



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
* For identification purpose only

Annual Report 2011



Jimaité
金迈王



camel
active



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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 City
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

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

AUDITORS

KPMG

LEGAL ADVISER

As to Hong Kong law:
Stephen Mok & Co. in association with Eversheds LLP

STOCK CODE

01096

COMPANY WEBSITE

www.activegroup-int.com



Financial Highlights



Financial Highlights

KEY FINANCIAL HIGHLIGHTS

For the Year ended 31 December

	Note	2011	2010	% change
Revenue (RMB'000)		607,197	412,138	47.3%
Gross profit (RMB'000)		209,576	129,154	62.3%
Profit before taxation (RMB'000)		151,492	96,471	57.0%
Profit for the year (RMB'000)		112,277	71,329	57.4%
Gross profit margin (%)		34.5%	31.3%	
Profit before tax margin (%)		24.9%	23.4%	
Earnings per share - Basic (RMB)	1	0.12	0.08	
Dividend per share - final (HK cents)		0.88	—	
As at 31 December				
Current ratio (times)	2	2.6	1.5	
Trade and bills payables turnover days (days)	3	71	48	
Trade and bills receivables turnover days (days)	4	102	77	
Inventory turnover days (days)	5	52	54	
Gearing ratio	6	10.1%	9.6%	

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 bank loans/total assets |

Chairman's Letter to Shareholders





I am pleased to present you the first annual report of Active Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively “**Active Group**” or the “**Group**”) since our listing on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) on 28th September 2011. The successful listing of the Company not only represents another significant step for entering international capital markets, but also provides a platform for realising our goal to become a market leader in men’s casual footwear as a brand operator in the People’s Republic of China (“**PRC**”) targeting the fast-growing segment of middle to upper-middle-range consumers.

Active Group manages five brands offering a wide range of casual footwear to various niches of middle to upper-middle range consumers. This diverse brand portfolio represents a broad revenue platform for the Group. Of the five brands, two of them, **Jimairé** (金邁王) and **Bull Titan** (公牛巨人), are our self-owned brands. The remaining three are licensed brands, namely **Greiff** (哥雷夫), **Luotuo Brand** (駱駝牌) and **Camel Active** (駱駝動感). Our comprehensive brand portfolio not only targets different ages of consumers but also carries a diverse range of footwear styles and functions, such as fashionable, business, formal and sporty.

The Group has continued to benefit from the increasing recognition of our brands and the rapid expansion of the retail sales network operated by our customers. These positive developments have driven the Group to achieve an outstanding performance with a record revenue and profit during the twelve months ended 31 December 2011. Revenue soared 47.3% compared to the year ended 31 December 2010 to RMB607.2 million. Profit from operations jumped 58.8% from RMB97.8 million for the year ended 31 December 2010 to reach RMB155.2 million for the year ended 31 December 2011. With the growth in operating profit, the profit attributable to the Company’s shareholders (“**Shareholders**”) amounted to RMB112.3 million, an increase of 57.4% over the last fiscal year.

Brand recognition and brand appeal are vital elements in the Group’s growth strategy. Active Group has imprinted its brand profile in the perception of the public by creating a highly recognisable and desirable brand image through a variety of exciting promotional activities, such as fashion events, conferences and seasonal sales fairs.

Chairman's Letter to Shareholders

We have also constantly strived to raise brand awareness penetrating the entire country. In 2011, our branded products have been sold at 2,040 retail sales points across the PRC, which comprise retail shops operated and maintained by distributors and counters at department stores. Strong growth in the number of our retail sales points, all of which are located in major China cities with many affluent consumers, has enabled us to fully capture the strong growth of consumer spending power.

The Group's high level of brand recognition comes with an equal commitment to incorporating high quality of materials and craftsmanship in its products. This is achieved by employing a talented team of 14 designers and technicians that ensure its footwear is in step with new trends and the latest technologies and styles. More than 2,400 new models of casual shoes are designed by the team each year, approximately 50% of the new designs were subsequently used for commercial production.

The buoyant Chinese economy and rapidly rising consumption power is expected to largely offset the effects of an economic slowdown elsewhere in the world. Therefore, we are optimistic about Active Group's outlook and see significant opportunities to build our current brands.

Industry figures* suggest that retail sales of men's casual footwear in China will grow to RMB71.3 billion by 2015, at a compound annual growth rate ("**CAGR**") of 11.6% from 2011 to 2015, faster than the men's footwear market overall. To capture the huge opportunities arising from the booming demand for men's casual footwear in the PRC, we are planning for further development across a number of fronts. Apart from expanding the retail sales network for our branded products, we are enhancing our design, research and development capabilities in order to offer a greater variety of high quality products. With these initiatives in the pipeline, and leveraging the experience of our management team, Active Group is set to maintain growth momentum and strengthen its position as a leading men's casual footwear brand operator in the PRC targeting middle to upper-middle-range of consumers.

APPRECIATION

Active Group enjoyed a prosperous year in 2011. On behalf of the Board ("**Board**") of Directors ("**Directors**"), I would like to take this opportunity to thank every member of our staff for contributing to this success. I also wish to express my sincere appreciation to our customers and business partners for their continued support. As always, we will remain committed to furthering the success of Active Group while seeking to generate greater returns for our shareholders.

Cai Xiuman

Chairman

Hong Kong, 19 March 2012

** Source from Euromonitor International Plc.*

A man wearing a blue beanie, a grey and blue striped sweater, a dark jacket, blue jeans, and brown leather boots is sitting on the ground. He is leaning forward with his arms crossed, looking to the right. He has a backpack on his back. The background is a wall made of many vertical pipes, some of which are rusted and have holes. The ground is dirt and gravel. A yellow line with a small yellow tag labeled '701' is drawn across the image, starting from the left and ending near the man's right boot.

***Management
Discussion
and Analysis***

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

China's economy continued its growth momentum from 2010. Under the guiding principles of the "Twelfth Five-Year Plan" for placing greater emphasis on internal market and expansion of domestic demand, China's domestic consumption market will undergo rapid development during the period, aiming to continue transitioning to an economy driven by domestic consumption instead of exports. Such policy has created a favorable operating environment and growth potential for the retail industry.

According to statistics from Euromonitor International Plc. ("**Euromonitor**"), the size of China's men's footwear market in terms of sales value grew from RMB59.7 billion in 2006 to RMB84.9 billion in 2010, representing a CAGR of 9.2%. With the domestic economy gradually rebounding and men's increasing awareness on personal appearance, men's footwear is expected to grow faster in the future. According to Euromonitor, China's men's footwear is expected to grow at a CAGR of 11.2% during the forecast period from 2011 to 2015, amounting to RMB143.9 billion by 2015 and accounting for 41.4% of total adult's footwear sales.

According to Euromonitor, men's footwear can be classified into 3 style categories, namely formal footwear, casual footwear and sports footwear. The total size of men's casual footwear accounted for 48.6% of the total men's footwear market in 2010. Attributable to consumers' pursuit of leisure life and quick increase in middle-class wealthy population in China due to the acceleration of urbanization and the continuous rise in income, men's casual footwear is expected to grow faster than the overall men's footwear market. Euromonitor's research indicated that the retail sales of men's casual footwear will grow at a CAGR of 11.6% from 2011 to 2015, which the growth is projected to be faster than that of the overall men's footwear market, which is estimated to be 11.2% in the same period. The total size of men's casual footwear is expected to account for 49.5% of the total men's footwear market in 2015.

BUSINESS REVIEW

Our Group is one of the leading men's casual footwear enterprises and multi-brand operators in China, which specialises in developing and promoting self-owned and licensed brands of high quality and stylish casual footwear. Leveraging on our multi-brand strategy, we manage five brands, two of which are self-owned brands (**Jimaire** and **Bull Titan**) and three of which are licensed brands (**Luotuo Brand**, **Camel Active** and **Greiff**). Each of the brands has its own market position and brand style targeting different segments from the middle to upper-middle end consumers in the market. During this financial year, our Group successfully captured the opportunities from the rapid growing domestic consumer market and recorded satisfactory results, with turnover of approximately RMB607.2 million (2010: RMB412.1 million), representing a year-on-year growth of approximately 47.3%, mainly attributable to increase in average selling price and sales volume. Net profit attributable to Shareholders amounted to approximately RMB112.3 million (2010: RMB71.3 million), representing an increase of approximately 57.4% from the previous year.

SALES AND DISTRIBUTION NETWORK

To implement our distribution model, our products are sold to end consumers through the retail sales network operated and maintained by our customers including distributors and department stores. Our Group strived to have our customers' retail shops and department store counters operated in accordance with the guidelines set by our Group. Our customers have to obtain our prior approval before opening a new retail shop or department store counter. This distribution model allows our Group to expand our retail sales network rapidly with lower capital expenditure requirements as compared to self-operated retail stores. Leveraging on the extensive retail sales networks of our customers, our products were able to retail sell to end consumers nationwide. During this financial year, the retail sales network of our customers have been expanded rapidly. As at 31 December 2011, our Group entered into master sales agreements with 92 distributors and 504 department store customers, who in turn retail sell our products at 2,040 retail sales points throughout China.

Management Discussion and Analysis



To enhance the awareness of our product brands, our first flagship store under the “**Greiff**” brand located in Shijiazhuang, Hebei is in the progress for the interior decoration and plan to have its grand opening in the first half of 2012. In order to have a more detailed and better preparation for the grand opening of our first flagship store, we have re-scheduled our plan to open the second flagship store right after the first one as a role model of retail sales operation. We intend to establish our own network by 25 flagship stores in total by the year 2013 at prime locations in major and fast-growing provinces and cities of China, such as Fujian, Beijing, Shanghai, Jiangsu, Zhejiang, Sichuan and Guangdong. We believe that having our own flagship stores not only enables us to enhance our brand awareness and recognition, but also enables us to closely monitor end consumer preferences, thereby allowing us to quickly respond to changing market trends.



PRODUCT DESIGN AND DEVELOPMENT

Customized product design for customers is crucial to sustain the Group's success, so the Group has been increasing expenditure in this area. In November 2011, a new laboratory for product testing, research and development was set up and started operations in Guangzhou. To achieve continuous improvement on the design capability, the Group plans to globally recruit designers and researchers and has already invested RMB2.0 million on research and development equipment and quality control machinery in the new laboratory to keep abreast with international trends.

We have 14 experienced designers and technicians in Shishi's headquarter. Each year, we launch new products on a seasonal basis under our spring/summer and autumn/winter collections. Our Group is in the process to target talented and experienced designers in order to further increase our competitive advantages in men's casual footwear market.



PRODUCTION

As at 31 December 2011, the Group operated 9 production lines, up from 7 as at December 2010, in the Group's production base in Fujian province and the annual production capacity was increased by 34.2% to around 3.9 million pairs of footwear from 2.9 million pairs for the year 2010. In order to increase the production efficiency of our existing production lines, we took extra time than we expected to redesign the whole set of production lines and search for appropriate equipment to upgrade the existing 9 production lines. We intend to finish the upgrade process in the first half of 2012, in order to increase our annual production capacity to approximately 4.6 million pairs of casual footwear to meet the increasing demand for our products. In addition to support the growth of our sales network, we are establishing 5 new production lines in Suining, Jiangsu province with total construction cost of RMB121.5 million. Because of the unstable weather in Jiangsu province in late 2011, the construction project was postponed and commenced in January 2012. The completion time would then be postponed by two to three months than we expected. The construction project is scheduled to be completed in early 2013 and is expected to commence operation thereafter. We believe annual production capacity is expected to be boosted by approximately 3.0 million pairs of casual footwear and a small portion of apparel products when the new plant is in full operation. The Directors are of the view that by locating the new production facilities in Jiangsu province, the Group will benefit from proximity and information exchange with other casual footwear manufacturers and the relatively lower labour costs than along the coastal areas.

FINANCIAL ANALYSIS

Turnover

Our Group registered a total turnover of RMB607.2 million for the year ended 31 December 2011, an overall growth of 47.3% compared with the corresponding period of last year. It was mainly due to the rapid expansion of the retail sales network and an increasing recognition of our brands resulted from our successful promotion of our brands, improved product design and expansion of our product portfolio.

Management Discussion and Analysis

Revenue analysis by brand and product are as follows:

Revenue analysis by brand	For the year ended 31 December	
	2011 RMB'000	2010 RMB'000
Jimairé	148,362	120,484
Bull Titan	153,195	118,576
Luotuo Brand	93,497	68,835
Greiff	60,845	16,428
Camel Active	25,907	5,963
	481,806	330,286
Original equipment manufacturing ("OEM")	125,391	81,852
Total	607,197	412,138

Revenue analysis by product	For the year ended 31 December			
	2011 RMB'000	%	2010 RMB'000	%
Casual footwear				
— Branded product	464,554	76.5	318,693	77.3
— OEM	125,391	20.7	81,852	19.9
Apparel and accessories	17,252	2.8	11,593	2.8
	607,197	100	412,138	100

The increase in our revenue from the sales of our branded products was also contributed by the increase in the market acceptance of two of our licensed brands, **Greiff** and **Camel Active**, which were first introduced to the market in 2009 and 2010, respectively. The total amount of sales from these two brands increased by approximately 2.9 times from RMB22.4 million for the year ended 31 December 2010 to RMB86.8 million for the year ended 31 December 2011.

Management Discussion and Analysis

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

By number of units sold and average selling price		For the year ended 31 December			
		2011		2010	
		Total units sold '000	Average selling price RMB	Total units sold '000	Average selling price RMB
Jimaine	— Footwear (pairs)	1,083	137.0	910	132.4
Bull Titan	— Footwear (pairs)	894	171.4	814	145.7
Luotuo Brand	— Footwear (pairs)	612	152.8	523	131.6
Camel Active	— Footwear (pairs)	123	210.6	30	198.8
Greiff	— Footwear (pairs)	257	168.8	33	147.5
	— Apparel (pieces)	134	123.0	99	108.5
	— Accessories (pieces/pairs)	5	175.0	8	120.1

The significant increase in our revenue from our branded products was also attributed from the increase in both our sales volume and average selling price during the year ended 31 December 2011. The overall average selling prices of the Group's branded footwear products were increased with a range from 3.5% to 17.6%, resulted from the increase in demand of our products and the enhanced recognition of our brands in the market, and rapid growth of the economy of China also contributed to the increase in our sales volume.

There is a small but appreciable improvement in sales of apparel under **Greiff**, as higher quality products enabled a strong rise in both average selling price and volume.

Management Discussion and Analysis

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

By Region	For the year ended 31 December			
	2011		2010	
	RMB'000	%	RMB'000	%
Northern Region ⁽¹⁾	118,078	24.5	86,815	26.3
Northeastern Region ⁽²⁾	49,406	10.3	31,963	9.7
Northwestern Region ⁽³⁾	43,544	9.0	21,792	6.6
Eastern Region ⁽⁴⁾	204,774	42.5	138,463	41.9
Southern Region ⁽⁵⁾	22,864	4.7	13,066	4.0
Southwestern Region ⁽⁶⁾	24,365	5.1	23,513	7.1
Central Region ⁽⁷⁾	18,775	3.9	14,674	4.4
	481,806	100	330,286	100

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 Eastern, Northern and Northeastern Region, in aggregate, amounted to 77.3% (2010: 77.9%) of the total revenue from branded product sales. It is primarily because the majority of the sales counters at department stores and retail shops set up by our customers were located in major cities such as Shanghai, Beijing, Jiangsu and Fujian where the Group's target customers, who are relatively more affluent and possess strong purchasing power, are located.

GROSS PROFIT AND GROSS PROFIT MARGIN

Despite the increasing cost of raw materials and staff costs, we managed to increase our gross profit margin to 34.5%, a very commendable improvement when compared to the previous year. The increase was mainly attributable to the enhancement in customers' brand loyalty, allowing us to increase the selling price and gain the price advantage.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses primarily consisted of advertising and promotional expenses, royalty fee for licensed brand, staff costs for our sales and marketing staff, and other costs related to sales and distribution. For the year ended 31 December 2011, we have increased advertising to promote and market our brands through various promotional activities and channels, in order to enhance our brand awareness and recognition in the market. The advertising and promotional expenses incurred for brand promotion for the year ended 31 December 2011 was approximately RMB14.6 million (2010: RMB4.7 million), representing approximately 2.4% (2010: 1.1%) of our turnover. Such expenses included media advertising expenses, promotional event expenses, sales fair and fashion show expenses and expenses for the design and making of showcase placed in retail stores.

ADMINISTRATIVE EXPENSES

Our administrative expenses increased by about 88.6% to RMB27.3 million for the year ended 31 December 2011 primarily attributable to RMB6.3 million professional fees paid in connection with the listing of the ordinary shares of the Company (“Shares”) on the Main Board of the Stock Exchange, as well as increase in salary levels for senior administrative staff recruited for the expansion of our operation.

EFFECTIVE TAX RATE

The effective tax rate for the Group decreased from 26.1% in 2010 to 25.9% in 2011, which was mainly attributable to an increase in contribution by Luotuo Quanzhou, which benefited from a lower tax rate under 2+3 tax holiday since 2007.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to Shareholders increased by 57.4% to approximately RMB112.3 million (2010: RMB71.3 million). Its ratio to revenue slightly increased from 17.3% for the year ended 31 December 2010 to 18.5% for the year ended 31 December 2011. Basic earnings per Share for the Group increased from RMB8 cents in 2010 to RMB12 cents in 2011.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2011, cash and cash equivalents, including bank deposits with original maturities not exceeding three months, amounted to RMB213.2 million, representing a net increase of RMB188.5 million as compared to the position as at 31 December 2010. The increase was mainly attributed to the Group’s net cash proceeds received from the initial public offer which amounted to HK\$337.4 million (equivalent to RMB275.4 million). It is expected that the cash flow of the Group will remain strong in 2012, providing a stable source of fund required by existing projects.





We have 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 2011, total available banking facilities of the Group amounted to RMB230.0 million, among which the amount of outstanding bank borrowings and bills payable were RMB84.6 million and RMB62.4 million respectively. The ratio of outstanding bank borrowings to total assets was 10.1% for 2011 (2010: 9.6%).

During the current year, we have not entered into any interest swap arrangements to hedge against interest rate risks.

FOREIGN EXCHANGE RISK

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

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

PLEDGE OF ASSETS

At 31 December 2011, we secured our bank facilities by a charge over a land use right with an aggregate carrying amount of RMB4.6 million (2010: RMB4.7 million) and buildings with net book value of RMB35.5 million (2010: RMB37.6 million).

WORKING CAPITAL MANAGEMENT

The Group recognises the importance of a strong and stable cash flows from operations to stay competitive and capture every business opportunity.

A substantial part of our inventories was raw materials. We are able to maintain stable inventory turnover days of around 52 days for the year ended 31 December 2011 (2010: 54 days). This reflects a very sound policy on raw material procurement and inventory control that we have.

Our trade receivables mainly represent receivables from our customers. The average trade and bills receivables turnover days for the year ended 31 December 2011 increased to 102 days (2010: 77 days), primarily due to the granting of payment extensions to some of our customers to allow their greater liquidity, thereby encourageing them to expand the retail sales network for our branded products. We strive to strengthen our credit control to ensure that the trade and bills receivables turnover days will be in line with the credit terms of 60 to 90 days granted to our customers.

Management Discussion and Analysis

Trade payables represented payables to long-standing suppliers, such as raw material suppliers and outsourced manufacturers. The average trade and bills payables turnover days increased to 71 days (2010: 48 days), primarily as a result of utilisation of credit terms provided by the suppliers to the Group.

USE OF PROCEEDS

The Shares were listed on the Main Board of the 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). As at 31 December 2011, the unused proceeds were deposited in licensed banks in Hong Kong and the PRC.

Use of net proceeds from global offering

	Percentage to total amount	Net proceeds (HK\$ million)	Utilised amount (as at 31 December 2011) (HK\$ million)	Unutilised amount (as at 31 December 2011) (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 research and development laboratory	15.6%	52.6	8.6	44.0
Developing and increasing brand awareness	6.6%	22.3	9.0	13.3
Expansion of the product research and development 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	0.6	8.2
General working capital	7.3%	24.6	4.1	20.5
		337.4	22.3	315.1

EMPLOYEES AND EMOLUMENTS

As at 31 December 2011, we employed a total of 1,484 full time employees in the PRC and Hong Kong which included management staff, product designers, technicians, salespersons and workers. For the year ended 31 December 2011, the Group's total expenses on the remuneration of employees was RMB42.1 million, representing 6.9% of the turnover of the Group. Our emolument policies are formulated based on the performance of individual employees, which will be reviewed periodically. Apart from the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or social security fund (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance. Since the adoption of the share option scheme on 4 September 2011 and up to 31 December 2011, no options have been granted.

PROSPECTS

According to Euromonitor, the market for adult footwear in China is projected to reach RMB348.0 billion by 2015, growing at a CAGR of 11.2% from 2011, while the retail sales of men's casual footwear is expected to grow at a CAGR of 11.6% from 2011 to 2015, reaching RMB71.3 billion by 2015, and exceeding the overall growth rate of the men's footwear market. As one of the leading men's casual footwear enterprises and multi-brand operators in the PRC, we are confident that we can further expand and improve our sales network, as well as establishing self-owned and operated flagship stores in some prime locations in the first and second tier cities to further enhance the brand awareness of the Group's products.

CORPORATE GOVERNANCE REPORT

We are committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Code on Corporate Governance Practices (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 period from 28 September 2011, being the first day of the listing of the Company’s shares on the Stock Exchange, to 31 December 2011 (“**Period**”), the Company has complied with all the code provisions of the Corporate Governance Code.

THE BOARD

The Board of the Company 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 Period 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 Period, 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 Period, 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 4 meetings during the Period and the attendance of the Directors are set out on page 25.

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 2011, 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 2011. None of the Directors has entered into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Pursuant to the articles of association of the Company (“**Articles**”), the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

According to the Articles and in the opinion of the Board, all the Directors, namely Ms. Cai Xiuman, Mr. Zhang Wenbin, Mr. Huang Jianren, Mr. Chen Yuanjian, Mr. Wu Xiaoqiu, Mr. Ye Lin and Mr. Lee Ho Yiu Thomas will retire at the forthcoming annual general meeting. 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.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each newly appointed 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 Period.

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;

Corporate Governance Report

- (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.

No meeting of the Remuneration Committee was held during the Period. From 2012, the Remuneration Committee will meet at least once a year.

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 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.

A meeting of the Audit Committee was held during the Period to consider and review the unaudited financial statements of the Group for the six months ended 30 June 2011 and the attendance of the Audit Committee members of such meeting is set out on page 25. From 2012, the Audit Committee will meet at least twice a year.

A recent meeting of the Audit Committee was held on 19 March 2012 to consider and review the audited financial statements of the Group for the year ended 31 December 2011 and internal control related matters. 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; and
- (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.

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.

No meeting of the Nomination Committee was held during the Period. From 2012, the Nomination Committee will meet at least once a year.

MEETING ATTENDANCE

The Directors' attendance in the Board meeting(s), the Audit Committee meeting(s), the Remuneration Committee meeting(s), the Nomination Committee meeting(s) and the Shareholders' meeting(s) during the Period are set out below:

	Attendance				
	Board meeting(s)	Audit Committee meeting(s)	Remuneration Committee meeting(s)	Nomination Committee meeting(s)	Shareholders' meeting(s)
Executive Directors					
Ms. Cai Xiuman (<i>Chairman</i>)	3/4	—	—	—	0/0
Mr. Zhang Wenbin (<i>Chief executive officer</i>)	3/4	—	—	—	0/0
Mr. Huang Jianren (<i>Chief operation officer</i>)	4/4	—	—	—	0/0
Mr. Chen Yuanjian (<i>Chief financial officer</i>)	4/4	—	—	—	0/0
Independent non-executive Directors					
Mr. Wu Xiaoqiu	1/4	1/1	0/0	0/0	0/0
Mr. Ye Lin	1/4	1/1	0/0	0/0	0/0
Mr. Lee Ho Yiu Thomas	1/4	1/1	0/0	0/0	0/0

ACCOUNTABILITY AND AUDIT

Financial reporting

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 pages 37 to 38.

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 Audit Committee also makes recommendations to the Board on the appointment and retention of the independent auditor.

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 2011 amounted to approximately HK\$2.3 million and HK\$Nil respectively.

INTERNAL CONTROL AND RISK MANAGEMENT

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.

The Directors have 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.

In the meeting held on 19 March 2012, the Audit Committee has also 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.

INTERNAL AUDIT

Internal audit department of the Company ("**Internal Audit**") is responsible for providing an independent and objective assessment of the Group's system of internal controls and underlying business processes. Internal Audit adopts a risk based approach to conduct its annual audits and assesses the risk levels faced by the Group and its operations through both its past audit findings, risk assessment and consultations with management and the Audit Committee. The scope of work performed by Internal Audit includes both operational, financial and IT audits, special investigations and productivity efficiency reviews. To permit the rendering of impartial and unbiased judgment essential to the proper conduct of audits, Internal Audit is independent of the activities it audits. This does not preclude Internal Audit's proactive involvement with management in planning processes or special assignments that have been approved by either the chief executive officer or its designated representative or the Audit Committee. Internal Audit communicates the results of its projects to senior management and the Audit Committee through its reports on as completed basis as well as semi-annually in the Audit Committee meeting.

INVESTOR RELATIONS

There are no significant changes in the Articles and the memorandum of association of the Company during the Period. However, in order to cope with the amendments of the Listing Rules which has or will become effective on 1 January 2012 and 1 April 2012, respectively, amendments of the Articles will be proposed in the forthcoming annual general meeting for the approval of the Shareholders. Details of such amendments are set out in the circular of the Company dated 29 March 2012.

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of Company is investment holding and the principal activities of its subsidiaries are set out in note 14 to the financial statements.

RESULTS & DIVIDENDS

Results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 39. Other movements in reserves are set out in the consolidated statement of changes in equity on page 44.

The Board recommends HK0.88 cents (equivalent to approximately RMB0.72 cents) per Share as a final dividend for the year ended 31 December 2011.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four 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 2011 are set out in note 22(c) to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company's aggregate amounts of reserves available for distribution were approximately RMB329,838,000, of which approximately RMB8,640,000 has been proposed as a final dividend for the year.

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 12 to the financial statements.

BANK BORROWINGS AND INTEREST

Details of the Group's bank borrowings are set out in note 21 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 2011, the Group's five largest customers accounted for approximately 16.3% of the Group's total revenue and the Group's largest customer for the year accounted for approximately 4.6% of the Group's total revenue. The Group's five largest suppliers accounted for approximately 17.0% of the Group's total purchases, while the largest supplier for the year accounted for approximately 4.7% 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 issued share capital has any interest in any of the Group's five largest customers or suppliers.

EMPLOYEES

As at 31 December 2011, the Group had 1,484 employees in total. The table below shows a breakdown of the Group's employees by their responsibilities:

Department	Number of employees
Management and administration	187
Production and procurement	1,152
Sales and marketing	131
Product design, research and development	14
Total	1,484

Total staff costs for the year under review amounted to approximately RMB42.1 million and the details are set out in note 6(b) to the financial statements. Remuneration for employees is based upon 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 2011, 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	684,720,000	57.06%
Mr. Zhang Wenbin (Note 2)	Interest of spouse	684,720,000	57.06%

Notes:

- Ms. Cai Xiuman is the beneficial owner of the entire issued share capital of Festive Boom Limited which holds 684,720,000 Shares.
- Mr. Zhang Wenbin is deemed to be interested in the 684,720,000 Shares held by Festive Boom Limited by virtue of the interest held by his spouse, Ms. Cai Xiuman.

(B) 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 (Note 1)	Festive Boom Limited	One	100%

As at 31 December 2011, 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director 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 2011, 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	Number of Shares	Approximate percentage of shareholding in the Company
Festive Boom Limited	Beneficial owner	684,720,000	57.06%
Hong Kong Investments Group Limited	Beneficial owner	72,000,000	6.00%
Mr. Cheung Chi Mang (Note 1)	Interest of controlled corporation	72,000,000	6.00%

Note:

1. 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 2011.

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.

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.

No share options were granted under the Share Option Scheme for the year ended 31 December 2011 and up to the date of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The Company has not redeemed any of the Shares during the year ended 31 December 2011. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's securities during the year ended 31 December 2011 other than the initial public offering of the Shares in 2011.

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 Period.

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus, the following transactions fall within the *de minimis* exemption under Rule 14A.33(3)(a) of the Listing Rules and are therefore exempt from the reporting, announcement and independent shareholders' approval requirements:

1. Trademark licensing agreement

Pursuant to the trademark licensing agreement dated 10 February 2011, UK Greiff Company Ltd. ("**Greiff UK**") granted to 哥雷夫(廈門)國際貿易有限公司 (Greiff (Xiamen) International Trading Co., Ltd) an indirect wholly-owned subsidiary of the Company, a sole and exclusive license to use the **Greiff** trademark for a term from 10 February 2011 to 27 January 2019 at nil consideration. Greiff UK is a company wholly-owned by Ms. Cai Xiuman, a controlling Shareholder and an executive Director. Accordingly, Greiff (UK) is an associate of Ms. Cai Xiuman and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The transaction under the trademark licensing agreement therefore becomes a connected transaction under Chapter 14A of the Listing Rules.

2. Tenancy agreement

Pursuant to a tenancy agreement dated 25 July 2011, Ms. Cai Xiuman agreed to lease to Jinmaiwang Group Limited, an indirect wholly-owned subsidiary of the Company, the premises located at Office C, 21st Floor, Legend Tower, No. 7 Shing Yip Street, Kowloon, Hong Kong, at a monthly rental of HK\$25,200 (exclusive of management fee and utilities expenses) for a term of three years commencing from 1 August 2011. Ms. Cai Xiuman is a controlling Shareholder and an executive Director, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The transaction under the tenancy agreement therefore becomes a connected transaction under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under note 25 to the financial statements, and none of which constitutes a discloseable connected transaction as defined under the Listing Rules.

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.

Directors' Report

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 Period.

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 Period.

AUDITOR

KPMG will retire and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of KPMG as auditor of the Company is to be proposed at the forthcoming annual general meeting.

ADOPTION OF CHINESE NAME OF THE COMPANY

Subject to, among other matters, the approval of the Shareholders by a special resolution at the forthcoming annual general meeting, the Board proposes to adopt the Chinese name “動感集團控股有限公司” as the Company's dual foreign name. Details of such adoption are set out in the circular of the Company dated 29 March 2012.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend the annual general meeting for the year ended 31 December 2011, the register of members of the Company will be closed from 1 May 2012 to 4 May 2012 (both days inclusive), during which period no transfer of Shares can be registered. In order to qualify for attending the annual general meeting for the year ended 31 December 2011, 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, 163 Queen's Road East, Wan Chai, Hong Kong for registration by not later than 4:30 p.m. on 30 April 2012.

In order to determine the entitlement to the final dividends for the year ended 31 December 2011, the register of members of the Company will be closed from 10 May 2012 to 14 May 2012 (both days inclusive), during which period no transfer of Shares can be registered. In order to qualify for the final dividends for the year ended 31 December 2011, 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, 163 Queen's Road East, Wan Chai, Hong Kong for registration by not later than 4:30 p.m. on 9 May 2012.

On behalf of the Board

Cai Xiunan

Chairman

Hong Kong, 19 March 2012

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

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

EXECUTIVE DIRECTORS

Ms. Cai Xiuman (蔡秀滿), aged 41, 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 45, 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 34, 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 48, 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 20 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 Ailiao Xiepu 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 53, 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. He is also an assistant to the principal of the Renmin University of China. Mr. Wu has been appointed as an independent director of each of Bank of Beijing (北京銀行股份有限公司), Haitong Securities Co., Ltd. (海通證券股份有限公司), 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 48, was appointed as an independent non-executive Director on 4 September 2011. Mr. Ye has about 20 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 (匯豐晉信基金管理有限公司). He served as an independent director of Overseas Chinese Town Holding Limited (深圳華僑城股份有限公司), a company listed in the PRC, between 2003 to 2006. 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 34, was appointed as an independent non-executive Director on 4 September 2011. Mr. Lee has 11 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 and director of the Wanchai and Central & Western District Industries and Commerce Association. 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 is currently an independent non-executive director of Suncorp Technologies Limited (stock code: 1063). He is also an independent non-executive Director and the member of the audit committee and remuneration committee of ABC Communications (Holdings) Limited (stock code: 0030). Both companies are listed on the Main 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.

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 46, 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 37, 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.

Mr. Huang Congming (黃聰明), aged 53, is a vice-president of the Group. He has over 20 years of management experience in shoes industry. Mr. Huang joined the Group in 1995. He is the brother-in-law of Mr. Zhang Wenbin.

Miss Yau Suk Yan (邱淑欣), aged 30, 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 Accounts. She obtained a bachelor degree in accounting from The Hong Kong Polytechnic University in 2004.

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report to the shareholders of Active Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Active Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 39 to 99, which comprise the consolidated and company balance sheets as at 31 December 2011, the consolidated income statement, the consolidated statement of 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and 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

19 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Turnover	4	607,197	412,138
Cost of sales		(397,621)	(282,984)
Gross profit		209,576	129,154
Other revenue	5(a)	959	267
Other net income/(loss)	5(b)	5,636	(613)
Selling and distribution expenses		(33,626)	(16,560)
Administrative expenses		(27,313)	(14,482)
Profit from operations		155,232	97,766
Finance costs	6(a)	(3,740)	(1,295)
Profit before taxation	6	151,492	96,471
Income tax	7(a)	(39,215)	(25,142)
Profit for the year		112,277	71,329
Earnings per share			
Basic and diluted (RMB)	11	0.12	0.08

The notes on pages 46 to 99 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 22(b).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011
(Expressed in Renminbi)

	2011 RMB'000	2010 RMB'000
Profit for the year	112,277	71,329
Other comprehensive income for the year		
Exchange differences on translation of financial statements of subsidiaries outside the People's Republic of China	(220)	608
Total comprehensive income for the year	112,057	71,937

The notes on pages 46 to 99 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	12	61,375	50,863
Lease prepayments	13	4,482	4,586
Non-current prepayments for acquisitions of property, plant and equipment		—	216
Deferred tax assets	15(b)	1,100	773
		66,957	56,438
Current assets			
Inventories	16	65,547	48,556
Current portion of lease prepayments	13	104	104
Trade and other receivables	17	460,474	211,671
Pledged deposits	18	34,747	8,696
Cash and cash equivalents	19(a)	213,187	24,687
		774,059	293,714
Current liabilities			
Trade and other payables	20	184,157	137,347
Bank loans	21	84,600	33,500
Current taxation	15(a)	34,530	22,348
		303,287	193,195
Net current assets		470,772	100,519
Total assets less current liabilities		537,729	156,957
Non-current liabilities			
Deferred tax liabilities	15(b)	1,542	—
NET ASSETS		536,187	156,957

Consolidated Balance Sheet

At 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
CAPITAL AND RESERVES			
Capital	22(c)	97,935	10
Reserves		438,252	156,947
TOTAL EQUITY		536,187	156,957

Approved and authorised for issue by the board of directors on 19 March 2012.

Zhang Wenbin

Director

Cai Xiuman

Director

The notes on pages 46 to 99 form part of these financial statements.

BALANCE SHEET

At 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Interests in subsidiaries	14	394,575	—
Current assets			
Other receivables	17	12,455	—
Cash and cash equivalents	19(a)	22,941	—
		35,396	—
Current liabilities			
Other payables	20	2,198	47
Net current assets/(liabilities)			
		33,198	(47)
NET ASSETS/(LIABILITIES)			
		427,773	(47)
CAPITAL AND RESERVES			
Share capital	22(a)	97,935	1
Reserves		329,838	(48)
TOTAL EQUITY			
		427,773	(47)

Approved and authorised for issue by the board of directors on 19 March 2012.

Zhang Wenbin
Director

Cai Xiuman
Director

The notes on pages 46 to 99 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company						Total RMB'000
		Capital	Share	Other	Exchange	Statutory	Retained	
		RMB'000 Note 22(c)	premium RMB'000 Note 22(d)(i)	reserve RMB'000 Note 22(d)(ii)	reserve RMB'000 Note 22(d)(iii)	reserve RMB'000 Note 22(d)(iv)	profits RMB'000	
At 1 January 2010		1,509	—	2,343	129	6,085	76,453	86,519
Changes in equity for 2010:								
Profit for the year		—	—	—	—	—	71,329	71,329
Other comprehensive income		—	—	—	608	—	—	608
Total comprehensive income for the year		—	—	—	608	—	71,329	71,937
Appropriations to statutory reserve		—	—	—	—	1,274	(1,274)	—
Arising from Reorganisation	22(c)(ii)	(1,499)	—	—	—	—	—	(1,499)
At 31 December 2010 and 1 January 2011		10	—	2,343	737	7,359	146,508	156,957
Changes in equity for 2011:								
Profit for the year		—	—	—	—	—	112,277	112,277
Other comprehensive income		—	—	—	(220)	—	—	(220)
Total comprehensive income for the year		—	—	—	(220)	—	112,277	112,057
Appropriations to statutory reserve		—	—	—	—	8,464	(8,464)	—
Arising from Reorganisation	22(c)(ii)	75	—	(75)	—	—	—	—
Issuance of ordinary shares upon initial public offering, net of issuing costs	22(c)(iv)	24,483	242,690	—	—	—	—	267,173
Capitalisation issue	22(c)(iv)	73,367	(73,367)	—	—	—	—	—
At 31 December 2011		97,935	169,323	2,268	517	15,823	250,321	536,187

The notes on pages 46 to 99 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Operating activities			
Cash (used in)/generated from operations	19(b)	(36,878)	39,804
Income tax paid		(25,818)	(14,314)
Net cash (used in)/generated from operating activities		(62,696)	25,490
Investing activities			
Payment for the purchase of property, plant and equipment		(7,769)	(665)
Payment for non-current prepayments of property, plant and equipment		—	(216)
Interest received		834	203
Changes in pledged deposits		(26,051)	(3,246)
Net cash used in investing activities		(32,986)	(3,924)
Financing activities			
Proceeds from new bank loans		96,100	38,500
Repayment of bank loans		(45,000)	(25,600)
Interest paid		(3,740)	(1,295)
Changes in amounts due from/to directors		(30,332)	(14,204)
Net proceeds from issue of ordinary shares upon initial public offering, net of issuing costs		267,173	—
Net cash generated from/(used in) financing activities		284,201	(2,599)
Net increase in cash and cash equivalents		188,519	18,967
Cash and cash equivalents at beginning of the year		24,687	5,724
Effect of foreign exchange rate changes		(19)	(4)
Cash and cash equivalents at end of the year	19(a)	213,187	24,687

The notes on pages 46 to 99 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION AND GROUP REORGANISATION

Active Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 12 February 2010 and registered as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries hereinafter are collectively referred to as the “Group”.

Pursuant to a group reorganisation completed on 2 February 2011 (the “Reorganisation”) to rationalise the group structure in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 16 September 2011 (the “Prospectus”). The Company’s shares were listed on the Stock Exchange on 28 September 2011.

The companies that took part in the Reorganisation now comprising the Group were controlled by the same group of ultimate equity shareholders, Cai Xiu Man and Zhang Wen Bin (together referred to as the “Controlling Parties”) before and after the Reorganisation. The control is not transitory and, consequently there was a continuation of the risks and benefits to the Controlling Parties and, therefore, the Reorganisation is considered as a business combination under common control. The consolidated financial statements have been prepared using the merger basis of accounting as if the Group had always been in existence. The net assets of the companies now comprising the Group are consolidated using the existing book values from the Controlling Parties’ perspective.

The consolidated financial statements relating to the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group include the results of operations of the companies now comprising the Group for the years presented (or since the dates of their respective dates of incorporation/establishment where this is a shorter period) as if the current group structure had been in existence throughout the years presented. The consolidated balance sheets of the Group as at 31 December 2010 and 2011 have been prepared to present the state of affairs of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated in preparing the consolidated financial statements.

2 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”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Statement of compliance *(Continued)*

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 2(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 consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries.

These financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand except for per share data. 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 3.

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The impacts of these developments are discussed below:

- IAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. IAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.
- *Improvements to IFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in IFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in note 26 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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 balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 2(h)).

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)).

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

Depreciation is calculated to write off the cost of items 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

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(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 2(h)). 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) 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Leased assets *(Continued)*

(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.

(h) Impairment of assets

(i) Impairment of investments in subsidiaries and trade and other receivables

Investments in subsidiaries and trade and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(i) Impairment of investments in subsidiaries and trade and other receivables *(Continued)*

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

- For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(h)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(h)(ii).
- 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 and bills receivable 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 and bills receivable 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date 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;
- lease prepayments; and
- non-current prepayments for acquisitions of property, plant and equipment.

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 to sell 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 to sell, 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, 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 2(h)(i) and (ii)).

(i) 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.

(j) 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 2(h)), 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.

(k) 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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.

(m) 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.

(n) Employee benefits

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.

(o) 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 balance sheet date, 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.

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

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 balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) 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.

(q) 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 balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) 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 balance sheet date. Exchange gains and losses are recognised in profit or loss.

For the purposes of presenting the consolidated financial statements, the Group adopted Renminbi as its presentation currency. The results of operations with functional currency other than Renminbi are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates at the balance sheet date. 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 Renminbi, the cumulative amount of the exchange differences relating to that operation with functional currency other than Renminbi is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(s) 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.

(t) 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Related parties *(Continued)*

- (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.

(u) 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Sources of estimation uncertainty

Note 26 contains information about the assumptions and their risk factors relating to 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 balance sheet date to ensure inventory is shown at the lower of cost and net realisable value.

(ii) Impairment of trade receivables

Management determines the impairment of trade 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 at the balance sheet date.

(iii) 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.

4 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are manufacturing and sales of casual footwear, apparel and related accessories in the People's Republic of China (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:

	2011 RMB'000	2010 RMB'000
Footwear	589,945	400,545
Apparel and related accessories	17,252	11,593
	607,197	412,138

The Group's customer base is diversified and no individual customer (2010: none) had transactions which has exceeded 10% of the Group's revenue.

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

4 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 four 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") and Greiff (Xiamen) International Trading Co., Limited ("Greiff Xiamen"). No operating segments have been aggregated to form the above reportable segments.

- Fujian Jinmaiwang: this segment manufactures and sells the "*Jimairé*" branded as well as original equipment manufacturing casual footwear products. The "*Jimairé*" 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 casual footwear, apparel and related accessories products. The 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.
- 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.

(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 is "profit after taxation". To arrive at reportable segment profit, the Group's profit is further adjusted for items not specially attributed 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4 TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) Segment results *(Continued)*

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 2011 and 2010 is set out below:

	Year ended 31 December 2011				
	Fujian	Shishi	Luotuo	Greiff	Total
	Jinmaiwang	Haomai	Quanzhou	Xiamen	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue derived from the Group's external customers	273,753	153,195	93,497	86,752	607,197
Reportable segment profit					
Profit after taxation	57,547	33,965	18,228	8,865	118,605

	Year ended 31 December 2010				
	Fujian	Shishi	Luotuo	Greiff	Total
	Jinmaiwang	Haomai	Quanzhou	Xiamen	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue derived from the Group's external customers	202,336	118,576	68,835	22,391	412,138
Reportable segment profit					
Profit after taxation	35,626	24,512	12,378	370	72,886

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4 TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

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

	2011 RMB'000	2010 RMB'000
Revenue		
Reportable segment revenue and consolidated turnover	607,197	412,138
Profit		
Reportable segment profit derived from the Group's external customers	118,605	72,886
Other revenue and other net income	5,992	—
Unallocated head office and corporate expenses	(12,320)	(1,557)
Consolidated profit after taxation	112,277	71,329

(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.

	2011 RMB'000	2010 RMB'000
The PRC	593,282	395,872
Korea	7,626	9,942
Other countries	6,289	6,324
	607,197	412,138

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	2011 RMB'000	2010 RMB'000
(a) Other revenue		
Interest income on bank deposits	834	203
Government subsidies	120	64
Sundry income	5	—
	959	267

The Group was entitled to unconditional government subsidies of RMB120,000 for the year ended 31 December 2011 (2010: RMB64,000). These government subsidies were recognised as other revenue when they became receivable.

	2011 RMB'000	2010 RMB'000
(b) Other net income/(loss)		
Net foreign exchange gain/(loss)	5,642	(98)
Loss on disposal of property, plant and equipment	(6)	(515)
	5,636	(613)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2011 RMB'000	2010 RMB'000
(a) Finance costs		
Interest expense on bank loans wholly repayable within five years	3,740	1,295

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION *(Continued)*

Profit before taxation is arrived at after charging: *(Continued)*

	2011 RMB'000	2010 RMB'000
(b) Staff costs		
Salaries, wages and other benefits	40,366	33,247
Contributions to defined contribution retirement schemes	1,687	1,954
	42,053	35,201

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 2011 and 2010. 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\$20,000. Contributions to the plan vest immediately.

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.

	2011 RMB'000	2010 RMB'000
(c) Other items		
Cost of inventories # (note 16(b))	397,621	282,984
Depreciation of property, plant and equipment	4,296	4,184
Amortisation of lease prepayments	104	104
Impairment loss on trade receivables	1,306	557
Operating lease charges in respect of properties		
— minimum lease payments	1,416	1,007
Operating lease charges in respect of trademarks		
— minimum lease payments	7,576	4,278
Research and development costs	1,742	978
Auditors' remuneration	1,987	694

Cost of inventories includes RMB31,831,000 (2010:RMB26,939,000) 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 6(b) for each of these types of expenses.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2011 RMB'000	2010 RMB'000
Current tax — PRC corporate income tax		
Provision for the year	38,000	25,281
Deferred tax		
Origination and reversal of temporary differences (note 15(b))	1,215	(139)
	39,215	25,142

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (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 year ended 31 December 2011 and 2010. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.
- (iii) The new Corporate Income Tax Law ("the new tax law") of the PRC was passed by the Fifth Plenary Session of the Tenth National People's Congress on 16 March 2007. The new tax law is effective from 1 January 2008, and the Group's PRC subsidiaries are subject to PRC corporate income tax at the statutory rate of 25% unless otherwise specified.

Prior to 1 January 2008, Luotuo Quanzhou, being a production-oriented foreign investment enterprise, was entitled to a two-year full exemption followed by a three-year 50% reduction of income tax rate ("2+3 tax holiday") starting from the first profit-making year from a PRC tax perspective. Luotuo Quanzhou started its 2+3 tax holiday in 2007.

The new tax law and its relevant regulations grandfather the 2+3 tax holiday until they expire. Accordingly, Luotuo Quanzhou is subject to income tax at 0% for 2008, 12.5% from 2009 to 2011 and 25% from 2012 onwards.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(a) Taxation in the consolidated income statement represents: *(Continued)*

- (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 expense and accounting profit at applicable tax rates:

	2011 RMB'000	2010 RMB'000
Profit before taxation	151,492	96,471
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdictions concerned	38,747	24,257
Effect of non-deductible expenses	1,955	3,444
Effect of non-taxable income	(13)	—
PRC dividend withholding tax (note 15(b))	1,542	—
Effect of tax concessions	(3,016)	(2,559)
Actual tax expense	39,215	25,142

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 31 December 2011				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Zhang Wen Bin	66	169	40	—	275
Cai Xiu Man	66	92	40	3	201
Huang Jian Ren	33	81	25	3	142
Chen Yuan Jian	33	86	25	3	147
	198	428	130	9	765
Independent non-executive directors					
Wu Xiao Qiu	50	—	—	—	50
Ye Lin	50	—	—	—	50
Lee Ho Yiu Thomas	33	—	—	—	33
	133	—	—	—	133
	331	428	130	9	898

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 DIRECTORS' REMUNERATION *(Continued)*

	Year ended 31 December 2010				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Zhang Wen Bin	—	100	38	11	149
Cai Xiu Man	—	148	36	—	184
Huang Jian Ren	—	63	32	11	106
Chen Yuan Jian	—	63	38	11	112
	—	374	144	33	551
Independent non-executive directors					
Wu Xiao Qiu	—	—	—	—	—
Ye Lin	—	—	—	—	—
Lee Ho Yiu Thomas	—	—	—	—	—
	—	—	—	—	—
	—	374	144	33	551

During the years ended 31 December 2011 and 2010, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 9 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 2011 and 2010.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four are directors for the year ended 31 December 2011 (2010: two), whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining one individual (2010: three individuals) are as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other emoluments	422	620
Discretionary bonuses	—	72
Retirement scheme contributions	10	33
	432	725

The above individuals' emoluments are within the following band:

	2011 Number of individuals	2010 Number of individuals
Nil to HK\$1,000,000	1	3

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB2,836,000 (2010: RMB48,000) which has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB112,277,000 (2010: RMB71,329,000) and the weighted average of 975,000,000 ordinary shares (2010: 900,000,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Number of shares	
	2011	2010
Issued ordinary shares at 1 January	10,000	—
Effect of issuance of shares upon incorporation (note 22(c)(i))	—	10,000
Effect of issuance of shares upon Reorganisation (note 22(c)(ii))	990,000	990,000
Effect of capitalisation issue (note 22(c)(iv))	899,000,000	899,000,000
Effect of issuance of shares upon initial public offering (note 22(c)(iv))	75,000,000	—
Weighted average number of ordinary shares at 31 December	975,000,000	900,000,000

The weighted average number of shares in issue during the years ended 31 December 2011 and 2010 was based on the assumption that the 900,000,000 shares before the listing of shares on the Stock Exchange were in issue, as if such shares had been outstanding throughout the years ended 31 December 2011 and 2010.

There were no dilutive potential ordinary shares throughout the years and therefore, diluted earnings per share are the same as the basic earnings per share.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:					
At 1 January 2010	48,337	7,722	3,662	4,035	63,756
Additions	297	192	475	121	1,085
Disposals	(200)	(800)	(232)	—	(1,232)
At 31 December 2010	48,434	7,114	3,905	4,156	63,609
At 1 January 2011	48,434	7,114	3,905	4,156	63,609
Additions	11,841	2,238	615	120	14,814
Disposals	—	—	—	(127)	(127)
At 31 December 2011	60,275	9,352	4,520	4,149	78,296
Accumulated depreciation:					
At 1 January 2010	4,356	2,395	785	1,743	9,279
Charge for the year	2,301	734	650	499	4,184
Written back on disposals	(17)	(549)	(151)	—	(717)
At 31 December 2010	6,640	2,580	1,284	2,242	12,746
At 1 January 2011	6,640	2,580	1,284	2,242	12,746
Charge for the year	2,368	725	729	474	4,296
Written back on disposals	—	—	—	(121)	(121)
At 31 December 2011	9,008	3,305	2,013	2,595	16,921
Net book value:					
At 31 December 2011	51,267	6,047	2,507	1,554	61,375
At 31 December 2010	41,794	4,534	2,621	1,914	50,863

Buildings which are held for own use are situated in the PRC. At 31 December 2011, buildings with net book value of RMB35,542,000 (2010: RMB37,634,000) were mortgaged to banks for certain banking facilities granted to the Group (see note 21(c)).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 LEASE PREPAYMENTS

	The Group	
	2011 RMB'000	2010 RMB'000
At 1 January	4,690	4,794
Less: amortisation for the year	(104)	(104)
At 31 December	4,586	4,690

	The Group	
	2011 RMB'000	2010 RMB'000
Lease prepayments	4,586	4,690
Less: current portion of lease prepayments	(104)	(104)
Non-current portion of lease prepayments	4,482	4,586

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 2011, land use rights with an aggregate carrying amount of RMB4,586,000 (2010: RMB4,690,000) were pledged as securities for certain banking facilities granted to the Group (see note 21(c)).

14 INTERESTS IN SUBSIDIARIES

	The Company	
	2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	165,053	—
Amount due from a subsidiary	229,522	—
	394,575	—

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 balance sheet date.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14 INTERESTS IN SUBSIDIARIES *(Continued)*

Details of the subsidiaries are set out below. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment	Particulars of issued and fully paid up capital/ registered capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by a subsidiary	
Chuang Wei Limited	The BVI	United States dollars ("US\$") 10,000	100%	—	Investment holding
Jinmaiwang Group Limited ("Jinmaiwang Hong Kong") 金邁王控股有限公司	Hong Kong	Hong Kong dollars ("HK\$") 10,000	—	100%	Investment holding
福建金邁王鞋服製品有限公司 Fujian Jinmaiwang (notes (i) and (iii))	The PRC	HK\$120,000,000	—	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	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	US\$10,000,000	—	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	RMB8,000,000	—	100%	Trading of casual footwear, apparel and related accessories
江蘇動感鞋業有限公司 Jiangsu Active Shoes Industrial Co., Ltd ("Jiangsu Active") (notes (i), (iii) and (iv))	The PRC	RMB110,000,000	—	100%	Manufacturing, sales and trading of casual footwear, apparel and related accessories

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) Jiangsu Active was incorporated on 2 December 2011 with principal activities of manufacturing, sales and trading of casual footwear, apparel and related accessories. The initial capital of RMB50,000,000 was injected on 5 January 2012 and the related capital verification was completed on 12 January 2012.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

15 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

The Group

(a) **Current taxation in the consolidated balance sheet represents:**

	2011 RMB'000	2010 RMB'000
At 1 January	22,348	11,381
Provision for PRC corporate income tax for the year	38,000	25,281
PRC corporate income tax paid	(25,818)	(14,314)
At 31 December	34,530	22,348

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

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

	Allowance for impairment of trade receivables RMB'000	PRC dividend withholding tax RMB'000	Total RMB'000
At 1 January 2010	634	—	634
Credited to profit or loss (note 7(a))	139	—	139
At 31 December 2010	773	—	773
At 1 January 2011	773	—	773
Credited/(charged) to profit or loss (note 7(a))	327	(1,542)	(1,215)
At 31 December 2011	1,100	(1,542)	(442)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

15 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

The Group *(Continued)*

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

	2011 RMB'000	2010 RMB'000
Represented by:		
Net deferred tax assets recognised in the consolidated balance sheet	1,100	773
Net deferred tax liabilities recognised in the consolidated balance sheet	(1,542)	—
	(442)	773

(c) Deferred tax liabilities not recognised

As at 31 December 2011, no deferred tax liabilities in respect of the 10% PRC dividend withholding tax that would be payable on the distribution of undistributed profits of the Group's PRC subsidiaries amounting to RMB202,866,000 (2010: RMB108,145,000) 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.

16 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	2011 RMB'000	2010 RMB'000
Raw materials	49,864	36,956
Work in progress	6,282	2,271
Finished goods	9,401	9,329
	65,547	48,556

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

16 INVENTORIES *(Continued)*

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

	2011 RMB'000	2010 RMB'000
Carrying amount of inventories sold	397,621	282,984

17 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Trade receivables and bills receivable	254,177	149,571	—	—
Less: allowance for doubtful debts	(4,398)	(3,092)	—	—
	249,779	146,479	—	—
Deposits and prepayments (notes (i) and (ii))	195,575	60,831	—	—
Amount due from a director (note 25(c))	12,287	—	12,455	—
Other receivables	2,833	4,361	—	—
	460,474	211,671	12,455	—

Notes:

- (i) Included in the deposits as at 31 December 2011 were rental and utilities deposits of RMB612,000 (2010: RMBNil) which were not expected to be recovered within one year.
- (ii) Prepayments consist of advance payments made to suppliers for purchases of raw materials and finished goods.

All of the trade and other receivables (including amounts due from related parties), apart from (i) above, are expected to be recovered or recognised as expense within one year.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

17 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	2011 RMB'000	2010 RMB'000
Current	173,218	100,743
Less than 60 days past due	36,686	12,898
61 days - 180 days past due	27,873	22,224
Over 180 days past due	12,002	10,614
Amounts past due	76,561	45,736
	249,779	146,479

Trade receivables are normally due within 60 to 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 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 26(a).

(b) Impairment of trade receivables

Impairment losses in respect of trade 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 directly (see note 2(h)(i)).

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

	2011 RMB'000	2010 RMB'000
At 1 January	3,092	2,535
Impairment loss recognised	1,306	557
	4,398	3,092

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

17 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of trade receivables *(Continued)*

At 31 December 2011, the Group's trade receivables of RMB4,398,000 (2010: RMB3,092,000) 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 RMB4,398,000 (2010: RMB3,092,000) were recognised.

(c) Trade receivables that are not impaired

Receivables that were neither past due nor impaired (disclosed as current in the table given in note 17(a)) relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired (as shown in the table in note 17(a)) 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.

18 PLEDGED DEPOSITS

Pledged deposits with banks have been placed as security for bills payable issued by the Group (see notes 20(c) and 20(d)).

19 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents in the consolidated balance sheet and the consolidated cash flow statement comprise:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Cash at bank and in hand	213,187	24,687	22,941	—

As at 31 December 2011, cash and cash equivalents in the amount of RMB189,775,000 (2010: RMB24,407,000) 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

19 CASH AND CASH EQUIVALENTS *(Continued)*

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

	2011 RMB'000	2010 RMB'000
Profit before taxation	151,492	96,471
Adjustments for:		
— Interest expense	3,740	1,295
— Depreciation	4,296	4,184
— Amortisation of lease prepayments	104	104
— Net foreign exchange (gain)/loss	(5,642)	98
— Interest income	(834)	(203)
— Impairment loss on trade receivables	1,306	557
— Loss on disposal of property, plant and equipment	6	515
Changes in working capital:		
— Increase in inventories	(16,991)	(13,432)
— Increase in trade and other receivables	(233,283)	(120,026)
— Increase in trade and other payables	58,928	70,241
Cash (used in)/generated from operations	(36,878)	39,804

20 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Trade payables (note (a))	49,106	41,240	—	—
Bills payable (notes (b), (c) and (d))	62,404	17,366	—	—
Amount due to a subsidiary	—	—	718	—
Amounts due to directors (note 25(c))	—	18,064	—	47
Receipts in advance	34,439	39,657	—	—
Other payables and accruals (note (e))	38,208	21,020	1,480	—
	184,157	137,347	2,198	47

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

20 TRADE AND OTHER PAYABLES *(Continued)*

- (a) An ageing analysis of the trade payables of the Group is analysed as follows:

	2011	2010
	RMB'000	RMB'000
Due within 1 month or on demand	19,852	16,582
Due after 1 month but within 3 months	29,254	24,658
	49,106	41,240

- (b) Bills payable are normally issued with a maturity of not more than three months.
- (c) At 31 December 2011, bills payable totalling RMB61,204,000 (2010: RMB5,953,000) were secured by pledged deposits of RMB34,377,000 (2010: RMB2,983,000).
- (d) At 31 December 2011, bills payable totalling RMB1,200,000 (2010: RMB11,413,000) were secured by (i) pledged deposits of RMB370,000 (2010: RMB5,713,000), and (ii) certain assets of the Group, details of which are set out on note 21(c).
- (e) An analysis of the other payables and accruals of the Group is analysed as follows:

	The Group		The Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, wages, bonus and other accrued benefits	11,974	11,278	—	—
Payables for the purchase of property, plant and equipment	8,031	1,202	—	—
Value-added tax payable	9,045	5,246	—	—
Others	9,158	3,294	1,480	—
	38,208	21,020	1,480	—

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

21 BANK LOANS

(a) At 31 December 2011, the bank loans were repayable as follows:

	2011 RMB'000	2010 RMB'000
Within 1 year	84,600	33,500

(b) At 31 December 2011, the bank loans were analysed as follows:

	2011 RMB'000	2010 RMB'000
Bank loans		
— secured	28,660	26,500
— unsecured	55,940	7,000
	84,600	33,500

(c) The amounts of banking facilities and the utilisation at 31 December 2011 are set out as follows:

	2011 RMB'000	2010 RMB'000
Banking facilities		
— secured	36,500	40,000
— unsecured	193,500	50,000
	230,000	90,000
Amounts utilised	112,257	42,170

The secured bank loans and certain bills payable (note 20(d)) were secured by the following assets:

	2011 RMB'000	2010 RMB'000
Buildings (note 12)	35,542	37,634
Lease prepayments (note 13)	4,586	4,690
	40,128	42,324

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

21 BANK LOANS *(Continued)*

- (c) The amounts of banking facilities and the utilisation at 31 December 2011 are set out as follows: *(Continued)*

At 31 December 2010, all of the Group's utilised banking facilities were secured by personal guarantees from Cai Xiu Man, Zhang Wen Bin and Wu Shu Lin at nil fee and cross corporate guarantees given by certain subsidiaries of the Company. At 31 December 2010, certain of the Group's utilised banking facilities were also secured by a personal property owned by Cai Xiu Man and Zhang Wen Bin at nil fee. The personal guarantees and the security by the personal property were released upon listing of the Company's shares on the Stock Exchange on 28 September 2011.

At 31 December 2011, all of the Group's utilised banking facilities were secured by cross corporate guarantees given by certain subsidiaries of the Company.

At 31 December 2011 and 2010, 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 were to breach the covenants, the drawn down facilities would become payable 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 26(b). At 31 December 2011 and 2010, none of the covenants relating to drawn down facilities had been breached.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

22 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

	Note	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
		Note 22(c)	Note 22(d)(i)	Note 22(d)(ii)	Note 22(d)(iii)		
Balance at 12 February 2010 (date of incorporation)		—	—	—	—	—	—
Issuance of shares upon incorporation	22(c)(i)	1	—	—	—	—	1
Loss and total comprehensive income for the year		—	—	—	—	(48)	(48)
Balance at 31 December 2010 and 1 January 2011		1	—	—	—	(48)	(47)
Loss for the year		—	—	—	—	(2,836)	(2,836)
Other comprehensive income		—	—	—	(1,570)	—	(1,570)
Total comprehensive income for the year		—	—	—	(1,570)	(2,836)	(4,406)
Arising from Reorganisation	22(c)(ii)	84	—	164,969	—	—	165,053
Issuance of ordinary shares upon initial public offering, net of issuing costs	22(c)(iv)	24,483	242,690	—	—	—	267,173
Capitalisation issue	22(c)(iv)	73,367	(73,367)	—	—	—	—
Balance at 31 December 2011		97,935	169,323	164,969	(1,570)	(2,884)	427,773

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

22 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

Dividends payable and proposed to equity shareholders of the Company attributable to the year:

	2011 RMB'000	2010 RMB'000
Final dividend proposed after the balance sheet date of HK0.88 cents (equivalent to approximately RMB0.72 cents) per ordinary share (2010: Nil per ordinary share)	8,640	—

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(c) Share capital

Authorised and issued share capital

	2011		2010	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	10,000,000	1,000,000	1,000	100
Ordinary shares, issued and fully paid:				
At 1 January 2011/12 February 2010 (date of incorporation)	10	1	—	—
Issuance of shares upon incorporation (note (i))	—	—	10	1
Issuance of shares upon Reorganisation (note (ii))	990	99	—	—
Capitalisation issue (note (iv))	899,000	89,900	—	—
Issuance of shares upon initial public offering (note (iv))	300,000	30,000	—	—
	1,200,000	120,000	10	1
Equivalent to (RMB'000)		97,935		1

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

22 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital *(Continued)*

Authorised and issued share capital *(Continued)*

Notes:

- (i) The Company was incorporated on 12 February 2010 with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.1 each. On the same date, the Company issued 10,000 shares at par value of HK\$0.1.
- (ii) On 3 December 2010, the Controlling Parties transferred 100% of their equity interests in Shishi Haomai to Fujian Jinmaiwang for a consideration of RMB1,500,000.

On 2 February 2011, the Group completed the Reorganisation to rationalise the Group's structure in preparing for the listing of the Company's shares on the Stock Exchange. As a result of the Reorganisation, the Company became the holding company of the Group on 2 February 2011. The difference of the nominal value of shares of the subsidiaries acquired and the nominal value of the shares issued by the Company in exchange under the Reorganisation of the Group was recorded in "other reserve".
- (iii) Pursuant to the written resolutions of all the shareholders of the Company passed on 4 September 2011, the authorised share capital of the Company was increased from HK\$100,000 to HK\$1,000,000,000 by the creation of an additional 9,999,000,000 ordinary shares of HK\$0.1 each.
- (iv) On 28 September 2011, the shares of the Company was listed on the Stock Exchange following the completion of its initial public offering. 300,000,000 ordinary shares of HK\$0.10 each were issued at a price of HK\$1.20 per share under the initial public offering. Proceeds of HK\$30,000,000 (equivalent to RMB24,483,000) representing the par value of these ordinary shares, were credited to the Company's share capital and the excess of the proceeds over the nominal value of the total number of ordinary shares issued after offsetting share issuance costs of RMB26,623,000, which amounted to RMB242,690,000, were credited to the share premium account of the Company. In addition, 899,000,000 ordinary shares of HK\$0.1 each were issued at par value on 28 September 2011 to the shareholders of the Company by way of capitalisation of HK\$89,900,000 (equivalent to RMB73,367,000) from the Company's share premium account.
- (v) Capital in the consolidated balance sheets as at 1 January and 31 December 2010 represented the aggregate amount of capital of the companies then comprising the Group, after elimination of investments in subsidiaries.

(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 Controlling Parties 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

22 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

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

(iii) Exchange reserve

The exchange reserve comprises all foreign currency differences arising from the translation of the financial statements with functional currency other than Renminbi. The reserve is dealt with in accordance with the accounting policy set out in note 2(r).

(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.

(e) Distributable reserves

The Company was incorporated on 12 February 2010 and has not made any profits since its date of incorporation. Accordingly, there was no reserve available for distribution to shareholders as at 31 December 2010.

The aggregate amounts of reserves available for distribution to equity shareholders of the Company were RMB329,838,000 (2010: RMBNil). After the balance sheet date, the directors proposed a final dividend of HK0.88 cents (equivalent to approximately RMB0.72 cents) per ordinary share, amounting to HK\$10,560,000 (equivalent to approximately RMB8,640,000) (note 22(b)). This dividend has not been recognised as a liability at the balance sheet date.

(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 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 adjustments to the capital structure in light of changes in economic conditions affecting the Group.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

22 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(f) Capital management *(Continued)*

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debts as total bank loans less cash and cash equivalents. The Group defines "capital" as including all components of equity.

The net debt-to-capital ratio was as follows:

	Note	2011 RMB'000	2010 RMB'000
Bank loans	21	84,600	33,500
Less: Cash and cash equivalents	19	(213,187)	(24,687)
Net (cash)/debt		(128,587)	8,813
Total equity		536,187	156,957
Net debt-to-capital ratio		N/A	5.6%

Neither the Company nor any of the subsidiaries are subject to externally imposed capital requirements.

23 COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2011 not provided for in the consolidated financial statement were as follows:

	2011 RMB'000	2010 RMB'000
Contracted for	6,131	—
Authorised but not contracted for	121,530	—
	127,661	—

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

23 COMMITMENTS *(Continued)*

- (b) At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases in respect of properties were payable as follows:

	2011 RMB'000	2010 RMB'000
Within 1 year	3,150	149
After 1 year but within 5 years	10,179	—
After 5 years	17,644	—
	30,973	149

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 2011, 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:

	2011 RMB'000	2010 RMB'000
Within 1 year	9,750	7,795
After 1 year but within 5 years	20,632	30,511
After 5 years	—	240
	30,382	38,546

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 25(b)(ii).

- (d) In November 2009, the Group entered into a binding contract with an advertising company to license the use of image of a sports celebrity for promotional purposes for an initial period of two years, at the end of which period all terms are renegotiated. The Group has committed to pay RMB1,000,000 per year according to the contract. The future minimum payments were payable as follows:

	2011 RMB'000	2010 RMB'000
Within 1 year	—	875

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

23 COMMITMENTS *(Continued)*

- (e) In December 2011, the Group entered into a binding contract with an advertising company to conduct a one-year advertising plan covering the period from 1 January 2012 to 31 December 2012. The company has committed to pay RMB1,960,000 for the advertising plan according to the contract in which RMB1,372,000 has been prepaid as at 31 December 2011. The future minimum payments were payable as follows:

	2011 RMB'000	2010 RMB'000
Within 1 year	588	—

24 CONTINGENT LIABILITIES

At 31 December 2011, certain subsidiaries of the Company had issued cross corporate guarantees to banks in respect of banking facilities granted to certain subsidiaries of the Group which remain in force so long as the subsidiaries have drawn down under the banking facilities. Under each of these cross corporate guarantees, certain subsidiaries that are a party to the guarantee arrangement are jointly and severally liable for all and any of the borrowings of each of them from the banks which is the beneficiary of the guarantee.

As at 31 December 2011, the directors did not consider it probable that a claim will be made against the Group under any of the above guarantees. The maximum liability of the Group as at 31 December 2011 under the cross corporate guarantees is the amount of the facilities utilised by the subsidiaries of RMB112,257,000 (2010: RMB42,170,000).

25 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed in notes 8, 9, 21 and 22 of these consolidated financial statements, the Group entered into the following significant related party transactions.

(a) Name and relationship with related parties

During the year ended 31 December 2011 and 2010, 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

25 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions

Particulars of significant related party transactions during the year ended 31 December 2011 are as follows:

(i) Lease of properties

	2011 RMB'000	2010 RMB'000
Rental payable/paid to:		
— Zhang Wen Bin, Zhang Li Zhu and Zhang Wen Zhi [#]	21	254
— Huang Cong Ming [#]	12	140
— Cai Xiu Man	104	—
	137	394

The rental agreements with these related parties were terminated in January 2011.

(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 which 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.

(c) Amounts due from/(to) directors

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Amount due from a director (notes (i) and (iii))	12,287	—	12,455	—
Amounts due to directors (note (ii))	—	(18,064)	—	(47)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

25 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Amounts due from/(to) directors *(Continued)*

Notes:

- (i) The amount due from a director at 31 December 2011 was unsecured, interest-free and repayable on demand. The amount was fully repaid in February 2012.
- (ii) The amounts due to directors at 31 December 2010 were unsecured, interest-free and repayable on demand.
- (iii) Amount due from a director of the Company disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

Cash advance made by the Company:

Name of borrower	Ms Cai Xiu Man
Position	Director
Term of the cash advance	
— duration and repayment terms	Repayable on demand
— cash advance amount	RMB21,925,000
— interest rate	Nil
— security	None
Balance of the cash advance	
— at 1 January 2010, 31 December 2010 and 1 January 2011	RMBNil
— at 31 December 2011	RMB12,287,000
Maximum balance outstanding	
— during the year ended 31 December 2011	RMB21,925,000
— during the year ended 31 December 2010	RMB8,416,000

There was no amount due but unpaid, nor any provision made against the cash advance at 31 December 2011.

(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 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2011 RMB'000	2010 RMB'000
Short-term employee benefits	1,533	1,309
Retirement scheme contributions	27	76
	1,560	1,385

Total remuneration was included in "staff costs" (see note 6(b)).

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate, 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 60-90 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 2011, 1% (2010: 9%) of the total trade and other receivables was due from the Group's largest customer and 7% (2010: 17%) was due from the five largest customers.

Except for the financial guarantees given by the subsidiaries of the Group as set out in note 24, the Group does not provide for any other guarantee which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 24.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 17.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

26 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 balance sheet date 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 balance sheet dates) and the earliest date the Group and the Company can be required to pay.

The Group

	At 31 December 2011		
	Within 1 year or on demand RMB'000	Total contractual undiscounted cash flow RMB'000	Balance sheet carrying amount RMB'000
Bank loans	87,478	87,478	84,600
Trade and other payables	149,718	149,718	149,718
	237,196	237,196	234,318

	At 31 December 2010		
	Within 1 year or on demand RMB'000	Total contractual undiscounted cash flow RMB'000	Balance sheet carrying amount RMB'000
Bank loans	34,472	34,472	33,500
Trade and other payables	97,690	97,690	97,690
	132,162	132,162	131,190

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

The Company

	At 31 December 2011		
	Within 1 year or on demand RMB'000	Total contractual undiscounted cash flow RMB'000	Balance sheet carrying amount RMB'000
Other payables	2,198	2,198	2,198

	At 31 December 2010		
	Within 1 year or on demand RMB'000	Total contractual undiscounted cash flow RMB'000	Balance sheet carrying amount RMB'000
Other payables	47	47	47

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings issued at fixed rates that expose the Group to fair value interest rate risk. 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 balance sheet date:

	2011		2010	
	Effective interest rate %	Amount RMB'000	Effective interest rate %	Amount RMB'000
Fixed rate borrowings:				
RMB bank loans	6.23	20,000	5.57	33,500
Variable rate borrowings:				
RMB bank loans	7.17	64,600	—	—
Total net borrowings		84,600		33,500
Net fixed rate borrowings as a percentage of total net borrowings		24%		100%

(ii) Sensitivity analysis

At 31 December 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB496,000 (2010: RMBNil).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the balance sheet date 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 profit 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 2010.

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the balance sheet date would not affect profit or loss in relation to these financial instruments.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

26 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 United States dollars, a currency other than the functional currency of the entities to which the transactions relate and; (ii) proceeds from initial public offering received by the Company were in Hong Kong dollars and were mostly exchanged into Renminbi.

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date 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 Renminbi, translated using the spot rate at the year end date. 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				The Company	
	2011		2010		2011	2010
	United States Dollars	Renminbi	United States Dollars	Renminbi	Renminbi	Renminbi
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables	2,403	—	3,327	—	—	—
Cash and cash equivalents	71	105,605	116	—	13,255	—
Trade and other payables	(2,709)	—	(5,144)	—	—	—
Net exposure arising from recognised assets and liabilities	(235)	105,605	(1,701)	—	13,255	—

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

26 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 profit for the year and retained profits arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

The Group

	2011		2010	
	Increase/ (decrease) in foreign exchange rates	Effect on profit for the year and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit for the year and retained profits RMB'000
United States Dollars	5%	(9)	5%	(65)
	(5)%	9	(5)%	65
Renminbi	5%	5,280	5%	—
	(5)%	(5,280)	(5)%	—

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the balance sheet date 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 balance sheet date. 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 31 December 2010.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(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.

(g) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2011 and 2010.

27 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At December 2011, 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise stated)

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 9, <i>Financial instruments</i>	1 January 2015
IFRS 10, <i>Consolidated financial statements</i>	1 January 2013
IFRS 12, <i>Disclosure of interests in other entities</i>	1 January 2013
IFRS 13, <i>Fair value measurement</i>	1 January 2013
Amendments to IAS 12, <i>Income taxes — Deferred tax: Recovery of underlying assets</i>	1 January 2012
Amendments to IFRS 7, <i>Financial instruments: Disclosures — Transfers of financial assets</i>	1 July 2011

The Group is in the process of making an assessment of what the impact of these amendments and new standards 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 Group's results of operations and financial position.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four 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			
	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Results				
Turnover	607,197	412,138	231,461	161,833
Cost of sales	(397,621)	(282,984)	(167,336)	(137,326)
Gross profit	209,576	129,154	64,125	24,507
Other revenue	959	267	248	397
Other net income/(loss)	5,636	(613)	(22)	(69)
Selling and distribution expenses	(33,626)	(16,560)	(9,041)	(9,864)
Administrative expenses	(27,313)	(14,482)	(10,223)	(7,566)
Financial costs	(3,740)	(1,295)	(768)	(646)
PROFIT BEFORE TAXATION	151,492	96,471	44,319	6,759
Income tax	(39,215)	(25,142)	(12,777)	(2,057)
PROFIT FOR THE YEAR	112,277	71,329	31,542	4,702
Earnings per share — Basic and diluted (RMB)	0.12	0.08	0.04	0.01

ASSETS, LIABILITIES AND EQUITY

	As at 31 December			
	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
TOTAL ASSETS	841,016	350,152	198,435	164,966
TOTAL LIABILITIES	(304,829)	(193,195)	(111,916)	(110,118)
TOTAL EQUITY	536,187	156,957	86,519	54,848