been pursuing a prudent treasury management policy and is in a strong liquidity position with sufficient standby banking facilities to cope with daily operations and future development demands for capital. As at 31 December 2014, including the banking facilities as secured by the Group's pledged deposits, total available banking facilities of the Group amounted to RMB582.4 million, among which RMB414.3 million was utilised by the Group for its bank loans and bills payable. The ratio of outstanding bank loans to total assets was 13.8% (31 December 2013: 15.8%).

The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during 2014, and the Group has not entered into any interest rate swap arrangements to hedge against interest rate risks.

As at 31 December 2014, cash and cash equivalents, including bank deposits with original maturities not exceeding three months, amounted to RMB104.0 million. The increase of RMB91.4 million as compared to the Group's position as at 31 December 2013 was mainly attributable to:

- Net cash used in operating activities amounted to RMB198.3 million (excluding income tax paid for RMB6.5 million), mainly resulted from the net increase of trade and bills receivables amounted to RMB117.9 million, though partially offset by the decrease of advance payments to suppliers of approximately RMB14.3 million for securing raw materials and outsourcing production in advance for future inflation, together with the increase in trade and other payables of RMB58.2 million and the effect of loss before taxation of RMB135.8 million;

- Net cash used in investing activities amounting to RMB60.7 million (excluding net increase in placement of pledged deposits for secured bank loan and bills payables amounting to RMB8.2 million), which was mainly due to the prepayments incurred for the acquisition of retail shops amounted to RMB60 million and acquisition of plant and equipment amounted to RMB0.7 million, which was partially offset by interest of RMB1.9 million received;

- Net cash generated from financing activities amounted to RMB365.1 million, which was mainly attributable to proceeds from bank loans and issue of debentures of RMB232.7 million and RMB 373.2 million respectively, and proceeds from issue of shares after grantees vested the share option to subscribe for 42,000,000 new ordinary shares (excluding proceeds of 39,500,000 new ordinary shares directly offset with the liabilities to suppliers for raw materials received) with exercise price of HK$0.72 per Share for RMB23.9 million, which was partially offset by the repayment of bank loans of RMB222.5 million and interest payment of RMB12.9 million.

FOREIGN EXCHANGE RISK

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

During the year, the Group did not hedge any foreign exchange exposure against foreign currency risk. However, the management will continue to monitor foreign currency risks and adopt prudent measures as appropriate.

PLEDGE OF ASSETS

As at 31 December 2014, the Group secured its bank loans and bills payables by a charge over land use rights with an aggregate carrying amount of RMB5.4 million (2013: RMB4.4 million), buildings with net book value of RMB29.7 million (2013: RMB31.7 million) and pledged deposits with an aggregate carrying amount of RMB117.0 million (2013: RMB108.6 million).

Included in secured and unsecured bank loans as at 31 December 2014 were bills discounted with recourse totalling RMB16.0 million and RMB4.0 million (31 December 2013: RMB Nil and RMB28.5 million), respectively.

WORKING CAPITAL MANAGEMENT

The Group recognises the importance of maintaining strong and stable cash flow from its operations in order to stay competitive and capture business opportunities as they arise.

The Group's inventory mainly composed of raw materials. The inventory turnover days of the Group were 77 days for the year ended 31 December 2014 (2013: 59 days), primarily as a result of the bulk purchase of raw materials in order to receive a more sound unit price to cope with the pressure of increasing production costs during the year.

The trade and bills receivables turnover days for the year ended 31 December 2014 increased to 224 days (2013: 161 days), primarily due to the granting of payment extensions to some of the customers. The Group would strive to strengthen its credit control and keep a close monitor over customers with long aged outstanding balance. Up to the date of this report, the Group subsequently received RMB42.3 million settlement from customers, accounted for 9.1% of outstanding balance of trade and receivables as at 31 December 2014.

The turnover days for trade and bills payables rose to 161 days for the year ended 31 December 2014 (2013: 134 days), which was mainly because the Group has fully utilised the extended credit period offered by certain suppliers during the year.

USE OF PROCEEDS

The Group was listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 28 September 2011. Net proceeds from the global offering were approximately HK$337.4 million (after deducting the underwriting commission and relevant expenses) were fully utilised.

Use of net proceeds from global offering

	Percentage to total amount	Net proceeds (HK$ million)	Utilised amount (up to 31 December 2014) (HK$ million)	Unutilised amount (as at 31 December 2014) (HK$ million)
Establishing a new production facility	39.1%	131.9	131.9	–
Establishing self-owned and operated flagship stores	22.4%	75.6	75.6	–
Establishing a new product testing and R&D laboratory	15.6%	52.6	52.6	–
Developing and increasing brand awareness	6.6%	22.3	22.3	–
Expansion of the product R&D teams and equipment	3.2%	10.8	10.8	–
Establishing of an enterprise resource planning (i.e. ERP) system	3.2%	10.8	10.8	–
Expansion of original production capacity	2.6%	8.8	8.8	–
General working capital	7.3%	24.6	24.6	–
		337.4	337.4	–

EMPLOYEES AND EMOLUMENTS

As at 31 December 2014, the Group employed a total of 1,441 full-time employees in the PRC and Hong Kong, which included management staff, product designers, technicians, salespersons and workers. Remuneration for the entire full-time workforce amounted to RMB66.0 million for the reporting year, which is equivalent to 11.3% of the Group's turnover. The Group's emolument policies are formulated based on the performance of individual employees, whose performance are reviewed and evaluated periodically. Apart from contributions to the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) and social security fund (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses are also awarded to employees according to individual performance. In addition, the Company adopted the share option scheme on 4 September 2011 for the purpose of providing incentives to directors and eligible employees. On 17 October 2014, the Company has granted 120,000,000 share options to subscribe for an aggregate of 120,000,000 ordinary Shares under the share option scheme, and of which 50,500,000 share options were granted to the Directors and certain employees. Respective equity settled share-base payment expenses of RMB 14.4 million was recognized as staff costs for the year ended 31 December 2014 (2013: RMB Nil).

PROSPECTS

Looking ahead, China's future economy is expected to be stabilized after transformation and without significant downside risk. However, the management anticipates that the macro-economic environment, structural changes, including evolving channels and shifting consumer behaviour, will continue to exert pressure on the domestic retail market. However, the management believes that current difficult situation characterized by sluggish growth is only temporary and will not last in the long term, there is still enormous potential in the men's casual footwear market. The Group will continue to tackle the forthcoming challenges with the principle of steady development and progress to overcome the obstacles ahead. In 2015, the Group has taken active steps to improve the liquidity position of the Group and to maintain a healthy and strong financial position, such steps include fund raising through issue of debentures, evaluating alternative sources of financing and

implementing stringent cost control measures. Furthermore, the Group will continue to strengthen customer relationships in the second round of spring-summer sales fair and actively explore emerging online and offline retail channels. With these measures, the Group maintains a prudent but positive outlook for the business performance in 2015.

Along with the gradually increasing consumer recognition of the multiple functions and comfort of casual footwear, it has become a must-buy for consumers. In order to seize a larger market share, the Group will continue to enhance the reputation of its brands, and introduce more products to the market to strengthen its product portfolio. The Group plans to further improve its sales network, focusing on second- and third-tier cities in the central and western regions of China with dense populations and enjoying faster economic development, such as Henan, Sichuan, Shanxi, Yunnan, Guizhou, Hubei and Hunan provinces and Chongqing municipality, the key development targets of the Group. Meanwhile, in light of the increasingly popular online consumption pattern, the Group will continue to devote more resources to online media and it is expected that the first phrase of R&D of the O2O platform will be completed by May 2015, upon which the online testing works will commence. The management believes that the business model complemented by online sales will help stimulating the overall sales and further expand the customer base.

The Group is also exploring suitable new brands and new businesses to build a long term horizon and cultivate future growth areas. In addition, the Group plans to place more resources in solidifying its brands in the hope of making breakthroughs in design and functions so as to improve the brand reputation and loyalty. The Group will also closely monitor the production costs and process, and is devoted to improvement in production volume and efficiency.

Relying on its solid foundation with abundant industry experience spanning more than two decades, the Group will continue to improve its operating performance in all directions, and adopt prudent principles of finance management, carefully assess the market situation, actively enhance its strengths and promote sustainable and stable development. The Group will endeavour to strengthen its position as one of the leading multiple brand operators of men's casual footwear and seize the opportunities during the market recovery to achieve long-term and sustainable business development and ultimately create more values for the Shareholders.

Note: Subsequent to the date of approval of the financial statements on 31 March 2015, the acquisition of the 51% equity interest of the Beijing Target was completed on 16 April 2015. Please refer to the announcement of the Company dated 16 April 2015 for further details.

The Group is committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules ("**Listing Rules**") Governing the Listing of Securities on the Stock Exchange from time to time.

Pursuant to a resolution passed by the Board on 4 September 2011, the Company has adopted all the requirements of the code provisions of the Corporate Governance Code. During the year ended 31 December 2014, the Company has complied with all the code provisions of the Corporate Governance Code.

THE BOARD

The Board oversees the management of the business and affairs of the Company. The Directors are accountable for making decisions objectively in the best interest of the Shareholders as a whole.

The Board is responsible for making decisions on all major aspects of the Company's affairs, including the approval and monitoring of key policy matters, overall strategies, business plans and annual budgets, internal control and risk management systems, material transactions, major capital expenditure, appointment of Directors and other significant financial and operational matters.

The Board may delegate aspects of its management and administration functions to the management. In particular, the day-to-day management of the Company is delegated to the chief executive officer of the Group, Mr. Zhang Wenbin, and his management team.

The Company has throughout the year met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, accounting or related financial management expertise. At all times during the year, the independent non-executive Directors represent at least one-third of the Board. All independent non-executive Directors meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. The Company has received from all of its independent non-executive Directors confirmation of their independence pursuant to Rule 3.13 of the Listing Rules.

Throughout the year, the composition of the Board was as follows:

Executive Directors:

Ms. Cai Xiuman *(Chairman)*
Mr. Zhang Wenbin *(Chief executive officer)*
Mr. Huang Jianren *(Chief operation officer)*
Mr. Chen Yuanjian *(Chief financial officer)*

Independent non-executive Directors:

Mr. Wu Xiaoqiu
Mr. Ye Lin
Mr. Lee Ho Yiu Thomas

A description of the Directors is set out in the section headed "Board of Directors and senior management" in this annual report.

The roles of the chairman and chief executive officer of the Group are separate. Ms. Cai Xiuman, the chairman of the Group and an executive Director, is responsible for overall strategic business development, management and operations. Ms. Cai Xiuman is the wife of Mr. Zhang Wenbin, the chief executive officer of the Group and another executive Director.

Mr. Zhang Wenbin, the chief executive officer of the Group and an executive Director, is responsible for leading the business operations of the Group to achieve the business and financial targets, proposing strategies to the Board and ensuring the effective implementation of the strategies and policies adopted by the Board. Mr. Zhang Wenbin is the husband of Ms. Cai Xiuman, the chairman of the Group and another executive Director.

The Board is expected to meet regularly and at least four times a year. The Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors.

With respect to regular meetings of the Board, the Directors will be given written notice of the meeting at least 14 days in advance and an agenda with supporting Board papers no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances.

The Board held 22 meetings during the year and the attendance of the Directors are set out on page 27.

APPOINTMENTS, RE-ELECTION AND ROTATION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 4 September 2014 and renewable automatically for a successive term of three years each commencing from the next day after the expiry of the then current term of his/her appointment, which may be terminated by not less than three months' notice in writing served by either party on the other. Each of the independent non-executive Directors have been appointed for a term of three years commencing from 4 September 2014 and renewable automatically for a successive term of three years each commencing from the next day after the expiry of the then current term of his/her appointment, which may be terminated by not less than one month's notice in writing served by either party on the other. None of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

In accordance with the articles of association of the Company (the "**Articles**"), at each annual general meeting ("**AGM**") one third of the Directors for the time being shall retire from office by rotation and shall be eligible for re-election. Ms. Cai Xiuman, Mr. Zhang Wenbin and Mr. Huang Jianren will retire at the AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the same meeting.

Where vacancies arise at the Board, candidates will be proposed and put forward to the Board by the Nomination Committee (as defined below) as set out below under the section on Nomination Committee.

CORPORATE GOVERNANCE

The Board has carried out its duties and responsibilities as set out in D.3 in Appendix 14 to the Listing Rules including the development of policies and practices on corporate governance, monitoring the training and continuous professional development of Directors and senior management, reviewing the compliance with the Code, disclosure in this Corporate Governance Report and legal and regulatory requirements of the Company.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

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

All Directors attended training programmes on commercial, legal and regulatory requirements in relation to a listed company in Hong Kong and/or the industry in which the Group conducts its businesses.

SECURITIES TRANSACTIONS

Pursuant to a resolution passed by the Board on 4 September 2011, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct for dealing in securities of the Company by the Directors.

Specific enquiries have been made with the Directors, and all Directors confirmed in writing that they have complied with the required standards set out in the Model Code regarding their securities transactions for the year.

BOARD COMMITTEES

The Company established a remuneration committee (the "**Remuneration Committee**"), an audit committee (the "**Audit Committee**") and a nomination committee (the "**Nomination Committee**") on 4 September 2011.

Remuneration Committee

The Remuneration Committee comprises all independent non-executive Directors, namely, Mr. Ye Lin, Mr. Wu Xiaoqiu and Mr. Lee Ho Yiu Thomas. Mr. Ye Lin is the chairman of the Remuneration Committee.

The major duties of the Remuneration Committee are as follows:

(a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(c) to make recommendations to the Board of the remuneration of non-executive Directors;

(d) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(e) to review and approve management's remuneration proposals by reference to the Board's corporate goals and objectives;

(f) to review and approve compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

(i) to report to the Board on the matters set out in these terms of reference; and

(j) to consider other topics, as defined by the Board.

The Remuneration Committee held two meetings during the year of 2014 to review and approve the remuneration packages of Directors and senior management of the Group. All members of the Remuneration Committee attended that meeting.

Audit Committee

The Audit Committee comprises all independent non-executive Directors, namely, Mr. Lee Ho Yiu Thomas, Mr. Wu Xiaoqiu and Mr. Ye Lin. Mr. Lee Ho Yiu Thomas is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and approve the Group's financial reporting process and internal control system. In addition, the major duties of the Audit Committee are as follows:

Relationship with the Group's auditor

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(d) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Group's financial information

(e) to review and monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained therein. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:

    (i) any changes in accounting policies and practices;

    (ii) major judgmental areas;

    (iii) significant adjustments resulting from audit;

    (iv) going concern assumptions and any qualifications;

    (v) compliance with accounting standards; and

    (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(f) Regarding (e) above:

    (i) members of the Audit Committee should liaise with the Board and the senior management, and the Audit Committee must meet, at least twice a year, with the Group's auditor; and

    (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts it should give due consideration to any matters that have been raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer, external auditor or internal control officer;

Oversight of the Group's financial reporting system and internal control procedures

(g) to review the Company's financial controls, internal control and risk management systems;

(h) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(i) to consider major investigations findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(j) where an internal audit function exists, to review the internal audit programme, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(k) to review the Group's financial and accounting policies and practices;

(l) to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;

(m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(n) to act as the key representative body for overseeing the Company's relations with the external auditor;

(o) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(p) to report to the Board on the matters set out in these terms of reference; and

(q) to consider other topics, as defined by the Board.

Two meetings of the Audit Committee were held during the year to consider and review the audited financial statements of the Group for the year ended 31 December 2013 and the unaudited financial statements of the Group for the six months ended 30 June 2014 and the attendance of the Audit Committee members of such meetings is set out on page 27.

A recent meeting of the Audit Committee was held on 31 March 2015 to consider and review the audited financial statements of the Group for the year ended 31 December 2014 and internal control related matters. Members of the Audit Committee have reviewed the draft auditors' report and have decided to establish a working group to review the issues raised in the draft auditors' report. The working group will consist of Mr. Chen Yuanjian, the chief financial officer of the Group and an executive Director, Ms. Yau Suk Yan, the financial controller and the company secretary of the Company, staff from finance department and all of the independent non-executive Directors. The Audit Committee has also decided to retain an independent accounting firm in Hong Kong to review the issues and report to the Audit Committee directly on the factual findings and if applicable, the recommendations for the improvement measures to the internal control systems of the Group. The Audit Committee will determine the scope of review and the appointment of the independent accounting firm accordingly. All members of the Audit Committee attended that meeting.

Nomination Committee

The Nomination Committee comprises all independent non-executive Directors, namely, Mr. Wu Xiaoqiu, Mr. Ye Lin and Mr. Lee Ho Yiu Thomas. Mr. Wu Xiaoqiu is the chairman of the Nomination Committee.

The major duties of the Nomination Committee are as follows:

(a) to review the structure, size and composition of the Board (including the skills, knowledge and experience) at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of independent non-executive Directors;

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer of the Group; and

(e) to give due regard to the benefits of diversity on the Board against objective criteria in reference to the board diversity policy when performing its duties.

Where vacancy on the Board exists, the Nomination Committee will carry out a selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations, and select or make recommendations to the Board on the selection of candidates for directorship.

The Nomination Committee held two meetings during the year of 2014 to nominate the members of Board for retirement and re-election at the Meeting, and to review the structure, size, diversity of the Board. The Nomination Committee has also adopted the following diversity policy on the Board:

We embrace and encourage our employees' differences in age, color, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, physical and mental ability, political affiliation, race, religion, sexual orientation, socio-economic status, veteran status, and other characteristics that make our directors unique.

MEETING ATTENDANCE

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications. The attendance of individual Directors at these meetings during the year is set out below:

	Attendance			
	Board meeting(s)	Audit Committee meeting(s)	Remuneration Committee meeting(s)	Nomination Committee meeting(s)
Executive Directors				
Ms. Cai Xiuman *(Chairman)*	22/22	–	–	–
Mr. Zhang Wenbin *(Chief executive officer)*	22/22	–	–	–
Mr. Huang Jianren *(Chief operation officer)*	8/22	–	–	–
Mr. Chen Yuanjian *(Chief financial officer)*	8/22	–	–	–
Independent non-executive Directors				
Mr. Wu Xiaoqiu	8/22	2/2	2/2	2/2
Mr. Ye Lin	8/22	2/2	2/2	2/2
Mr. Lee Ho Yiu Thomas	7/22	2/2	2/2	2/2

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for the preparation of the financial statements of the Company to ensure that these financial statements give a true and fair presentation in accordance with the International Financial Reporting Standards.

The statement by the auditor about their reporting responsibilities is set out in the independent auditor's report on page 39.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INDEPENDENT AUDITOR

The Audit Committee reviews and monitors the independent auditor's independence, objectivity and effectiveness of the audit process. It receives each year letter from the independent auditor confirming their independence and objectivity and holds meetings with representatives of the independent auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it.

The remuneration payable to the independent auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2014 amounted to approximately HK$2.1 million and HK$0.2 million respectively. Non-audit services include tax review and agreed-upon procedures regarding preliminary announcement of results for the year.

INTERNAL CONTROL AND RISK MANAGEMENT (NOTE)

The Board has overall responsibility for the Group's system of internal control and assessment and management of risks. In meeting its responsibility, the Board has put in place policies and procedures which provide a framework for the identification and management of risks.

COMPANY SECRETARY

The company secretary of the Company, Miss Yau Suk Yan, is a full-time employee of the Group. Please refer to her biographical details as set out on page 38 of this annual report.

Miss Yau has complied with the training requirements under Rule 3.29 of the Listing Rules during the Year.

SHAREHOLDERS' RIGHTS AND COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The management believes that effective communication with the investment community in a timely manner through various media is essential. The Company held regular briefings, attended investor conferences and participated in roadshows to meet institutional investors and financial analysts in the PRC, Hong Kong and overseas countries to keep them abreast of the Company's business and development.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, if they have any enquiries about their Shares and dividends. The contact details of the Company are set out in the section entitled "Corporate Information" in the annual report.

The Company's AGM allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. Members of the Audit, Remuneration and Nomination Committees and the external auditor also attended the AGM to answer questions from shareholders.

AGM proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the AGM exercises his/her power under the Articles to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the beginning of the meeting. Voting results are posted on the Group's website in accordance with the Listing Rules.

Shareholder(s) holding not less than one-tenth of the paid up capital of the Company can make a written requisition to the Board or the company secretary to require an extraordinary general meeting to be called pursuant to article 58 of the Articles. The written requisition shall specify the business to be transacted in the meeting, must be signed by the requisitionist and shall be deposited at the principal place of business of the Company in Hong Kong, which is presently situated at Office C, 21st Floor, Legend Tower, No.7 Shing Yip Street, Kowloon, Hong Kong. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders or investors can contact the Company in the following ways to make enquiry or to provide suggestions:

Contact Person:	Miss Yau Suk Yan, company secretary
Tel:	(852) 2886 8558
Postal Address:	Office C, 21st Floor, Legend Tower, No. 7 Shing Yip Street, Kowloon, Hong Kong

To put forward proposals at a general meeting, the Shareholders should submit a written notice of those proposals with detailed contact information to the company secretary at the Company's principal place of business stated above.

AGM for the year ended 31 December 2013 was held on 16 May 2014. The attendance record of the Directors at the meeting is set out below:

	AGM
Executive Directors	
Ms. Cai Xiuman *(Chairman)*	1/1
Mr. Zhang Wenbin *(Chief executive officer)*	1/1
Mr. Huang Jianren *(Chief operation officer)*	1/1
Mr. Chen Yuanjian *(Chief financial officer)*	1/1
Independent non-executive Directors	
Mr. Wu Xiaoqiu	1/1
Mr. Ye Lin	1/1
Mr. Lee Ho Yiu Thomas	1/1

During the financial year, there were no changes in any of the Company's constitutional documents.

Note: Subsequent to the date of this report and on 21 April 2015, the Directors reviewed the effectiveness of the Group's internal control system, which covers all material controls, including financial, operational and compliance controls and risk management functions, and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Audit Committee also held a meeting on 21 April 2015, during which the members of the Audit Committee reviewed and considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The findings of the Audit Committee have been reported to the Board.

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of Company is investment holding and the principal activities of its subsidiaries are set out in note 15 to the financial statements.

RESULTS & DIVIDENDS

Results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss on page 42. Other movements in reserves are set out in the consolidated statement of changes in equity on page 47.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 100 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2014 are set out in note 26(c) to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's aggregate amounts of reserves available for distribution were approximately RMB330,284,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or applicable laws of the Cayman Islands where the Company was incorporated.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in note 11 to the financial statements.

BANK BORROWINGS AND INTEREST

Details of the Group's bank borrowings are set out in note 24 to the financial statements. Bank borrowings repayable within one year or on demand are classified as current liabilities in the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2014, the Group's five largest customers accounted for approximately 47.7% of the Group's total revenue and the Group's largest customer for the year accounted for approximately 15.5% of the Group's total revenue. The Group's five largest suppliers accounted for approximately 26.8% of the Group's total purchases, while the largest supplier for the year accounted for approximately 6.3% of the Group's total purchases.

To the knowledge of the Directors, none of the Directors or their respective associates or any of the Shareholders of the Company who owns more than 5% of the Company's number of issued shares has any interest in any of the Group's five largest customers or suppliers.

EMPLOYEES

As at 31 December 2014, the Group had 1,441 employees in total. The table below shows a breakdown of the Group's employees by their responsibilities:

Department	Number of employees
Management and administration	185
Production and procurement	1,043
Sales and marketing	110
Product design and R&D	103
Total	1,441

Total staff costs for the year under review amounted to approximately RMB80.4 million and the details are set out in note 5(b) to the financial statements. The Group determined the remuneration packages of all employees (include the directors) with reference to their qualification, experience, job nature, performance and market condition.

The Group has established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the rules and regulations of the PRC and the existing policy requirements of the local government. The Group also maintains the employee short-term health insurance and unforeseen injury insurance. In addition, the Group provides staff quarters to its employees.

Directors and qualified employees of the Company may be granted share options to subscribe for shares in the Company in accordance with the terms and conditions of the Share Option Scheme (as defined below).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OF EQUITY DERIVATIVES AND DEBENTURES

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares of equity derivatives and debentures of the Company or its associated corporations (as defined by Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register of directors' and chief executive's interests and short positions required to be maintained under Section 352 of SFO are as follows:

(A) Long position in shares of the Company:

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding in the Company
Ms. Cai Xiuman (Note 1)	Interest of controlled corporation	697,272,000	54.41%
	Beneficial owner	7,114,000	0.56%
Mr. Zhang Wenbin (Note 2)	Interest of spouse	704,386,000	54.97%
Mr. Chen Yuanjian	Beneficial owner	1,000,000	0.08%

Notes:

1. Ms. Cai Xiuman is the beneficial owner of the entire issued share capital of Festive Boom Limited which holds 697,272,000 shares. Ms. Cai Xiuman is also the director of Festive Boom Limited.

2. Mr. Zhang Wenbin is deemed to be interested in the 704,386,000 shares beneficially held by his spouse Ms. Cai Xiuman.

(B) Long position in the underlying shares of the Company:

Name	Balance as at 1 January 2014	Number of share options held Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31 December 2014
Ms. Cai Xiuman	–	6,000,000	–	–	6,000,000
Mr. Zhang Wenbin	–	6,000,000	–	–	6,000,000
Mr. Huang Jianren	–	1,000,000	–	–	1,000,000
Mr. Chen Yuanjian	–	1,000,000	(1,000,000)	–	–
Mr. Wu Xiaoqiu	–	500,000	–	–	500,000
Mr. Ye Lin	–	500,000	–	–	500,000
Mr. Lee Ho Yiu Thomas	–	500,000	–	–	500,000
Total:		15,500,000	(1,000,000)	–	14,500,000

Note: The date of grant of all of the above share options was 17 October 2014. The exercisable period is from 17 October 2014 to 17 October 2024 and the exercise price is HK$0.72 per Share. The closing price of the Shares on 17 October 2014 was HK$0.70. No options were cancelled during the year.

(C) Long position in shares of the Company's associated corporation(s):

Name of Director	Name of associated corporation	Number of share(s)	Percentage of shareholding in the company
Ms. Cai Xiuman	Festive Boom Limited	1	100%

As at 31 December 2014, save as disclosed herein, none of the Directors and chief executive of the Company were interested in short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporation defined under the SFO as recorded in the register of directors' and chief executive's interests and short positions required to be maintained under Section 352 of SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Other than the arrangement as disclosed under the paragraph headed "Pledge of shares by controlling shareholder" in this section of the report below, no transactions, arrangement or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director, any entity connected with a Director, a controlling Shareholder or any of the Controlling Shareholders' subsidiaries had a material interest, whether directly or indirectly, existed at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or their respective associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, the following persons, other than the Directors and chief executive of the Company, had interests and short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Long position in Shares and underlying Shares

Name	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company
Festive Boom Limited	Beneficial owner	697,272,000	54.11%
Strait Energy Limited	Person having a security interest in shares	647,272,000	50.51%
Strait Energy Investment Company Limited (Note 1)	Interest of controlled corporation	647,272,000	50.51%
中國石油天然氣集團公司 (Note 2)	Interest of controlled corporation	647,272,000	50.51%
Central Huijin Investment Ltd. (Note 3)	Person having a security interest in shares	647,272,000	50.51%
China Construction Bank Corporation (Note 4)	Person having a security interest in shares	647,272,000	50.51%
Hong Kong Investments Group Limited	Beneficial owner	76,412,000	5.96%
Mr. Cheung Chi Mang (Note 5)	Interest of controlled corporation	76,412,000	5.96%

Notes:

1. Strait Energy Investment Company Limited is deemed to be interested in the 647,272,000 Shares as it holds 50% of the issued share capital of Strait Energy Limited.

2. 中國石油天然氣集團公司 is deemed to be interested in the 647,272,000 Shares as it indirectly holds 50% of the issued share capital of Strait Energy Limited.

3. Central Huijin Investment Ltd. is deemed to be interested in the 647,272,000 Shares as it indirectly holds 57.26% of CCB International Securities Limited, which has a security interest over those Shares.

4. China Construction Bank Corporation is deemed to be interested in the 647,272,000 Shares as it indirectly holds the entire issued share capital of CCB International Securities Limited, which has a security interest over those Shares.

5. Mr. Cheung Chi Mang is the beneficial owner of the entire issued share capital of Hong Kong Investments Group Limited and is deemed to be interested in the Shares held by Hong Kong Investments Group Limited.

Save as disclosed above, the Directors are not aware of any person, other than the Directors whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares of equity derivatives and debentures" above, who had an interest or short positions in the Shares or underlying Shares that were required to be recorded pursuant to Section 336 of Part XV of the SFO as of 31 December 2014.

SHARE OPTION SCHEME

Pursuant to a resolution passed by all the then Shareholders on 4 September 2011, the Company has conditionally adopted the share option scheme (the "**Share Option Scheme**") for the purpose of recognising and acknowledging the contributions the eligible participants had or may have made to the Group. The Directors were authorised to grant options to subscribe for the Shares and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering (as defined in the prospectus of the Company dated 16 September 2011 (the "**Prospectus**")), being 120,000,000 Shares, excluding any options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company), unless otherwise approved by the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time.

As at the date of this report, 120,000,000 options were granted under the Share Option Scheme and no more options can be granted under the current scheme limit. The Directors propose to refresh the existing scheme limit for approval by the shareholders at the upcoming annual general meeting. If the refreshment of the existing scheme limit is approved at the annual general meeting, based on the 1,284,500,000 Shares in issue as at the date of this report and assuming that the issued share capital of the Company remains unchanged on the date of the annual general meeting, the Company will be allowed under the "refreshed limit" to grant options carrying the rights to subscribe for up to a total of 128,450,000 Shares, representing 10% of the issued share capital of the Company as at the annual general meeting.

Unless otherwise approved by the Shareholders in general meeting, the number of Shares that may be granted to an eligible participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the Shares in issue of the Company within any 12-month period. Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors. Unless otherwise approved by the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules, the number of Shares that may be granted to a substantial Shareholder or any independent non-executive Director or their respective associates under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 0.1% of the Shares in issue, having an aggregate value in excess of HK$5 million, within any 12-month period.

There is no minimum period for which an option must be held before it can be exercised, and the period during which an option may be exercised will be determined by the Board in its absolute discretion, however, no options shall be exercised 10 years after they have been granted. The subscription price of a Share in respect of a particular option shall be not less than the highest of (a) the official closing price of the Shares on the daily quotation sheet of the Stock Exchange; (b) the average official closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share. Each grantee shall pay HK$1.00 to the Company at the time the option is granted. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

Further details of the Share Option Scheme are set out in note 25 to the financial statements and the announcement of the Company dated 17 October 2014. Details of movements in the options granted under the Share Option Scheme of other eligible participants during the year ended 31 December 2014 are as follows:

	Number of share options held				
Category	Balance as at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31 December 2014
Employees of the Group	–	35,000,000	(21,000,000)	–	14,000,000
Business partners and consultants of the Group	–	69,500,000	(59,500,000)	–	10,000,000
Total:		104,500,000	(80,500,000)	–	24,000,000

Notes: The date of grant of all of the above share options was 17 October 2014. The exercisable period is from 17 October 2014 to 17 October 2024 and the exercise price is HK$0.72 per share. The closing price of the Shares on 17 October 2014 was HK$0.70. No options were cancelled during the year.

BONDS AND DEBENTURES ISSUED

On 1 August 2014, the Company and two independent private individual investors, as subscribers, entered into the subscription agreements pursuant to which the subscribers agreed to subscribe and the Company agreed to issue the 7% Bonds in an principal amount of HK$5 million each ("**Bonds**"), respectively. The issue of the Bonds will not result in any dilution effect on the shareholding of the existing Shareholders, and the Directors are of the view that the issue of the Bonds provides a good opportunity to strengthen the Company's financial position. Details of the issue of bonds were disclosed in the Company's announcement dated 1 August 2014.

On 4 August 2014, the Company announced the issue of the debentures with aggregate principal up to HK$100 million (the "**First Debentures**"), bearing interest rate up to 7% per annum with maturity date ranging from second to eighth anniversary of the issue date of the debentures. The Company intends to use the net proceeds from the issue of the First Debentures for developing the O2O platform. In addition, the net proceeds for the issue of First Debentures was used for the repayment of the existing debts and as the general working capital of the Group. Details of the issue of the First Debentures were disclosed in the Company's announcement dated 4 August 2014.

On 8 October 2014, the Company announced the issue of the debentures with aggregate principal up to HK$200 million (the "**Second Debentures**"), bearing interest rate up to 7% per annum with maturity date ranging from 24- to 96-month anniversary of the issue date of the debentures. The Company intends to use the net proceeds from the issue of the Second Debentures for the repayment of the existing debts and as the general working capital of the Group. Details of the issue of the Second Debentures were disclosed in the Company's announcement dated 8 October 2014.

The Directors consider that raising funds by issuing the Bonds, the First and Second Debentures provides an opportunity for the Company to repay the existing debts and enhance its working capital. The Directors consider that issue of the Bonds, the First and Second Debentures is an appropriate means of raising additional capital for the Company since it will not have any dilution effect on the shareholding of the existing Shareholders.

As at 31 December 2014, the Company issued HK$ denominated debentures in aggregate principal with total amount of HK$473 million (equivalent to RMB373.2 million), bearing interest rate at a range of 3.3% to 7.0% per annum, and they are unsecured and repayable ranged from December 2016 to December 2022.

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

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

PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of an issuer's total issued share capital must at all times be held by the public. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficiency of public float at all times during the year ended 31 December 2014.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken in the normal course of business are provided under note 28 to the financial statements, and none of which constitutes a discloseable connected transaction as defined under the Listing Rules.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

As disclosed in the announcement of the Company dated 27 November 2013, on 20 November 2013, Festive Boom Limited, a controlling Shareholder, pledged 647,272,000 ordinary shares in the share capital of the Company (the "**Pledged Shares**") in favour of an independent third party as security for a bond issued by Festive Boom Limited with principal amount of HK$240,000,000 and due on 20 November 2015 (the "**Bond**"). The Pledged Shares in aggregate represent approximately 50.51% of the issued share capital of the Company as at the date of this annual report.

Among the proceeds of the HK$240,000,000 from the issue of the Bond, Festive Boom Limited has provided an advance amounted RMB31,000,000 to the Company for the Group's use in the purchase of its production facilities in the production plants in Jiangsu province. Such amount due to Festive Boom Limited is unsecured, interest-free and repayable on demand. As at the date of this annual report, the pledge of the Pledged Shares has not been released.

DEED OF NON-COMPETITION

The Company entered into a deed of non-competition (the "**Deed of Non-Competition**") with Ms. Cai Xiuman, Mr. Zhang Wenbin and Festive Boom Limited (collectively referred to as the "**Controlling Shareholders**") on 4 September 2011 so as to better safeguard the Group from any potential competition with effect from 28 September 2011 and to formalise the principles for the management of potential conflicts between them and to enhance our corporate governance in connection with the listing of the Shares on the Stock Exchange.

The independent non-executive Directors have reviewed compliance by the Controlling Shareholders and confirm that based on confirmations and information provided by each of the Controlling Shareholders, they were in compliance with the Deed of Non-Competition during the year ended 31 December 2014.

The independent non-executive Directors were not required to review any matter in relation to compliance and enforcement of the Deed of Non-Competition during the year ended 31 December 2014.

AUDITOR

KPMG will retire at the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend the AGM, the register of members of the Company will be closed from 3 June 2015 to 5 June 2015 (both days inclusive), during which period no transfer of Shares can be registered. In order to qualify for attending the AGM, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration by not later than 4:30 p.m. on 2 June 2015.

On behalf of the Board

Cai Xiuman
Chairman

Hong Kong, 31 March 2015

Biographies of each member of the senior management team are set out below:

EXECUTIVE DIRECTORS

Ms. Cai Xiuman (蔡秀滿), aged 44, is the chairman of the Group and an executive Director. Ms. Cai was appointed as a Director on 12 February 2010. She is a founder of the Group and primarily responsible for overall strategic business development, management and operation. Ms. Cai joined the Group in 1995 and served as a general manager in Shishi Haomai responsible for strategic planning and sales management. She established Jinmaiwang Fujian in 2003 and served as a deputy manager, responsible for overall finance and administration. She further established Luotuo Quanzhou in 2005. Ms. Cai has over 20 years of experience in sales and marketing in shoe manufacturing industry. Prior to joining the Group, Ms. Cai worked in a shoe manufacturing company, namely Shishi City De Shili Shoes Industry Company Limited (石獅市德士利鞋業有限公司), and was responsible for financial management. Ms. Cai is the wife of Mr. Zhang Wenbin and did not hold any directorship in any other listed companies in the past three years.

Mr. Zhang Wenbin (張文彬), aged 48, is the chief executive officer of the Group and an executive Director. Mr. Zhang was appointed as a Director on 2 February 2011. He is a founder of the Group and has over 20 years of experience in shoes manufacturing industry. Mr. Zhang established Shishi Haomai in 1995 and served as a deputy general manager. He has been appointed as the chief executive director and general manager of Jinmaiwang Fujian since 2003. In 2007, Mr. Zhang was appointed as the deputy council chairman of the 3rd Bao Gai Business Association of Shishi City (石獅市寶蓋商會) and was a representative of the 4th National People's Congress of the People's Republic of Congress of Shishi City from 2003 to 2006. Prior to joining the Group, Mr. Zhang worked in a shoe manufacturing company, namely Shishi City De Shili Shoes Industry Company Limited (石獅市德士利鞋業有限公司), and was responsible for sales management. Mr. Zhang is currently a committee member of Shishi Industrial and Commercial Commission (石獅市工商業聯合會) and Shishi Association for Quality and Technical Supervision (石獅市質量技術監督協會). Mr. Zhang is the husband of Ms. Cai Xiuman and did not hold any directorship in any other listed companies in the past three years.

Mr. Huang Jianren (黃建仁), aged 37, is the chief operation officer of the Group and an executive Director. Mr. Huang was appointed as a Director on 2 February 2011. He has over 10 years of experience in accounting and finance. He joined the Group in 2000 and was appointed as a manager in finance department of the Group responsible for financial management. Prior to joining the Group, Mr. Huang served as a finance manager in a sporting goods company, namely Wish (Xiamen) Sporting Goods Co., Ltd. (偉士(廈門)體育用品有限公司). Mr. Huang graduated from Fujian Province Financial Management Civil Servant College (福建省財會管理幹部學院) with a diploma in account and audit in 2007. He did not hold any directorship in any other listed companies in the past three years.

Mr. Chen Yuanjian (陳元建), aged 51, joined the Group in 2009 and was appointed as the chief financial officer of the Group and an executive Director. Mr. Chen was appointed as a Director on 2 February 2011. He is responsible for the financial management of the Group. He has over 23 years of experience in financial management. Prior to joining the Group, Mr. Chen served as an assistant to the chief executive officer and a chief financial officer of Putian Ailiai Xiefu Company Limited (莆田艾力艾鞋服有限公司) from 2007 to 2009. He was an accountant in Putian City Shengfeng Asset Auction Company Limited (莆田市盛峰資產拍賣有限公司) from 2004 to 2006. Mr. Chen was appointed as an executive director of Quality Food International Limited (later renamed as China Power New Energy Development Company Limited), a company listed on the Stock Exchange (stock code: 735), between 1999 to 2002. Between 1996 to 2003, he served as a chief financial controller in Fujian Sanhua Shiye Company Limited (福建省三華實業有限公司). Mr. Chen was a financial manager of Fujian Xinwei Electronics Industry Co. Ltd. (福建省新威電子工業有限公司) from 1994 to 1996. From 1991 to 1993, he was the manager of finance department of Fujian Yaowah Glass Industry Group Co., Ltd. (福建耀華玻璃工業集團股份有限公司). Mr. Chen graduated from Xiamen University (廈門大學) with a diploma of accounting in 1985. Mr. Chen did not hold any directorship in any other listed companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Xiaoqiu (吳曉球), aged 56, was appointed as an independent non-executive Director on 4 September 2011. He is a deputy dean of postgraduate house (研究生院), a committee member of academic board (學術委員會), the head of the Finance and Securities Research Institute (金融與證券研究所) and professor of School of Account and Finance (財經金融學院) of Renmin University of China (中國人民大學) since 2002. Mr. Wu served as an independent director of Haitong Securities Co., Ltd (海通證券股份有限公司), a company listed in the PRC, between July 2007 to May 2011. He is also an assistant to the principal of the Renmin University of China. Mr. Wu is currently appointed as a supervisor of Bank of Beijing (北京銀行股份有限公司). He also served as an independent director of Yonyou Software Co., Ltd. (用友軟件股份有限公司), Industrial Securities Co., Ltd. (興業證券股份有限公司) and Xinyu

Iron & Steel Co., Ltd. (新余鋼鐵股份有限公司), all of which are companies listed in the PRC. Mr. Wu obtained a bachelor degree of Economics from Jiangxi University of Finance and Economics (江西財經大學) in 1983. He further obtained a master degree in citizens economic planning and management and doctoral degree in economics in Renmin University of China in 1986 and 1990 respectively. Save as disclosed above, Mr. Wu did not hold any directorship in any other listed companies in the past three years.

Mr. Ye Lin (葉林), aged 51, was appointed as an independent non-executive Director on 4 September 2011. Mr. Ye has about 23 years of experience in legal profession. He is a deputy officer of the Civil and Commercial Law Education and Research Office (民商法教研室), the head of the Companies Law and Securities Law Research Institute (公司法與證券法研究所) and council member of the Institute of Lawyers (律師學院) of the Renmin University of China. He has also served as a professor in the Renmin University of China since 2000. Mr. Ye is currently an independent director of HSBC Jintrust Fund Management Company Limited (匯豐晋信基金管理有限公司). Mr. Ye has been appointed as an independent director of each of Guirenniao Co., Ltd. (貴人鳥股份有限公司) and Guangdong Guanhao High-tech Co., Ltd. (廣東冠豪高新科技股份有限公司), both are companies listed in the PRC. Mr. Ye obtained a bachelor degree of law, a master degree of law and a doctoral degree of law in Renmin University of China in 1985, 1989 and 1993 respectively. Save as disclosed above, Mr. Ye did not hold any directorship in any other listed companies in the past three years.

Mr. Lee Ho Yiu Thomas (李浩堯), aged 37, was appointed as an independent non-executive Director on 4 September 2011. Mr. Lee has 14 years of experience in auditing, accounting and financial management. He is now the partner of Lee, Au & Co. Certified Public Accountant. Mr. Lee previously worked as an assistant financial controller in The Beauty Group and also worked at KPMG from 2000 to 2005. Mr. Lee is a fellow of the Association Chartered Certified Accountants, a practising member of the Hong Kong Institute of Certified Public Accountants, a certified tax adviser and a member of the Hong Kong Taxation Institute, a certified internal auditor and a member of the Institute of Internal Auditors, a certified information systems auditor and a member of the ISACA. Mr. Lee holds a bachelor's degree of science in accounting and finance from University of Warwick and a second bachelor's degree in Law from the Tsinghua University. Mr. Lee served as an independent non-executive director of ABC Communications (Holdings) Limited (stock code: 0030), a company listed on the Main Board of the Stock Exchange between January 2011 to February 2013. Mr. Lee is currently an independent non-executive director of Suncorp Technologies Limited (stock code: 1063) and Dongwu Cement International Limited (stock code: 695), both companies are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Inno-Tech Holdings Limited (stock code: 8202), a company listed on the GEM Board of the Stock Exchange. Save as disclosed above, Mr. Lee did not hold any directorship in any other listed companies in the past three years.

Save as disclosed otherwise in this annual report, the Directors have confirmed that there is no other information which is required to be disclosed under Rule 13.51(2)(h)-(v) of the Listing Rules.

SENIOR MANAGEMENT

Mr. Wu Shulin (吳樹林), aged 49, joined the Group in 2003 and was appointed as a sales and marketing director (營銷總監). He is responsible for strategic planning, sales and management of the Group. Mr. Wu is also a general manager of Luotuo Quanzhou since 2005. He has over 20 years of experience in sales and marketing. Prior to joining the Group, Mr. Wu served as business manager of a commodity factory Shishi Xinhu Commodity Factory (石獅新湖日用品廠) from 1984 to 1990. Between 1991 to 2002, he served as a deputy general manager of Shishi Dexiang Food Company Limited (石獅德祥食品有限公司). Mr. Wu is the husband of Mr. Zhang Wenbin's younger sister.

Mr. Zhang Zuqiao (張祖僑), aged 40, joined the Group in 1998 and was appointed as the technical director (技術總監) of the Group since 2001. Mr. Zhang is responsible for the development of new products and management of production technology of the Group. Mr. Zhang has over 12 years of experience in shoe manufacturing.

Miss Yau Suk Yan (邱淑欣), aged 33, is the financial controller and company secretary of the Group. She joined the Group in 2010 and responsible for the accounting and financial management of the Group. Miss Yau previously worked at one of the big four international accounting firms with over 6 years of experience in the field of auditing including the audit and internal control experience in various listed companies in Hong Kong. Miss Yau is a fellow of the Hong Kong Institute of Certified Public Accountants. She obtained a bachelor degree in accounting from The Hong Kong Polytechnic University in 2004.

Independent auditor's report to the shareholders of
Active Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of Active Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 42 to 99, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a base for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

a) On 30 September 2014, the Group entered into an agreement (the "Agreement") with a technology service provider in relation to the research and development for the setting up and operation of the online marketplace at a consideration of RMB120,000,000. Pursuant to the terms of the Agreement, the Group was required to prepay RMB80,000,000 upon signing of Agreement. As at 31 December 2014 the Group prepaid an amount of RMB79,554,000 to the service provider. As disclosed in note 18 to the consolidated financial statements, the balance was recorded in trade and other receivables as at 31 December 2014. There is no satisfactory evidence available to us to substantiate the substance of the development project and satisfy ourselves as to whether the amount was paid to the aforesaid service provider. Accordingly, we were unable to obtain sufficient audit evidence to support that the prepayment was properly accounted for and disclosed or that the prepayment balance was recoverable.

b) As disclosed in note 14 to the consolidated financial statements, the Group made prepayments totalling RMB60,000,000 to two individuals for the acquisition of retail shops in the PRC in October 2014 and the amount was included in non-current prepayments for acquisitions of property, plant and equipment as at 31 December 2014. The acquisition of the aforesaid retail shops has not been completed as of the date of this auditor's report. There is insufficient evidence available to us to ascertain the validity of the recorded transactions and balances related to the prepayments. We were therefore unable to satisfy ourselves that these transactions were properly accounted for and disclosed or that the amounts were paid to the aforesaid individuals and were recoverable.

BASIS FOR DISCLAIMER OF OPINION *(continued)*

c) Included in trade and other receivables as at 31 December 2014 were trade receivables and bills receivables of RMB466,013,000 (net of allowance for doubtful debts). As disclosed in note 18(a) to the consolidated financial statements, the balance of trade receivables and bills receivables aged over 180 days (based on invoice date and net of allowance for doubtful debts) increased from RMB119,699,000 as at 31 December 2013 to RMB301,229,000 as at 31 December 2014. Despite the significant deteriorating ageing during the year ended 31 December 2014, the directors considered that the Group is able to recover the amounts. However, we were unable to obtain sufficient evidence to evaluate the recoverability of the recorded balances or to receive satisfactory explanations as to the substantial increase in the amount of receivables relating to sales in the first half of the year which remain outstanding as at 31 December 2014, compared to the same period last year. We are therefore unable to satisfy ourselves that sales have been properly recognised in accordance with the Group's revenue recognition policy and that the outstanding amounts were recoverable as at 31 December 2014.

   In addition, we noted that there were unutilised advance payments included in trade and other receivables totalling RMB472,757,000 as at 31 December 2014 part of which was an aggregate balance of RMB14,120,000 without utilisation for more than one year as at that date. We were unable to obtain sufficient evidence to ascertain that such advance payments made will be utilised for the purchase of raw materials in the foreseeable future. We were therefore not able to satisfy ourselves that such advance payments were recoverable.

d) As disclosed in note 11 to the consolidated financial statements, as at 31 December 2014 the Group has recorded RMB126,247,000 as cost of construction in progress. However, based on the valuation report prepared by an independent appraiser as at 31 December 2014, the independent appraiser estimated that the work done to that date represented an earlier stage of completion than is recorded in the records of the Group and that the estimated value of the construction in progress computed on a replacement cost basis was RMB74,699,000. Management could not provide us with a reasonable explanation for the difference in stage of completion or estimated cost of the work done to date. As a result, we were not able to obtain sufficient audit evidence to determine whether the cost and the carrying amount of the construction in progress as at 31 December 2014 is fairly stated and the amount charged to profit or loss account as impairment to reflect this difference between cost and valuation is properly categorised.

e) As required under Hong Kong Standard of Auditing 560, Subsequent events, issued by the Hong Kong Institute of Certified Public Accountants, we requested management of the Group to provide information and documentation to complete our audit procedures over significant transactions or events which may have occurred between the period from 1 January 2015 to the date of this auditor's report. Up to the date of this auditor's report, management of the Group has not provided us with the requested information and documentation. As a result, we are unable to form an opinion on whether significant transactions or events which occurred during the period from 1 January 2015 to the date of this auditor's report were properly accounted for and adequately disclosed in the consolidated financial statements.

f) Note 1(b) to the consolidated financial statements states that the Group recorded a net loss of RMB130,341,000 and a net operating cash outflow of RMB204,815,000 for the year ended 31 December 2014. Furthermore, bank loans totalling RMB219,239,000 were due for renewal or repayment within the next twelve months and as disclosed in note 24(c), the covenants in relation to certain bank loans of the Group totalling RMB47,000,000 as at 31 December 2014 were breached. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to improve its business performance and extend its existing borrowings upon their maturities. These conditions, along with other matters as described in note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Because of the significance of the matters described above, we are unable to form an opinion as to whether this basis of preparation is appropriate.

Any consequential effect in connection with the above matters would affect the net assets of the Company and the Group as at 31 December 2014 and the Group's loss for the year ended 31 December 2014, and the related disclosures in the consolidated financial statements.

DISCLAIMER OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Turnover	3	584,270	792,572
Cost of sales		(521,412)	(618,192)
Gross profit		62,858	174,380
Other revenue	4(a)	2,852	3,416
Other net income	4(b)	1,739	429
Selling and distribution expenses		(22,925)	(26,755)
Administrative expenses		(163,145)	(38,206)
(Loss)/profit from operations		(118,621)	113,264
Finance costs	5(a)	(17,167)	(10,554)
(Loss)/profit before taxation	5	(135,788)	102,710
Income tax credit/(expense)	6(a)	5,447	(30,734)
(Loss)/profit for the year		(130,341)	71,976
(Loss)/earnings per share			
Basic and diluted (RMB)	10	(0.11)	0.06

The notes on pages 49 to 99 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the (loss)/profit for the year are set out in note 26(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014
(Expressed in Renminbi)

	2014 RMB'000	2013 RMB'000
(Loss)/profit for the year	(130,341)	71,976
Other comprehensive income for the year that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of subsidiaries outside the People's Republic of China, net of nil tax	(202)	194
Total comprehensive income for the year	(130,543)	72,170

The notes on pages 49 to 99 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	11	120,471	174,115
Intangible assets	12	3,532	4,266
Lease prepayments	13	5,281	4,274
Non-current prepayments for acquisitions of property, plant and equipment	14	71,924	13,930
Deferred tax assets	16(b)	13,931	4,851
		215,139	201,436
Current assets			
Inventories	17	107,195	113,908
Current portion of lease prepayments	13	129	104
Trade and other receivables	18	1,039,962	902,437
Current tax recoverable	16(a)	–	139
Pledged deposits	19	117,040	108,642
Cash and cash equivalents	20(a)	104,047	12,695
		1,368,373	1,137,925
Current liabilities			
Trade and other payables	21	344,780	433,634
Bank loans	24	219,239	209,011
Current tax payables	16(a)	25,409	28,389
		589,428	671,034
Net current assets		778,945	466,891
Total assets less current liabilities		994,084	668,327
Non-current liabilities			
Debentures	22	373,214	–
Receipt in advance	23	2,445	–
Deferred tax liabilities	16(b)	3,997	3,997
		379,656	3,997
NET ASSETS		614,428	664,330

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
CAPITAL AND RESERVES	26		
Capital		104,381	97,935
Reserves		510,047	566,395
TOTAL EQUITY		614,428	664,330

Approved and authorised for issue by the board of directors on 31 March 2015.

Zhang Wen Bin
Director

Cai Xiu Man
Director

The notes on pages 49 to 99 form part of these financial statements.

Statement of Financial Position

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Investments in subsidiaries	15	731,124	395,470
Current assets			
Other receivables	18	146	15,219
Pledged deposits		12,592	8,500
Cash and cash equivalents	20(a)	101,470	321
		114,208	24,040
Current liabilities			
Other payables	21	6,609	2,077
Bank loans	24	28,399	16,511
		35,008	18,588
Net current assets		79,200	5,452
Total assets less current liabilities		810,324	400,922
Non-current liabilities			
Debentures	22	373,214	–
Receipt in advance	23	2,445	–
		375,659	–
NET ASSETS		434,665	400,922
CAPITAL AND RESERVES	26		
Share capital		104,381	97,935
Reserves		330,284	302,987
TOTAL EQUITY		434,665	400,922

Approved and authorised for issue by the board of directors on 31 March 2015.

Zhang Wen Bin
Director

Cai Xiu Man
Director

The notes on pages 49 to 99 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company							
	Note	Capital RMB'000 (Note 26(c))	Share premium RMB'000 (Note 26(d)(i))	Other reserve RMB'000 (Note 26(d)(ii))	Exchange reserve RMB'000 (Note 26(d)(iii))	Statutory reserve RMB'000 (Note 26(d)(iv))	Capital reserve RMB'000 (Note 26(d)(v))	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2013		97,935	160,683	2,268	838	21,598	–	317,358	600,680
Changes in equity for 2013:									
Profit for the year		–	–	–	–	–	–	71,976	71,976
Other comprehensive income		–	–	–	194	–	–	–	194
Total comprehensive income for the year		–	–	–	194	–	–	71,976	72,170
Appropriations to statutory reserve		–	–	–	–	6,337	–	(6,337)	–
Dividends approved and paid during the year	26(b)	–	(8,520)	–	–	–	–	–	(8,520)
Balance at 31 December 2013 and 1 January 2014		97,935	152,163	2,268	1,032	27,935	–	382,997	664,330
Changes in equity for 2014:									
Loss for the year		–	–	–	–	–	–	(130,341)	(130,341)
Other comprehensive income		–	–	–	(162)	–	(40)	–	(202)
Total comprehensive income for the year		–	–	–	(162)	–	(40)	(130,341)	(130,543)
Appropriations to statutory reserve		–	–	–	–	–	–	–	–
Share issued under share option scheme		6,446	63,171	–	–	–	(23,206)	–	46,411
Equity settled share-based transactions		–	–	–	–	–	34,230	–	34,230
Balance at 31 December 2014		104,381	215,334	2,268	870	27,935	10,984	252,656	614,428

The notes on pages 49 to 99 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Cash (used in)/generated from operations	20(b)	(198,341)	55,150
Income tax paid		(6,474)	(32,294)
Net cash (used in)/generated from operating activities		(204,815)	22,856
Investing activities			
Payment for the purchase of property, plant and equipment		(62,590)	(27,521)
Interest received		1,934	2,232
Changes in pledged deposits		(8,182)	(49,363)
Net cash used in investing activities		(68,838)	(74,652)
Financing activities			
Proceeds from new bank loans		232,673	208,548
Repayment of bank loans		(222,500)	(203,470)
Proceeds from issuing debentures		373,214	–
Interest paid		(12,882)	(10,554)
Changes in amount due from/to a director		(29,261)	21,316
Proceeds from issue of shares		23,873	–
Dividends paid to equity shareholders of the Company		–	(8,520)
Net cash generated from financing activities		365,117	7,320
Net increase/(decrease) in cash and cash equivalents		91,464	(44,476)
Cash and cash equivalents at beginning of the year		12,695	57,203
Effect of foreign exchange rate changes		(112)	(32)
Cash and cash equivalents at end of the year	20(a)	104,047	12,695

The notes on pages 49 to 99 form part of these financial statements.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The Group recorded a net loss of RMB130,341,000 and a net operating cash outflow of RMB204,815,000 for the year ended 31 December 2014. Furthermore, bank loans amounted to RMB219,239,000 was due for renewal or repayment within the next twelve months and as disclosed in note 24(c), the covenants in relation to certain bank loan of the Group totalling RMB47,000,000 as at 31 December 2014 were breached. The Group only had cash and cash equivalents of RMB104,047,000 as at 31 December 2014. Although the Group was able to raise proceeds from issuing debentures with an aggregate principal of HKD115 million subsequently in January 2015 as disclosed in note 32, it will be unable to fund the Group's operating activities and repay the bank loans in full when they fall due unless it is able to generate sufficient net cash inflows from its operations and/or extend its existing borrowings upon their maturities.

As part of the going concern assessment, the directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from 31 December 2014. They are of the opinion that material uncertainties exist regarding:

(i) whether the Group is able to improve its business performance and generate net cash inflows from its operations; and

(ii) whether the bankers will maintain their continuing support and therefore will agree to extend the existing borrowings despite of the breach of the covenant mentioned above. This factor is critical to the achievability of the Group's cash flow projections.

These facts and circumstances indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Based on the directors' intentions and the cash flow projections mentioned above, the directors are of the opinion that it is appropriate to prepare the Group's financial statements for the year ended 31 December 2014 on a going concern basis. Should the Group not be able to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these potential adjustments has not been reflected in these financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

The Company and other investment holding subsidiaries incorporated in the Cayman Island, The British Virgin Islands (the "BVI") and Hong Kong have their functional currency in Hong Kong dollar ("HKD") or United States dollar ("USD") and subsidiaries established in the People's Republic of China (the "PRC") have their functional currency in Renminbi ("RMB"). As the Group mainly operates in the PRC, RMB is used as the presentation currency of the Group's financial statements. All financial information presented is rounded to the nearest thousand except otherwise stated. The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company.

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, *Levies*

The Group has not applied any new standards or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended IFRSs are discussed below:

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to IAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal.

The Group initially adopts the amendments in current accounting period and details of the impaired assets are disclosed in note 11 of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

Amendments to IAS39, Novation of derivatives and continuation of hedge accounting

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group does not have any derivatives designated as a hedging instrument.

IFRIC 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(i)).

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(i)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

Buildings	–	The shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion
Plant and machinery	–	5 to 10 years
Furniture, fittings and equipment	–	5 years
Motor vehicles	–	5 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Construction in progress

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 1(i)). Cost comprises direct costs of construction and installation during the construction period. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

No depreciation is provided in respect of the construction in progress until it is substantially completed and ready for its intended use.

(g) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(i)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Trademarks	5 to 10 years

Both the period and method of amortisation are reviewed annually.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of the each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For other current receivables and other financial assets carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated recoverable amount.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables, bills receivable and prepayments included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables, bills receivable and prepayments directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Impairment of assets *(continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of the each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets;

– lease prepayments;

– non-current prepayments for acquisitions of property, plant and equipment; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(i)(i) and (ii)).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using an effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Employee benefits *(continued)*

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(p) Share-based payments

The fair value of share options granted to business partners and consultants of the Group is recognised as an expense with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the business partners and consultants have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Income tax *(continued)*

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income from bank deposits is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

For the purposes of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency. The results of operations with functional currency other than RMB are translated into RMB, at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation with functional currency other than RMB, the cumulative amount of the exchange differences relating to that operation with functional currency other than RMB is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly-controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

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

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

(Expressed in Renminbi unless otherwise indicated)

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Sources of estimation uncertainty

Notes 25 and 29 contains information about the assumptions and their risk factors relating to fair value of share options granted and financial instruments. Other sources of estimation uncertainty are as follows:

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles or changes in market conditions. Management reassesses these estimations at the end of the reporting period to ensure inventory is shown at the lower of cost and net realisable value.

(ii) Impairment of trade receivables and bills receivables

Management determines the impairment of trade receivables and bills receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-off would be higher than estimated. Management reassesses the impairment of trade receivables and bills receivables at the end of the reporting period.

(iii) Impairment of prepayments

The Group makes prepayments to suppliers for securing the supply of raw materials. Management determines the impairment of prepayments on a regular basis based on the judgement and estimates of the ability to collect or utilise the prepayments from suppliers. Where the expectation is different from the original estimates, such difference will impact the carrying value of prepayments and allowance expenses in the period which such estimates has been changed. Management reassesses the impairment of prepayments at the end of the reporting period.

(iv) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(v) Other impairment loss

If circumstances indicate that the carrying value of property, plant and equipment, construction in progress and intangible assets may not be recoverable, these assets may be considered impaired, and an impairment loss may be recognised in accordance with IAS36, Impairment of Assets. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to estimate precisely fair value less cost of disposal because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reason able and supportable assumptions and projections of revenue and amount of operating costs.

(Expressed in Renminbi unless otherwise indicated)

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

Sources of estimation uncertainty *(continued)*

(vi) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provision are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised, management's judgement is required to assess the probability of future taxable profits. Management reassess these estimates at the end of each reporting period. Additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are manufacturing and sale of casual footwear, apparel and related accessories in the PRC.

Turnover represents the sales value of goods sold to customers less returns, discounts, and value added taxes and other sales tax, which is analysed as follows:

	2014 RMB'000	2013 RMB'000
Footwear	579,094	784,364
Apparel and related accessories	5,176	8,208
	584,270	792,572

The Group's customer base is diversified and includes only two customers with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 December 2014 (2013: no individual customer had transactions which has exceeded 10% of the Group's revenue).

In 2014 revenues from sales of footwear to these customers, amounted to approximately RMB 168 million and arose in the PRC. Details of concentrations of credit risk arising from these customers are set out in note 29(a).

Further details regarding the Group's principal activities are disclosed below.

(Expressed in Renminbi unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING *(continued)*

(b) Segment reporting

The Group manages its businesses by its operating subsidiaries in the PRC, which are engaged in the manufacturing and sales of casual footwear, apparel and related accessories. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified five reportable segments, namely, Fujian Jinmaiwang Shoes and Garments Products Co., Ltd. ("Fujian Jinmaiwang"), Shishi Haomai Shoes Industrial Co., Ltd. ("Shishi Haomai"), Luotuo (Quanzhou) Shoes and Garments Co., Ltd. ("Luotuo Quanzhou"), Greiff (Xiamen) International Trading Company Limited ("Greiff Xiamen") and Jiangsu Active Shoes Industrial Co., Ltd ("Jiangsu Active"). No operating segments have been aggregated to form the above reportable segments.

– Fujian Jinmaiwang: this segment manufactures and sells the "Jimaire" branded as well as original equipment manufacturing casual footwear products. The "Jimaire" brand was launched in 1996 and is developed and owned by the Group. The brand is positioned to target the consumer segment of middle to upper-middle class and offers a range of casual footwear in business classic and practical style.

– Shishi Haomai: this segment manufactures and sells the "Bull Titan" branded casual footwear products. The brand was launched in 1996 and is developed and owned by the Group. The brand is positioned to target the youth market segment and offers casual footwear in sporty and trendy style.

– Luotuo Quanzhou: this segment manufactures and sells the "Luotuo Brand" branded and the "Coremss" branded casual footwear, apparel and related accessories products.

  Luotuo Brand was licensed to the Group in 2003. The brand offers functional outdoor footwear with special features, such as water-proof hiking shoes and air-breathable shoes. The trademark licence agreement which granted the non-exclusive licence to the Group to use the trademark of Luotuo Brand for casual footwear and sport footwear in the PRC expired on 28 February 2013.

  The "Coremss" brand was launched in March 2013 with similar positioning with Luotuo Brand. The brand is positioned to target the consumer segment in the age group from 30 to 55 and focuses more on business casual and functional outdoor footwears.

– Greiff Xiamen: this segment sells the "Camel Active" branded and the "Greiff" branded casual footwear, apparel and related accessories products. The "Camel Active" brand was licensed to the Group in 2010. The brand is positioned to target the more affluent consumer segment and offers casual footwear in premium style. The "Greiff" brand was licensed to the Group in 2009. The brand is positioned to target the affluent consumer segment and offers casual footwear, apparel and related accessories in grand and elegant style.

– Jiangsu Active: this segment sells the "Bull Titan" branded and the "Coremss" branded casual footwear.

(Expressed in Renminbi unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit/(loss) is "profit/(loss) after taxation". To arrive at reportable segment profit/(loss), the Group's profit/(loss) is further adjusted for items not specially attributable to individual segments and other head office or corporate administrative costs.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below:

	Year ended 31 December 2014					
	Fujian Jinmaiwang RMB'000	**Shishi Haomai RMB'000**	**Luotuo Quanzhou RMB'000**	**Greiff Xiamen RMB'000**	**Jiangsu Active RMB'000**	**Total RMB'000**
Reportable segment revenue derived from the Group's external customers	290,118	169,047	74,448	39,892	10,765	584,270
Inter-segment revenue	6,563	11,566	–	–	8,260	26,389
Reportable segment revenue	296,681	180,613	74,448	39,892	19,025	610,659
Reportable segment loss						
Loss after taxation	(13,480)	(7,353)	(418)	(11,435)	(53,946)	(86,632)
Impairment of – construction in progress	–	–	–	–	(51,548)	(51,548)

	Year ended 31 December 2013					
	Fujian Jinmaiwang RMB'000	Shishi Haomai RMB'000	Luotuo Quanzhou RMB'000	Greiff Xiamen RMB'000	Jiangsu Active RMB'000	Total RMB'000
Reportable segment revenue derived from the Group's external customers	427,761	196,935	114,731	48,216	4,929	792,572
Inter-segment revenue	834	14,282	17,742	–	3,632	36,490
Reportable segment revenue	428,595	211,217	132,473	48,216	8,561	829,062
Reportable segment profit						
Profit/(loss) after taxation	48,702	20,990	14,662	(2,403)	168	82,119

(Expressed in Renminbi unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliations of reportable segment revenue and profit or loss

	2014 RMB'000	2013 RMB'000
Revenue		
Reportable segment revenue	610,659	829,062
Elimination of inter-segment revenue	(26,389)	(36,490)
Consolidated turnover (note 3(a))	584,270	792,572
(Loss)/profit		
Reportable segment (loss)/profit	(86,632)	82,119
Elimination of inter-segment loss/(revenue)	4,651	(4,725)
Reportable segment (loss)/profit derived from the Group's external customers	(81,981)	77,394
Other revenue and other net income	1,909	516
Unallocated head office and corporate expenses	(50,269)	(5,934)
Consolidated (loss)/profit after taxation	(130,341)	71,976

(iii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods delivered.

	2014 RMB'000	2013 RMB'000
The PRC (place of domicile)	546,676	782,834
Korea	34,948	6,174
Other countries	2,646	3,564
	37,594	9,738
	584,270	792,572

(Expressed in Renminbi unless otherwise indicated)

4 OTHER REVENUE AND OTHER NET INCOME

	2014 RMB'000	2013 RMB'000
(a) Other revenue		
Interest income on bank deposits	1,934	2,232
Government subsidies	913	846
Sundry income	5	338
	2,852	3,416

The Group was entitled to unconditional government subsidies of RMB913,000 for the year ended 31 December 2014 (2013: RMB846,000). These government subsidies were recognised as other revenue when they became receivable.

	2014 RMB'000	2013 RMB'000
(b) Other net income		
Net foreign exchange gain	1,739	392
Loss on disposal of property, plant and equipment	–	(5)
Others	–	42
	1,739	429

5 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	2014 RMB'000	2013 RMB'000
(a) Finance costs		
Interest expense on		
– bank loans	12,882	10,544
– debentures	4,285	–
	17,167	10,544

(Expressed in Renminbi unless otherwise indicated)

5 (LOSS)/PROFIT BEFORE TAXATION *(continued)*

(Loss)/profit before taxation is arrived at after charging: *(continued)*

	2014 RMB'000	2013 RMB'000
(b) Staff costs		
Salaries, wages and other benefits	64,253	78,314
Equity settled share-based payment expenses (note 25)	14,405	–
Contributions to defined contribution retirement schemes	1,729	3,402
	80,387	81,716

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local authorities whereby the subsidiaries are required to make contributions to the Schemes based on a percentage of the eligible employees' salaries during the years ended 31 December 2014 and 2013. Contributions to the Schemes vest immediately. Under the Schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income subject to a cap of monthly relevant income of HK$25,000. The cap has been increased to HKD30,000 effective from June 2014.

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong and the PRC. In the opinion of the directors of the Company, the Group did not have any significant liabilities beyond the above contributions in respect of the retirement benefits of its employees.

	Note	2014 RMB'000	2013 RMB'000
(c) Other items			
Cost of inventories #	17(b)	521,412	618,192
Depreciation of property, plant and equipment	11	5,519	6,040
Amortisation of trademarks	12	734	734
Amortisation of lease prepayments	13	141	104
Impairment loss of property, plant and equipment	11	51,548	–
Impairment loss on trade receivables	18(b)	26,370	2,926
Impairment loss on trade prepayments		15,010	2,949
Equity settled share-based payment expense for business partners and consultants	25	19,825	–
Operating lease charges in respect of properties – minimum lease payments		4,043	5,996
Operating lease charges in respect of trademarks – minimum lease payments		9,338	7,974
Research and development costs		4,651	5,052
Auditors' remuneration		2,489	1,903

Cost of inventories includes RMB46,923,000 (2013: RMB65,370,000) relating to staff costs, depreciation and amortisation and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2014 RMB'000	2013 RMB'000
Current tax – PRC corporate income tax		
Provision for the year	3,633	32,518
Deferred tax		
Origination and reversal of temporary differences (note 16(b))	(9,080)	(1,784)
Income tax (credit)/expense	(5,447)	30,734

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision was made for Hong Kong Profits Tax as the Group did not derive any income which is subject to Hong Kong Profits Tax during the years presented. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(iii) Pursuant to the income tax rules and regulations of the PRC, provision for PRC corporate income tax is calculated based on a statutory rate of 25% of the assessable profits of the companies comprising the Group.

(iv) According to the new tax law of the PRC and its implementation rules, dividends receivable by non-PRC-resident corporate investors from PRC-resident enterprises are subject to withholding income tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

(b) Reconciliation between tax (credit)/expense and accounting (loss)/profit at applicable tax rates:

	2014 RMB'000	2013 RMB'000
(Loss)/profit before taxation	(135,788)	102,710
Notional tax on (loss)/profit before taxation, calculated at the rates applicable in the tax jurisdictions concerned	(23,239)	26,817
Effect of non-deductible expenses	17,030	4,237
Effect of non-taxable income	(401)	(5)
Tax effect of recognition of temporary difference, not recognised in prior year	1,163	(1,181)
PRC dividend withholding tax (note 16(b))	–	866
Actual tax (credit)/expense	(5,447)	30,734

(Expressed in Renminbi unless otherwise indicated)

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Equity-settled share-based payments (note (ii))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Zhang Wen Bin	190	262	25	3	480	1,711	2,191
Cai Xiu Man	190	240	24	–	454	1,711	2,165
Huang Jian Ren	95	140	14	3	252	285	537
Chen Yuan Jian	95	140	–	3	238	285	523
	570	782	63	9	1,424	3,992	5,416
Independent non-executive directors							
Wu Xiao Qiu	143	–	–	–	143	143	286
Ye Lin	143	–	–	–	143	143	286
Lee Ho Yiu Thomas	95	–	–	–	95	143	238
	381	–	–	–	381	429	810
	951	782	63	9	1,805	4,421	6,226

	2013						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Equity-settled share-based payments (note (ii))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Zhang Wen Bin	191	230	50	3	474	–	474
Cai Xiu Man	191	232	40	–	463	–	463
Huang Jian Ren	96	128	35	3	262	–	262
Chen Yuan Jian	96	127	35	3	261	–	261
	574	717	160	9	1,460	–	1,460
Independent non-executive directors							
Wu Xiao Qiu	144	–	–	–	144	–	144
Ye Lin	144	–	–	–	144	–	144
Lee Ho Yiu Thomas	96	–	–	–	96	–	96
	384	–	–	–	384	–	384
	958	717	160	9	1,844	–	1,844

(Expressed in Renminbi unless otherwise indicated)

7 DIRECTORS' REMUNERATION *(continued)*

Notes:

(i) During the years ended 31 December 2014 and 2013, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2014 and 2013.

(ii) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options are measured according to the Group's accounting policies for equity-settled share-based payment transactions as set out in note 1(o)(ii).

Details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 25.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2013: four) are directors for the year ended 31 December 2014, whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the remaining one individual (2013: one individual) are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	319	306
Discretionary bonuses	–	26
Retirement scheme contributions	13	12
Equity-settled share-based payments	285	–
	617	344

The emoluments of the remaining one individual are within the following band:

	2014 Number of individuals	2013 Number of individuals
Nil to HK$1,000,000	1	1

9 (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated (loss)/profit attributable to equity shareholders of the Company includes a loss of RMB47,629,000 (2013: profit of RMB2,614,000) which has been dealt with in the financial statements of the Company.

(Expressed in Renminbi unless otherwise indicated)

10 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB130,341,000 (2013: profit attributable to equity shareholders of the Company of RMB71,976,000) and the weighted average of 1,209,595,000 ordinary shares (2013: 1,200,000,000) in issue during the year.

Weighted average number of ordinary shares

	2014 '000	2013 '000
Issued ordinary shares	1,200,000	1,200,000
Effect of share options exercised	9,595	–
Weighted average number of ordinary shares	1,209,595	1,200,000

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the weighted average number of shares in issue adjusted for the potential dilutive effect caused by the share options granted under the share option schemes (see note 25) assuming they were exercised.

Weighted average number of ordinary shares (diluted)

	2014 '000	2013 '000
Weighted average number of ordinary shares	1,209,595	1,200,000
Effect of deemed issue of shares under the Company's share option schemes	1,690	–
Weighted average number of ordinary shares (diluted)	1,211,285	1,200,000

(Expressed in Renminbi unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2013	60,323	9,848	5,224	3,923	66,752	146,070
Additions	–	139	40	356	56,165	56,700
Disposals	(12)	–	–	–	–	(12)
At 31 December 2013	60,311	9,987	5,264	4,279	122,917	202,758
At 1 January 2014	60,311	9,987	5,264	4,279	122,917	202,758
Additions	1	81	11	–	3,330	3,423
At 31 December 2014	60,312	10,068	5,275	4,279	126,247	206,181
Accumulated depreciation and impairment loss:						
At 1 January 2013	12,582	4,400	2,872	2,756	–	22,610
Charge for the year	3,697	1,121	843	379	–	6,040
Written back on disposals	(7)	–	–	–	–	(7)
At 31 December 2013	16,272	5,521	3,715	3,135	–	28,643
At 1 January 2014	16,272	5,521	3,715	3,135	–	28,643
Charge for the year	3,653	1,069	509	288	–	5,519
Impairment	–	–	–	–	51,548	51,548
At 31 December 2014	19,925	6,590	4,224	3,423	51,548	85,710
Net book value:						
At 31 December 2014	40,387	3,478	1,051	856	74,699	120,471
At 31 December 2013	44,039	4,466	1,549	1,144	122,917	174,115

Buildings which are held for own use are situated in the PRC. At 31 December 2014, buildings with net book value of RMB29,716,000 (2013: RMB31,698,000) were mortgaged to banks for certain banking facilities granted to the Group (see note 24(c)).

Impairment loss

As at December 2014, construction in progress in relation to a new production plant in Jiangsu Active was behind original schedule for completion and the Group did not have a concrete production plan in the coming year, thus indicating the relevant assets might be impaired. The Group has engaged APAC Asset Valuation and Consulting Limited, a firm of external independent and qualified valuers to assess the recoverable amounts of the relevant assets and as a result the carrying amount of such assets was written down to their recoverable amount of RMB 74,699,000. The estimates of recoverable amount were based on the fair values of the construction in progress less cost of disposal, using depreciated replacement cost approach by estimating current replacement costs of the building and structures, adjusted for physical deterioration and all relevant forms of obsolescence and optimisation. The fair value on which the recoverable amount is based on is categorised as Level 3 measurement.

(Expressed in Renminbi unless otherwise indicated)

12 INTANGIBLE ASSETS

The Group

	Trademarks RMB'000
Cost:	
At 1 January 2013	–
Additions	5,000
At 31 December 2013	5,000
At 1 January and 31 December 2014	5,000
Accumulated amortisation:	
At 1 January 2013	–
Charge for the year	734
At 31 December 2013	734
At 1 January 2014	734
Charge for the year	734
At 31 December 2014	1,468
Net book value:	
At 31 December 2014	3,532
At 31 December 2013	4,266

The amortisation charge for the year is included in "administrative expenses" in the statement of profit or loss.

(Expressed in Renminbi unless otherwise indicated)

13 LEASE PREPAYMENTS

	The Group	
	2014 RMB'000	2013 RMB'000
At 1 January	4,378	4,482
Addition	1,173	–
Less: Amortisation for the year	(141)	(104)
At 31 December	5,410	4,378
Represented by:		
Current portion	129	104
Non-current portion	5,281	4,274
	5,410	4,378

The lease prepayments represent cost of the land use rights in respect of land located in the PRC, on which the Group built its production premises and buildings. The lease expires in September 2055.

At 31 December 2014, land use rights with an aggregate carrying amount of RMB5,410,000 (2013: RMB4,378,000) were pledged as securities for certain banking facilities granted to the Group (see note 24(c)).

14 NON-CURRENT PREPAYMENTS FOR ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT

At 31 December 2014 the amount included prepayments for acquisition of retail shops located in the PRC amounted RMB60,000,000 (2013: RMB Nil); prepayments for acquisition of plant and equipment amounted RMB10,905,000 (2013: RMB10,235,000); and prepayments for acquisition of land use rights in respect of land located in the PRC amounted RMB1,019,000 (2013: RMB3,695,000).

15 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	165,053	165,053
Amount due from a subsidiary	566,071	230,417
	731,124	395,470

Amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment. The directors regard amount due from a subsidiary as non-current asset and as "interests in subsidiaries" as they do not intend to request repayment of this amount from the subsidiary within 12 months of the end of the reporting period.

(Expressed in Renminbi unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES *(continued)*

Details of the subsidiaries are set out below.

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
Chuang Wei Limited	The BVI	USD10,000	100%	–	Investment holding
Jinmaiwang Group Limited ("Jinmaiwang Hong Kong") 金邁王控股有限公司	Hong Kong	10,000 shares	–	100%	Investment holding
福建金邁王鞋服製品有限公司 Fujian Jinmaiwang (notes (i) and (iii))	The PRC	Registered capital of HKD120,000,000	–	100%	Manufacturing and sales of casual footwear
石獅市豪邁鞋業有限公司 Shishi Haomai (notes (ii) and (iii))	The PRC	Registered capital of RMB1,500,000	–	100%	Manufacturing and sales of casual footwear
駱駝(泉州)鞋服有限公司 Luotuo Quanzhou (notes (i) and (iii))	The PRC	Registered capital of USD10,000,000	–	100%	Manufacturing, sales and trading of casual footwear, apparel and related accessories
哥雷夫(廈門)國際貿易有限公司 Greiff Xiamen (notes (ii) and (iii))	The PRC	Registered capital of RMB8,000,000	–	100%	Trading of casual footwear, apparel and related accessories
江蘇動感鞋業有限公司 Jiangsu Active (notes (i) and (iii))	The PRC	Registered capital of RMB110,000,000	–	100%	Manufacturing, sales and trading of casual footwear, apparel and related accessories
廣州哥雷夫鞋服有限公司 Guangzhou Greiff Shoes and Garments Co., Ltd ("Guangzhou Greiff") (notes (ii) and (iii))	The PRC	Registered capital of RMB500,000	–	100%	Manufacturing and trading of casual footwear apparel and related accessories
金邁王(廈門)服飾貿易有限公司 Jinmaiwang (Xiamen) Clothing Trading Co., Ltd ("Jinmaiwang (Xiamen)") (notes (ii), (iii) and (iv))	The PRC	Registered capital of RMB180,000,000	–	100%	Inactive

15 INVESTMENTS IN SUBSIDIARIES *(continued)*

Notes:

(i) These entities are wholly foreign-owned enterprises established in the PRC.

(ii) These entities are limited liability companies established in the PRC.

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

(iv) Jinmaiwang (Xiamen) was established on 3 July 2014 and no capital was paid up as at 31 December 2014. Jinmaiwang Hong Kong, a wholly owned subsidiary of the Company is committed to contribute the unpaid registered capital of RMB180,000,000 of Jinmaiwang (Xiamen) on or before 2 July 2019.

16 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2014 RMB'000	2013 RMB'000
At 1 January	(28,250)	(28,436)
Provision for PRC corporate income tax for the year	(3,633)	(32,518)
Over-provision in respect of prior years	–	410
PRC corporate income tax paid	6,474	32,294
At 31 December	(25,409)	(28,250)
Represented by:		
Income tax recoverable	–	139
Income tax payable	(25,409)	(28,389)
	(25,409)	(28,250)

(b) Deferred tax assets and (liabilities) recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Allowance for impairment of trade receivables RMB'000	Allowance for impairment of trade prepayment RMB'000	Elimination of unrealised profit RMB'000	PRC dividend withholding tax RMB'000	Total RMB'000
At 1 January 2013	2,201	–	–	(3,131)	(930)
Credited/(charged) to profit or loss (note 6(a))	732	737	1,181	(866)	1,784
At 31 December 2013	2,933	737	1,181	(3,997)	854
At 1 January 2014	2,933	737	1,181	(3,997)	854
Credited/(charged) to profit or loss (note 6(a))	6,491	3,752	(1,163)	–	9,080
At 31 December 2014	9,424	4,489	18	(3,997)	9,934

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16 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(b) Deferred tax assets and (liabilities) recognised *(continued)*

	2014 RMB'000	2013 RMB'000
Represented by:		
Net deferred tax assets recognised in the consolidated statement of financial position	13,931	4,851
Net deferred tax liabilities recognised in the consolidated statement of financial position	(3,997)	(3,997)
	9,934	854

(c) Deferred tax liabilities not recognised

10% PRC dividend withholding tax that would be payable on the distribution of undistributed profits of the Group's PRC subsidiaries at 31 December 2014, no deferred tax liabilities in respect of these undistributed profits amounting to RMB243,027,000 (2013: RMB329,651,000) have been recognised as the Company controls the dividend policy of these subsidiaries and the directors determined that it is probable that these profits would not be distributed in the foreseeable future.

17 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	The Group	
	2014 RMB'000	2013 RMB'000
Raw materials	62,985	75,788
Work in progress	3,471	2,902
Finished goods	40,739	35,218
	107,195	113,908

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss is as follows:

	The Group	
	2014 RMB'000	2013 RMB'000
Carrying amount of inventories sold	519,630	618,192
Write down of inventories	1,782	–
	521,412	618,192

18 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade receivables and bills receivables	504,112	386,283	–	–
Less: Allowance for doubtful debts	(38,099)	(11,729)	–	–
	466,013	374,554	–	–
Deposits and prepayments (notes (i) and (ii))	555,827	504,462	–	–
Amount due from a director (note 28(c))	17,820	18,481	–	14,970
Other receivables	302	4,940	146	249
	1,039,962	902,437	146	15,219

Notes:

(i) Included in the deposits at 31 December 2014 were rental and utilities deposits of RMB611,000 (2013: RMB741,000) which were not expected to be recovered within one year.

(ii) Prepayments mainly consist of advance payments made to suppliers for purchases of raw materials and finished goods amounting to RMB473 million (2013: RMB502 million), and prepayment for development of online marketplace amounting to RMB79.6 million made in October 2014 (2013: RMB Nil).

Apart from (i) above, all of the trade and other receivables (including amounts due from a director) are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables and bills receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	The Group	
	2014 RMB'000	2013 RMB'000
Within 90 days	97,824	190,360
91 days-180 days	66,960	64,495
181 days-360 days	209,605	86,236
Over 361 days	91,624	33,463
	466,013	374,554

Trade receivables and bills receivables are normally due within 90 days from the date of billing. The Group also offers revolving credit to its customers. The revolving credit, which provides for a maximum credit limit that may be outstanding at any one time, is determined based on factors such as the customers' credit history and current ability to pay. The funding need of a customer for the purpose of expanding its sales network is also taken into consideration. Further details of the Group's credit policy are set out in note 29(a).

(Expressed in Renminbi unless otherwise indicated)

18 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade receivables and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and bills receivables directly (see note 1(i)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
At 1 January	**11,729**	8,803
Impairment loss recognised	**26,370**	2,926
At 31 December	**38,099**	11,729

At 31 December 2014, the Group's trade receivables and bills receivables of RMB38,099,000 (2013: RMB11,729,000) were individually determined to be impaired. The individually impaired receivables related to a number of customers with long outstanding balances with no subsequent settlement received or customers that were in financial difficulties and management assessed that these receivables were not recoverable. Consequently, specific allowances for doubtful debts of RMB38,099,000 (2013: RMB11,729,000) were recognised.

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Current	**97,824**	190,360
Less than 60 days past due	**29,957**	41,175
61 days – 180 days past due	**149,169**	81,796
181 days – 360 days past due	**138,640**	36,362
Over 361 days past due	**50,423**	24,861
Amounts past due	**368,189**	184,194
	466,013	374,554

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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19 PLEDGED DEPOSITS

Pledged deposits with banks have been placed as security for bills payable issued by the Group (see note 21(c)) and bank loans (see note 24(c)).

20 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement comprise:

	The Group		The Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	104,047	12,695	101,470	321

At 31 December 2014, cash and cash equivalents in the amount of RMB2,355,000 (2013: RMB11,428,000) are denominated in RMB and are deposited in the PRC in the ordinary course of business. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(b) Reconciliation of (loss)/profit before taxation to cash (used in)/generated from operations:

	Note	2014 RMB'000	2013 RMB'000
(Loss)/profit before taxation		(135,788)	102,710
Adjustments for:			
– Interest expense	5(a)	17,167	10,554
– Depreciation	5(c)	5,519	6,040
– Amortisation of lease prepayments	5(c)	141	104
– Amortisation of trademarks	5(c)	734	734
– Net foreign exchange gain		(69)	(243)
– Interest income	4(a)	(1,934)	(2,232)
– Impairment loss on trade receivables	5(c)	26,370	2,926
– Impairment loss on trade prepayments	5(c)	15,010	2,949
– Impairment loss on property, plant and equipment	5(c)	51,548	–
– Write down on inventory	17(b)	1,782	
– Loss on disposal of property, plant and equipment	4(b)	–	5
– Equity settled share-based payment for employees	5(b)	14,405	–
– Equity settled share-based payment for business partners and consultants	5(c)	19,825	–
Changes in working capital:			
– Decrease/(increase) in inventories		4,931	(28,163)
– Increase in trade and other receivables		(159,792)	(112,809)
– (Decrease)/increase in trade and other payables		(58,190)	72,575
Cash (used in)/generated from operations		(198,341)	55,150

(Expressed in Renminbi unless otherwise indicated)

21 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade payables	81,485	44,722	–	–
Bills payable (notes (b), (c) and (d))	150,300	228,088	–	–
	231,785	272,810	–	–
Amount due to a subsidiary	–	–	–	718
Amounts due to a director (note 28(c))	12,306	42,228	–	–
Advance payments from customers	52,251	74,797	–	–
Other payables and accruals (note (e))	48,438	43,799	6,609	1,359
	344,780	433,634	6,609	2,077

All of the above balances (including amounts due to a director) are expected to be settled within one year or repayable on demand.

(a) As of the end of the reporting period, the ageing analysis of trade and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	The Group	
	2014 RMB'000	2013 RMB'000
Within 2 months	26,448	121,811
More than 2 months but within 3 months	44,161	50,904
More than 3 months but within 12 months	126,779	74,590
More than 12 months	34,397	25,505
	231,785	272,810

(b) Bills payable are normally issued with a maturity of not more than six months.

(c) At 31 December 2014, bills payable totalling RMB148,000,000 (2013: RMB223,888,000) were secured by pledged deposits of RMB95,708,000 (2013: RMB85,462,000).

(d) At 31 December 2014, bills payable totalling RMB2,300,000 (2013: RMB2,300,000) were secured by certain assets of the Group, details of which are set out on note 24(c).

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21 TRADE AND OTHER PAYABLES *(continued)*

(e) An analysis of the other payables and accruals is analysed as follows:

	The Group		The Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, wages, bonus and other accrued benefits	16,878	20,199	–	–
Payables for the purchase of property, plant and equipment	780	720	–	–
Value-added tax payable	6,937	11,318	–	–
Others	23,843	11,562	6,609	1,359
	48,438	43,799	6,609	1,359

22 DEBENTURES

(a) The analysis of the carrying amount of debentures is as follows:

	The Group and the Company 2014 RMB'000
Unsecured debentures	373,214

All of the debentures are carried at amortised cost. None of the debentures is expected to be settled within one year.

(b) Significant terms and repayment schedule of debentures:

During the year ended 31 December 2014, the Company issued a number of HKD denominated debentures in aggregate principal totalling HKD473 million (equivalent to RMB373 million), bearing interest rate at a range of 3.3%-7% per annum. The debentures are unsecured and repayable from December 2016 to December 2022.

At 31 December 2014, interest expense totalling RMB4,424,000 (2013: RMB Nil) were payable to debenture holders.

23 RECEIPT IN ADVANCE

The balance at 31 December 2014 represented partial payment made by a debenture subscriber to whom the deed of debenture was not yet issued at the end of the reporting period. The deed was subsequently issued on 5 January 2015.

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24 BANK LOANS

(a) At 31 December 2014, the bank loans were repayable as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within 1 year	219,239	209,011	28,399	16,511

(b) At 31 December 2014, the bank loans were analysed as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Bank loans				
– secured	82,839	47,089	28,399	8,649
– unsecured	136,400	161,922	–	7,862
	219,239	209,011	28,399	16,511

(c) The amounts of banking facilities and the utilisation at 31 December 2014 are set out as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Banking facilities				
– secured	91,555	68,649	28,399	8,649
– unsecured	490,889	469,532	–	7,862
	582,444	538,181	28,399	16,511
Amounts utilised	414,249	340,307	28,399	16,511

At 31 December 2014, the Group's utilised banking facilities totalling to RMB62,000,000 (31 December 2013: RMB30,000,000) were also secured by personal guarantees from Zhang Wenbin and Cai Xiuman, the directors of the Company at nil fee.

The secured bank loans and certain bills payable (note 21(d)) were secured by the following assets:

	2014 RMB'000	2013 RMB'000
Buildings (note 11)	29,716	31,698
Lease prepayments (note 13)	5,410	4,378
Pledged deposits (note 19)	21,332	23,180
	56,458	59,256

(Expressed in Renminbi unless otherwise indicated)

24 BANK LOANS *(continued)*

(c) The amounts of banking facilities and the utilisation at 31 December 2014 are set out as follows: *(continued)*

At 31 December 2014 and 2013, all of the Group's banking facilities were subject to the fulfilment of certain covenants as are commonly found in lending arrangements with financial institutions. If the Group breached the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 29(b).

At 31 December 2014, a number of covenants in relation to the financial ratios and target turnover of the Group for the Company and a number of its subsidiaries in respect of the bank loans totalling RMB47,000,000 were breached. As such, the loans have become repayable on demand and the non-current portion of RMB5,000,000 has been reclassified to current liabilities at 31 December 2014.

(d) Included in secured and unsecured bank loans of the Group as at 31 December 2014 were bills discounted with recourse totalling RMB16,000,000 and RMB4,000,000 (2013: RMBNil and RMB28,500,000) respectively.

25 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 4 September 2011 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, business partners and consultants of the Group to take up options at nil consideration to subscribe for shares of the Company. The options vest immediately from the date of grant and are then exercisable within a period of ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– On 17 October 2014	15,500,000	Immediate from the date of grant	10 years
Options granted to employees:			
– On 17 October 2014	35,000,000	Immediate from the date of grant	10 years
Options granted to business partners and consultants:			
– On 17 October 2014	69,500,000	Immediate from the date of grant	10 years
Total share options granted	120,000,000		

(Expressed in Renminbi unless otherwise indicated)

25 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(b) The number and weighted average exercise prices of share options are as follows:

	2014	
	Weighted average exercise price HKD	Number of options '000
Outstanding at the beginning of the period	–	–
Granted during the period	0.72	120,000,000
Exercised during the period	0.72	(81,500,000)
Outstanding at the end of the period	0.72	38,500,000

The weighted average share price at the date of exercise for shares options exercised during the year was HKD0.90.

The options outstanding at 31 December 2014 had an exercise price of HKD0.72 and a weighted average remaining contractual life of 9.79 years.

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of assumptions for share options granted on 17 October 2014	2014
Fair value at measurement date	HK$0.36
Share price	HK$0.70
Exercise price	HK$0.72
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	53%
Option life	10 years
Expected dividends	Nil
Risk-free interest rate	1.82%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital RMB'000 (Note 26(c))	Share premium RMB'000 (Note 26(d)(i))	Other reserve RMB'000 (Note 26(d)(ii))	Exchange reserve RMB'000 (Note 26(d)(iii))	Capital reserve RMB'000 (Note 26(d)(v))	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2013	97,935	160,683	164,969	(1,563)	–	(7,810)	414,214
Profit for the year	–	–	–	–	–	2,614	2,614
Other comprehensive income	–	–	–	(7,386)	–	–	(7,386)
Total comprehensive income for the year	–	–	–	(7,386)	–	2,614	(4,772)
Dividends approved and paid during the year	–	(8,520)	–	–	–	–	(8,520)
Balance at 31 December 2013 and 1 January 2014	97,935	152,163	164,969	(8,949)	–	(5,196)	400,922
Loss for the year	–	–	–	–	–	(47,629)	(47,629)
Other comprehensive income	–	–	–	771	(40)	–	731
Total comprehensive income for the year	–	–	–	771	(40)	(47,629)	(46,898)
Equity settled share-based transactions	–	–	–	–	34,230	–	34,230
Share issued under share option scheme (note 26(c)(ii))	6,446	63,171	–	–	(23,206)	–	46,411
Balance at 31 December 2014	104,381	215,334	164,969	(8,178)	10,984	(52,825)	434,665

(Expressed in Renminbi unless otherwise indicated)

26 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Dividends

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

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2014 RMB'000	2013 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of Nil HK cents (equivalent to approximately RMB Nil cents) per ordinary share (2013: 0.88 HK cents (equivalent to approximately RMB0.71 cents) per ordinary share)	–	8,520

(c) Share capital

(i) Authorised and issued share capital

	2014 Number of shares '000	2014 Amount HK$'000	2013 Number of shares '000	2013 Amount HK$'000
Authorised:				
Ordinary shares of HKD 0.1 each	10,000,000	1,000,000	10,000,000	1,000,000
Ordinary shares, issued and fully paid:				
At 1 January	1,200,000	120,000	1,200,000	120,000
Share issued under share option scheme	81,500	8,150	–	–
At 31 December	1,281,500	128,150	1,200,000	120,000
Equivalent to (RMB'000)		104,381		97,935

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

(Expressed in Renminbi unless otherwise indicated)

26 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital *(continued)*

(ii) Share issued under share option scheme

During the year ended 31 December 2014, options were exercised to subscribe for 81,500,000 ordinary shares in the Company at a consideration of HKD58,680,000 (equivalent to RMB46,411,000) of which HKD8,150,000 (equivalent to RMB6,446,000) was credited to share capital and the balance of HKD50,530,000 (equivalent to RMB39,965,000) was credited to the share premium account. HKD24,340,000 (equivalent to RMB23,206,000) has been transferred from the capital reserve to the share premium account in accordance with the policy set out in note 1(o)(ii) and note 1(p).

(iii) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price	Number 2014	2013
17 October 2014 to 17 October 2024	HK$0.72	38,500,000	–

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 25 to the financial statements.

(d) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Other reserve

Other reserve represents the difference between the Group's interest in the historical carrying value of an entity under common control of the same group of equity shareholders and the acquisition consideration paid for that entity; and the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares issued by the Company in exchange under the reorganisation of the Group completed on 2 February 2011.

(iii) Exchange reserve

The exchange reserve comprises all foreign currency differences arising from the translation of the financial statements with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy set out in note 1(t).

(Expressed in Renminbi unless otherwise indicated)

26 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Nature and purpose of reserves *(continued)*

(iv) Statutory reserve

Transfers from retained profits to PRC statutory reserve are made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

The subsidiaries in the PRC are required to appropriate 10% of its after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to statutory general reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory general reserve can be used to make good prior years' losses, if any, and may be converted into paid-up capital provided that the balance after such conversion is not less than 25% of the registered capital.

(v) Capital reserve

The capital reserve comprises the portion of the grant date rate value of unexercised share options granted to employees of the Group and other parties that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(o)(ii) and note 1(p).

(e) Distributable reserves

The Company was incorporated on 12 February 2010 and has not made any profits since its date of incorporation.

The aggregate amounts of reserves, including share premium reserve, other reserve, exchange reserve, capital reserve and accumulated loss available for distribution to equity shareholders of the Company were RMB330,284,000 (2013: RMB302,987,000). After the end of the reporting period, no final dividend (2013: RMB Nil) was proposed.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to financing at a reasonable cost.

The Group referred "capital" as including all components of equity. Trade balances and short-term bank loans that arise in the course of ordinary business are not regarded by the Group as capital. On this basis, the amount of capital employed by the Group at 31 December 2014 were RMB614,428,000 (2013: RMB664,330,000).

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustment to the capital structure in light of changes in economic conditions affecting the Group.

Except for the banking facilities which require the fulfilment of certain covenants as disclosed in note 24(c), neither the Company nor any of the subsidiaries are subject to externally imposed capital requirements in either current or prior year.

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27 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2014 not provided for in the consolidated financial statements were as follows:

	The Group 2014 RMB'000	2013 RMB'000
Contracted for	45,058	64,607

(b) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases in respect of properties were payable as follows:

	The Group 2014 RMB'000	2013 RMB'000
Within 1 year	997	1,392
After 1 year but within 5 years	–	–
	997	1,392

The Group leases a number of properties under operating leases. The leases typically run for an initial period of three to ten years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

(c) At 31 December 2014, the Group committed to pay royalties for the usage of several trademarks for manufacturing and sales of footwear, apparel and related accessories products. The minimum guaranteed royalty payments were payable as follows:

	The Group 2014 RMB'000	2013 RMB'000
Within 1 year	3,240	8,989
After 1 year but within 5 years	17,361	–
	20,601	8,989

The Group licenses a number of trademarks from independent third parties and a related party ("the Licensors"). The licensing agreements for the trademarks typically run for an initial period of one to five years respectively, at the end of which period all terms are renegotiated. Royalties payable to the Licensors are pre-determined in the licensing agreements or calculated based on a percentage of sales revenue with an annual minimum guaranteed royalty payment. Further details of the licensing agreement with the related party are disclosed in note 28(b)(ii).

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28 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed in notes 7, 8, 18, 21 and 25 of these consolidated financial statements, the Group entered into the following significant related party transactions.

(a) Name and relationship with related parties

During the years ended 31 December 2014 and 2013, the directors are of the view that related parties of the Group include the following individuals/entity:

Name of party	Relationships
Zhang Wen Bin * 張文彬	One of the Controlling Parties and key management personnel
Cai Xiu Man * 蔡秀滿	One of the Controlling Parties and key management personnel
Huang Cong Ming * 黃聰明	Key management personnel and brother in-law to Zhang Wen Bin
Wu Shu Lin * 吳樹林	Key management personnel and brother in-law to Zhang Wen Bin
Zhang Li Zhu * 張禮祝	Father of Zhang Wen Bin
Zhang Wen Zhi * 張文質	Brother of Zhang Wen Bin
UK Greiff Company Ltd ("UK Greiff")	A private company wholly-owned by Cai Xiu Man

* The English translation of the name is for reference only. The official name of these related parties is in Chinese.

(b) Significant related party transactions

Particulars of significant related party transactions during the years ended 31 December 2014 and 2013 are as follows:

(i) Lease of properties

	The Group 2014 RMB'000	2013 RMB'000
Rental payable/paid to Cai Xiu Man	259	241

(ii) Use of trademark

During the year ended 31 December 2009, UK Greiff granted a license to Greiff Xiamen for the use of the trademark "Greiff" for an initial period of ten years for a royalty of RMB80,000 per annum, at the end of initial period all terms are renegotiated. The licensing agreement was subsequently terminated and replaced by a revised licensing agreement signed on 10 February 2011 for granting Greiff Xiamen a sole and exclusive license to use the trademark "Greiff" for a term from 10 February 2011 to 27 January 2019. Pursuant to the revised licensing agreement, no charge will be payable on the use of the trademark by the Group.

28 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(c) Amounts due (to)/from a director

	The Group		The Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Amount due from a director	17,820	18,481	–	14,970
Amount due to a director	(12,306)	(42,228)	–	–

Notes:

(i) The amounts due (to)/from the director, Ms Cai Xiu Man, at 31 December 2014 are unsecured, interest-free and repayable on demand.

(ii) Amount due from a director of the Company disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161B of the predecessor Hong Kong Companies Ordinance is as follows:

Cash advance made by the Group:

Name of borrower	Ms Cai Xiu Man
Position	Director
Balance of the cash advance	
– at 1 January 2013	RMB Nil
– at 31 December 2013 and 1 January 2014	RMB18,481,000
– at 31 December 2014	RMB17,820,000
Maximum balance outstanding	
– during the year ended 31 December 2014	RMB30,256,000
– during the year ended 31 December 2013	RMB104,584,000

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Short-term employee benefits	2,165	2,583
Retirement scheme contributions	29	33
Equity settled share-based payments	7,131	–
	9,325	2,616

Total remuneration was included in "staff costs" (see note 5(b)).

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28 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of lease of properties and use of trademark in note 28(b) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest, currency, commodity price and business risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to these credit risks is monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are normally due within 90 days from the date of billing. The Group also offers revolving credit to its customers. The revolving credit, which provides for a maximum credit limit that may be outstanding at any one time, is determined based on such factors as current market conditions and the customers' credit history and current ability to pay. The funding need of a customer for the purpose of expanding its sales network is also taken into consideration. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2014, 4% (2013: 0%) of the total trade and other receivables was due from the Group's largest customer and 16% (2013: 9%) was due from the five largest customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose it to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

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29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

The Group

	2014					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Bank loans	226,583	–	–	–	226,583	219,239
Trade and other payables	280,222	–	–	–	280,222	280,222
Receipt in advance	–	–	–	2,445	2,445	2,445
Debentures	27,247	28,825	85,606	440,268	581,946	373,214
	534,052	28,825	85,606	442,713	1,091,196	875,120

	2013					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Bank loans	211,805	–	–	–	211,805	209,011
Trade and other payables and receipt in advance	340,356	–	–	–	340,356	340,356
	552,161	–	–	–	552,161	549,367

(Expressed in Renminbi unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Liquidity risk *(continued)*

The Company

	2014					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Bank loans	28,540	–	–	–	28,540	28,399
Other payables	6,609	–	–	–	6,609	6,609
Receipt in advance	–	–	–	2,445	2,445	2,445
Debentures	27,247	28,825	85,606	440,268	581,946	373,214
	62,396	28,825	85,606	442,713	619,540	410,667

	2013					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Bank loans	16,539	–	–	–	16,539	16,511
Other payables	2,077	–	–	–	2,077	2,077
	18,616	–	–	–	18,616	18,588

As shown in the above analysis, bank loans of the Group and the Company amounting to RMB226,583,000 and RMB28,540,000 respectively were due to be repaid during 2015. The short-term liquidity risk inherent in this contracted maturity date has been addressed after the end of the reporting period by negotiation with respective banks for renewal of respective bank loan agreements.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings and debentures. Borrowings issued at fixed rates and at variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's total borrowings at the end of the reporting period:

The Group

	2014		2013	
	Effective interest rate %	Amount RMB'000	Effective interest rate %	Amount RMB'000
Fixed rate borrowings:				
RMB bank loans	7.42	142,840	6.61	157,500
HKD debentures	7.30	373,214	–	–
		516,054		157,500
Variable rate borrowings:				
RMB bank loans	6.75	48,000	7.14	35,000
HKD bank loans	3.62	28,399	2.59	16,511
		76,399		51,511
Total net borrowings		592,453		209,011
Net fixed rate borrowings as a percentage of total net borrowings		87%		75%

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and retained profits by approximately RMB644,000 (2013: decreased/increased the Group's profit after tax and retained profits by approximately RMB428,000).

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group. The impact on the Group's loss after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2013.

(Expressed in Renminbi unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Currency risk

The Group is exposed to currency risk primarily from (i) sales and purchases which give rise to receivables, payables and cash balances that are denominated in USD and Euro, currencies other than the functional currency of the entities to which the transactions relate and; (ii) proceeds from initial public offering received by the Company denominated in HKD which were mostly exchanged into RMB.

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of reporting period. Differences resulting from the translation of the financial statements of the entities with functional currency other than RMB into the Group's presentation currency are excluded.

The Group

	2014			2013		
	Euro RMB'000	United States Dollars RMB'000	Renminbi RMB'000	Euro RMB'000	United States Dollars RMB'000	Renminbi RMB'000
Trade and other receivables	–	340	–	–	905	–
Cash and cash equivalents	–	17	184	–	770	10,207
Trade and other payables	(2,519)	(245)	–	(1,279)	(1,665)	–
Net exposure arising from recognised assets and liabilities	(2,519)	112	184	(1,279)	10	10,207

The Company

	2014 Renminbi RMB'000	2013 Renminbi RMB'000
Cash and cash equivalents	9	39
Net exposure arising from recognised assets and liabilities	9	39

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss for the year and retained profits arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

The Group

	2014		2013	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in loss for the year and (increase)/ decrease in retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit for the year and retained profits RMB'000
Euro	5%	94	5%	(48)
	(5)%	(94)	(5)%	48
United States Dollars	5%	(22)	5%	7
	(5)%	22	(5)%	(7)
Renminbi	5%	(8)	5%	510
	(5)%	8	(5)%	(510)

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group entities' (loss)/profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2013.

(e) Commodity price risk

The major raw materials used in the production of the Group's products include leather, cloth, rubber, polymers and plastics. The Group is exposed to fluctuations in the prices of these raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

(f) Business risk

The Group's primary business is the manufacturing and sales of casual footwear, apparel and related accessories. The Group's financial results are influenced by the rapidity with which designs are copied by competitors and reproduced at much lower prices, as well as by the Group's ability to continue to create new designs that find favour in the market place, maintain a larger network of customers and distributors, manufacture sufficient quantities to meet fashionable sales, and dispose of excess inventories without excessive losses. Based on these factors, the Group may experience significant fluctuations in its future financial results.

(Expressed in Renminbi unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(g) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2014 and 2013.

30 MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2014, a number of business partners exercised 39,500,000 share options granted to them during the year through offsetting against trade payable due to them amounted to RMB22,539,000.

31 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 31 December 2014, the directors consider the immediate parent and ultimate holding company of the Group to be Festive Boom Limited, which is incorporated in the BVI and beneficially owned by Cai Xiu Man. This entity does not produce financial statements available for public use.

32 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 16 December 2014, the Company has entered into an acquisition agreement with Mr. Ren Weimin, an independent third party, which conditionally agreed to acquire 51% equity interest of Beijing Ah Huo System Networks Co., Ltd. (北京阿火網絡科技有限公司), which was incorporated in the PRC, at a consideration of RMB51,000 and 64,998,422 ordinary shares of the Company.

The longstop date was originally set on 31 January 2015, pursuant to announcements made by the Company on 29 January 2015 and 17 February 2015, the longstop date was extended to 16 February 2015 and 6 March 2015 respectively. On 6 March 2015 the Company has entered into a supplemental agreement with Mr. Ren Weimin to defer the delivery of part of the consideration shares to the extent of 10,998,422 ordinary shares and a moratorium of 3 months commencing from the completion date apply to 50% of the consideration shares to be delivered. The transaction was not completed up to the date of approval of these financial statements.

During January 2015, the Company entered into a number of subscription agreements with a number of third party individuals for debentures in aggregate principal totalling HKD115 million. The debentures are interest bearing at a range of 5%-7% per annum with a maturity period of eight years. Interest is payable every 6 months.

(Expressed in Renminbi unless otherwise indicated)

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual improvements to IFRSs 2010-2012 cycle	1 July 2014
Annual improvements to IFRSs 2011-2013 cycle	1 July 2014
Annual improvements to IFRSs 2012-2014 cycle	1 January 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

In addition, the requirements of Part 9, “Accounts and Audit”, of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Group’s first financial year commencing after 3 March 2014 (i.e. the Group’s financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and the Company's prospectus dated 16 September 2011, is set out below:

	Year ended 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Results					
Turnover	**584,270**	792,572	679,498	607,197	412,138
Cost of sales	**(521,412)**	(618,192)	(504,505)	(397,621)	(282,984)
Gross profit	**62,858**	174,380	174,993	209,576	129,154
Other revenue	**2,852**	3,416	9,758	959	267
Other net income/(loss)	**1,739**	429	(261)	5,636	(613)
Selling and distribution expenses	**(22,925)**	(26,755)	(33,758)	(33,626)	(16,560)
Administrative expenses	**(163,145)**	(38,206)	(35,647)	(27,313)	(14,482)
Finance costs	**(17,167)**	(10,554)	(10,294)	(3,740)	(1,295)
(LOSS)/PROFIT BEFORE TAXATION	**(135,788)**	102,710	104,791	151,492	96,471
Income tax credit/(expense)	**5,447**	(30,734)	(31,979)	(39,215)	(25,142)
(LOSS)/PROFIT FOR THE YEAR	**(130,341)**	71,976	72,812	112,277	71,329
(Loss)/earnings per share — Basic and diluted (RMB)	**(0.11)**	0.06	0.06	0.12	0.08

ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
TOTAL ASSETS	**1,583,512**	1,339,361	1,154,972	841,016	350,152
TOTAL LIABILITIES	**969,084**	(675,031)	(554,292)	(304,829)	(193,195)
TOTAL EQUITY	**614,428**	664,330	600,680	536,187	156,957