FLYKE INTERNATIONAL HOLDINGS LTD.

飛克國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1998)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2012	2011	Change
	RMB'000	RMB'000	%
Turnover	**1,092,395**	1,543,096	(29.2)%
Gross profit	**280,452**	445,330	(37.0)%
Impairment loss (note 1)	**60,933**	-	-
Profit for the year	**31,303**	214,073	(85.4)%
	(%)	(%)	
Return on equity holders' equity (note 2)	**3.8%**	26.1%	(22.3)%
Gearing ratio (note 3)	**27.8%**	11.7%	16.1%
Gross profit margin	**25.7%**	28.9%	(3.2)%
Basic earnings per share (RMB)	**0.039**	0.264	(85.2)%
Final dividend (HK$)	**0.0100**	0.0300	(66.7)%

Notes:

1. The impairment loss represents the provision in respect of over due trade receivables
2. Return on equity holder's equity is equal to the profit for the year divided by the equity.
3. The calculation of gearing ratio is based on the total bank loans divided by the equity.

The board (the "**Board**") of directors (the "**Directors**") of Flyke International Holdings Ltd. (the "**Company**") is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2012 (the "**Review Period**") with comparative figures for the year ended 31 December 2011 as follows:–

BUSINESS REVIEW

Brand Development

In 2004, The Group launched a sportwear brand ("*Flyke*") targeting consumers ages 14 to 25 years old in third-tier and fourth-tier cities in China. Since the launch of the brand the Group has adjusted its products from traditional sportwear to casual-sportwear. The reason for this shift has been the increased competition and decreasing demand in the sportwear industry. The Group has always taken the opportunity to evolve and to develop new products to meet the Chinese market's demand. During the most recent Review Period, the Board decided to implement a multi-brand strategy in order to diversify and increase market share in the casualwear market. The Group thus launched a new brand "**Flyke**", which is a mid-tier casualwear brand. The brand was officially launched in the second-half of 2012 and targets consumers ages 25 to 35 years old in first and second-tier cities in China. Early results from the sales of the new brand indicate that it has been well received and the Group has been satisfied with the results thus far.

Flyke casual-sportwear brand

The casual-sportwear brand is principally focused on the design, production and sales of footwear, apparel and accessories. The Group targets consumers ages 14 to 25 years old in China. *Flyke* casual-sportwear products are sold through authorised retail stores and image stores operated by our Authorised Distributors. During the Review Period, our products were sold at 1,564 authorised retail stores and 10 image stores. The aggregate turnover contributed by *Flyke* casual-sport brand amounted to approximately RMB728 million, representing a decrease of approximately 35% as compared with the same period in 2011. The reason for the decline in turnover was primarily due to the shift of the Group's strategy and the intense competition of sportwear industry in China. During the Review Period, the production of the casual-sportwear brand apparel and accessories was outsourced to independent contract manufacturers via Original Equipment Manufacturers ("OEM") arrangement while all *Flyke* casual-sports footwear was produced in-house.

Sales network - casual-sport brand

Facing intense competition and shift in strategy, the Group consolidated the distribution network by closing down ineffective stores reduced in 2012. The total number of Authorised Distributors decreased from 20 as of 31 December 2011 to 13 as of 31 December 2012 while the total number of authorised retail stores and image stores decreased from 2,160 at 31 December 2011 to 1,574 as of 31 December 2012. The Group consolidated 586 ineffective stores and improved the layout and display existing stores in order to improve the image and efficiencies of its retail business for its casual-sportwear brand. The Group believes that the recognition and awareness of the *Flyke* casual-sport brand is strong enough that it can increase sales per store while having less retail stores within third-tier and fourth-tier cities and focus resources on more targeted marketing campaigns.

The Group will continue to consolidate the retail network by working closely with the Authorised Distributors and by providing additional value-added and supporting services to enhance their network management capabilities during the course of the Group's consolidation efforts. The Group will continue the strategy of consolidation in 2013. The Group divides the China market into four sales regions, namely Northern China, Eastern China, Central/Southwestern China and Southern China.

The following table sets forth the number and the geographical locations of the 1,564 authorised retail stores and 10 image stores, operated by the Authorised Distributors as of 31 December 2012 (with comparative figures for the year ended 31 December 2011):–

	Number of stores as of 31 December		Change	
	2012	2011	no. of stores	%
Northern China	**430**	624	(194)	(31.1%)
Eastern China	**421**	459	(38)	(8.3%)
Southern China	**376**	471	(95)	(20.2%)
Central/Southwestern China	**347**	606	(259)	(42.7%)
Total	**1,574**	2,160	(586)	(27.1%)

Note:

(1) Northern China includes Xinjiang, Shandong, Beijing, Yantai, Henan, Shanxi.

(2) Eastern China includes Jiangsu, Zhejiang and Jiangxi.

(3) Southern China includes Fujian, Haifeng, Guangdong, Shenzhen and Guangxi.

(4) Central/Southwestern China includes Hubei, Sichuan, Chongqing, Hunan, Guizhou and Yunnan.

Flyke casualwear brand

Business

In the second-half of 2012, the Group officially launched its casualwear brand which targets middle class consumers ages 25 to 35 years old in China. The Group sells **Flyke** casualwear products through authorised retail stores operated by our Authorised Distributors. During the Review Period, the casualwear products were sold at 22 authorised retail stores. The aggregate turnover contributed by **Flyke** casual brand amounted to approximately RMB14 million. We currently have no production facility for casual footwear and apparel and thus outsourced the production to independent contract manufacturers via Original Equipment Manufacturers ("OEM") arrangement.

Sales network - casualwear brand

The Group sells products to Authorised Distributors which then sell to end-customers directly via authorised retail stores. Although the Group expects that the competition of casual-wear market will be intense in China, the Group believes the **Flyke** casualwear brand can grow strongly due to an increase in [domestic consumption trends and increases in comsumer's disposable income] for middle-end apparel in tier-one and tier-two cities. We also believe that the positioning of the brand as an American style brand with an appropriate Chinese cut will continue to be attractive among middle-class consumers in our target markets. Additionally, we have focused on developing not only stylish products but also products that are lifestyle-apparel.

Production

As of 31 December 2012, we owned [12] production lines for footwear. All *Flyke* casual-sportwear brand footwear were produced in-house while part of Export ODM Business is outsourced to independent contract manufacturers through OEM arrangements.

Meanwhile the Group currently outsources the production of all apparel and accessories of casual-sportwear brand and all casual-wear products to independent contract manufacturers via OEM arrangement. The Group is considering an apparel factory with an annual production capacity of [5] million pieces/sets of apparels which would enhance the Group flexibility and responsiveness to market changes.

Product design and development

The Directors believe that the product design and development capability of the Group is part of our competitive edge and a significant component to maintaining sustainable growth in the competitive market. The Group has entered into contracts with international designers to supply updated fashion trends and designs from overseas markets in order to continually improve the existing product collections. These relationships are important so as to develop new collections and enhance the design capacity of our in-house design teams which, in turn strengthen both our product mix and product design. During the year ended 31 December 2012, the total expenses for the product design and development decreased by 16.3% to approximately RMB32.4 million representing approximately 3.0% of the aggregate turnover of the Group, from approximately RMB38.7 million for the same period in 2011.

Marketing and promotion

Other than *Flyke* casual-sportwear brand, the Group launched casualwear brand **Flyke** in the second-half of 2012. To further strengthen the Group's brand image, the Group launched a series of activities on various media outlets. During the year, the advertising and promotion expenses to the Group's turnover increased from 3.7% to 7.2%. Other than advertising, the Group also granted subsidy to our Authorised Distributors as our support for the establishment of their image stores to promote our brand's image. The Authorised Distributors are only entitled to the subsidy if they achieve the agreed upon sales target.

Export ODM Business

The Group has an established vertically integrated business model for the Export ODM Business. The design, production and sales of footwear to overseas markets includes international brand customers. The Export ODM Business provides a stable source of income and cash flow for the Group, and allows the Group to receive the latest customer footwear preferences and fashion trends of overseas markets. This multi-faceted and updated information from overseas markets allows us to keep track of international trends in footwear and improve the design of *Flyke* footwear. During the Review Period, sales from the Export ODM Business amounted to approximately RMB309.2 million, representing a decrease of approximately 17.1% from approximately RMB372.8 million in 2011. This business accounted for approximately 28.3% of the Group's aggregate turnover. The Directors believe that the sales from Export ODM Business can continue to contribute a stable cash inflow to the Group for development due to our active participation of international and domestic sales fairs.

Soles

The business is primarily engaged in the design, production and sales of soles. The sales from the business reached approximately RMB41.2 million, representing a decrease of approximately 18.0% from approximately RMB50.2 million in the same period of 2011. This business accounted for approximately 3.8% of the Group's aggregate turnover for the year. As of 31 December 2012, the Group had [21] production lines with an annual production capacity of approximately [13] million pairs of soles.

BUSINESS OUTLOOK

Brand Development

Due to increased competition in the sportwear market and the attractive margins offered by the casualwear market in China, the Group consolidated 586 of our casual-sportwear stores during the Review Period and commenced allocating resources into our casualwear products. In the second-half of 2012 we launched our casualwear brand and as of 31 December 2012 we have 22 authorized casualwear retail stores. In order to increase our market share within the casualwear market our Board or Directors has set-out the following sustainable growth targets.

Strengthening Brand Awareness and Image

The Directors believe the strengthening of our new brand awareness and image is critical to enhancing the casualwear brand's market share. In 2012 the Group allocated RMB 78.7 million for advertising and promotion purpose to promote the image of the brands as well consumer awareness. We intend on continuing with our brand promotional activities to enhance the recognistion and enlarge market share.

Sales Network Expansion

The Group opened 22 authorized casualwear stores within shopping malls located in first-tier and second-tier cities and 1,574 casual-sportwear stores in third and forth-tier cities. The Group will continue to expand the number of casualwear stores steadily in the coming years while consolidating the casual-sportwear stores in order to concentrate the resources on the casual brand and improve per-store efficiency. Other than shopping malls, the Group will look to open street-front casualwear stores in order to gain exposure to sidewalk consumer traffic.

Product Innovation

Other than our in-house design staff, the Group will continue to engage experienced designers to enhance our brand image, product design and development as well expand capacity and product mix.

Product Capacity

The Group is currently outsourcing all casualwear, sports apparels and accessories of casual-sportwear brand to independent manufacturers via OEM. In order to support our future expansion, the Group maintains its plan to establish its own factory for apparel, which should increase our profit margins.

Export ODM Business

The Export ODM footwear business represents another stable source of income contributed to the Group. To maintain growth in this component of its business, the Group will continuously participate in international exhibitions to increase its international exposure ideally targeting other emerging economies. The Directors also consider that the Group can benefit from having access to overseas fashion trends and styles.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Notes	**2012** **RMB'000**	2011 RMB'000
Turnover	3	**1,092,395**	1,543,096
Cost of sales		**(811,943)**	(1,097,766)
Gross profit		**280,452**	445,330
Other income	5	**1,046**	1,765
Selling and distribution expenses		**(101,764)**	(74,541)
Administrative expenses		**(34,076)**	(33,752)
Impairment loss recognised in respect of trade receivables		**(60,933)**	-
Other operating expenses		**(32,392)**	(38,722)
Equity-settled share-based payments		**(3,187)**	(21,579)
Finance costs	6	**(9,360)**	(9,067)
Profit before tax	7	**39,786**	269,434
Income tax expense	8	**(8,483)**	(55,361)
Profit for the year		**31,303**	214,073
Exchange differences arising on translation of foreign operations and other comprehensive expenses for the year		**585**	(1,377)
Total comprehensive income for the year		**31,888**	212,696
Earnings per share (RMB)			
Basic and diluted	9	**0.039**	0.264

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment		**111,432**	114,668
Prepaid lease payments		**22,982**	23,495
		134,414	138,163
Current assets			
Inventories		**83,679**	67,957
Trade and other receivables	11	**669,081**	527,257
Prepaid lease payments		**513**	513
Bank balances and cash		**289,078**	313,922
		1,042,351	909,649
Current liabilities			
Trade and other payables	12	**91,117**	83,556
Amount due to the controlling shareholder		**6,540**	63
Amount due to a director		**72**	72
Income tax payable		**5,349**	31,133
Bank borrowings		**232,000**	96,000
		335,078	210,824
Net current assets		**707,273**	698,825
		841,687	836,988
Capital and reserves			
Share capital		**71,551**	71,627
Reserves		**762,734**	748,585
Total equity		**834,285**	820,212
Non-current liability			
Deferred tax liabilities		**7,402**	16,776
		841,687	836,988

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Flyke International Holdings Ltd. (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 21 April 2008. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 29 March 2010. Its parent company is Super Creation International Limited, a company incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling party is Mr. Lin Wenjian ("Mr. LIN"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in design, production and sales of footwear, apparels and accessories. The Company acts as an investment holding company.

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

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

HKAS 1 (Amendments)	As part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in 2012
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The Group has applied for the first time the amendments to HKFRS 7 Disclosures – Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with a bank to transfer to the banks its contractual rights to receive cash flows from certain trade receivables. The arrangements are made through discounting those receivables to banks on a full recourse basis. Specifically, if the trade receivables are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing. The relevant disclosures have been made regarding the transfer of these trade receivables on application of the amendments to HKFRS 7. In accordance with the transitional provisions set out in the amendments to HKFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009 – 2011 Cycle, except for the amendments HKAS 1[2]
HKFRS 7(Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011)	Investment Entities[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures –Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "current has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

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

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC)-Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors of the Company do not anticipate that the application of these five standards will have impact on amounts reported in the consolidated financial statements as all the subsidiaries are wholly-owned by the Company.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

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

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

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

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with earlier application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 – Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a ‘statement of comprehensive income’ is renamed as a ‘statement of profit or loss and other comprehensive income’ and an ‘income statement’ is renamed as a ‘statement of profit or loss’. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER

Turnover represents revenue arising on sale of footwear, apparels and accessories and soles for the year. An analysis of the Group's revenue for the year is as follows:

	2012	2011
	RMB'000	RMB'000
Footwear	**668,870**	907,481
Apparels and accessories	**382,351**	585,429
Soles	**41,174**	50,186
	1,092,395	1,543,096

4. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker, Mr. LIN 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 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.

The Group is principally engaged in the manufacture and sales of footwear, apparels and accessories. All of the Group's products are of a similar nature and subject to similar risk and returns. Accordingly, the Group's operating activities are attributable to a single reportable segment and no segment information is presented.

No geographical information is presented as the Group's business is principally carried out in the People's Republic of China (the "PRC") (country of domicile) and the Group's revenue from external customers and non-current assets are in the PRC. No geographical information for other country is of a significant size to be reported separately.

For the year ended 31 December 2012, the Group has only one (2011: one) customer with whom transactions have exceeded 10% of the Group's aggregate turnover. The sales revenue from this customer amounted to approximately RMB308,109,000 (2011: RMB355,502,000) for the year.

5. OTHER INCOME

	2012	2011
	RMB'000	RMB'000
Bank interest income	**1,046**	1,325
Government grants (Note)	**-**	440
	1,046	1,765

Note: For the year ended 31 December 2011, the government grants were received from the local government authority for the successful listing of the Company's shares on the Main Board of the Stock Exchange.

6. FINANCE COSTS

	2012	2011
	RMB'000	RMB'000
Interest on bank borrowings wholly repayable within five years	**8,483**	9,067
Interest on factoring loans	**877**	-
	9,360	9,067

7. PROFIT BEFORE TAX

	2012 RMB'000	2011 RMB'000
Profit before tax has been arrived at after charging:		
Directors' emoluments	**2,377**	11,278
Salaries and other allowances	**136,471**	137,384
Post-employment benefits (excluding directors)	**9,360**	7,691
Equity-settled share-based payments (excluding directors)	**2,635**	12,111
Total staff costs	**150,843**	168,464
Amortisation of prepaid lease payments	**513**	513
Auditors' remuneration	**813**	831
Cost of inventories recognised as an expense	**811,943**	1,097,766
Depreciation of property, plant and equipment	**9,816**	9,163
Operating lease rental paid in respect of rented premises	**149**	67
Research and development costs (included in other operating expenses)*	**32,012**	38,722
Net foreign exchange loss	**83**	1,914

* Research and development costs included staff costs of approximately RMB9,352,000 (2011: RMB8,930,000) and depreciation of property, plant and equipment of approximately RMB336,000 (2011: RMB380,000) in research and development activities.

8. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
- Current year	**17,857**	47,210
Deferred tax	**(9,374)**	8,151
	8,483	55,361

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

(ii) No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2012 and 2011.

(iii) Under the Law of the People's Republic of China on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for Feike Sports Products Co., Ltd. Fujian* (福建省飛克體育用品有限公司) ("Flyke (China)") that is entitled to different concessionary tax rates as disclosed below.

Pursuant to the income tax rules and regulations of the PRC, Flyke (China) is a foreign investment enterprise and is entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate set by the PRC government (the "Tax Exemption").

The first profit-making year of Flyke (China) was 2007. As year 2007 was not a full year operation, accordingly, year 2008 was regarded the beginning year of Tax Exemption as the first profit-making year. Flyke (China) is exempted from EIT from 1 January 2008 to 31 December 2009 and is entitled to a 50% exemption of income tax from 1 January 2010 to 31 December 2012.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2012	2011
	RMB'000	RMB'000
Profit before tax	**39,786**	269,434
Tax expenses at rates applicable to profits in the jurisdictions concerns (Note)	**10,545**	69,621
Tax effect of income not taxable for tax purpose	**-**	(10)
Tax effect of expenses not deductible for tax purpose	**2,131**	4,928
Effect of Tax Exemption granted to a PRC subsidiary	**(8,892)**	(29,823)
Withholding tax on undistributed profits of subsidiaries	**4,699**	10,645
Income tax expense for the year	**8,483**	55,361

Note: As the Group operates in several different tax jurisdictions, separate reconciliations using the domestic tax rate in each individual tax jurisdiction have been aggregated.

* *English name is for identification purpose only.*

9. EARNINGS PER SHARE

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

	2012	2011
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**31,303**	214,073

	2012	**2011**
	'000	**'000**
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**812,795**	**811,896**

	2012	2011
Earnings per share (in RMB)		
Basic and diluted	**0.039**	0.264

For the year ended 31 December 2012 and 2011, diluted earnings per share is the same as the basic earnings per share. The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options and investor option as the exercise prices of those options are higher than the average market price of the Company's shares for the two years ended 31 December 2012 and 2011.

10. DIVIDENDS

	2012 RMB'000	2011 RMB'000
Dividends recognised as distribution during the year:		
2011 final dividend – RMB0.0249 (2011: 2010 final dividend of 0.0400) per share (Note)	**20,277**	32,000
Proposed final dividend – RMB0.0080 (2011: RMB0.0249) per share (Note)	**6,501**	20,277

Note:

The directors of the Company recommended the payment of a final dividend of HK$0.0100 (equivalent to approximately RMB0.0080) (2011: HK$0.0300 (equivalent to approximately RMB0.0249)) per share amounting to HK$8,126,000 (equivalent to approximately RMB6,501,000) (2011: HK$24,406,000 (equivalent to RMB20,277,000)) for the year ended 31 December 2012, subject to the approval of the shareholders at the forthcoming annual general meeting.

11. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables (Note a)	**715,856**	493,849
Less: Impairment loss recognised in respect of trade receivables	**(60,933)**	-
	654,923	493,849
Prepayments	**14,127**	32,984
Other receivables	**31**	424
	669,081	527,257

Note:

(a) As at 31 December 2012, included in trade receivables was an amount of approximately RMB64,122,000 transferred to banks on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

The Group normally allows a credit period of 120 to 150 (2011: 90 to 120) days to its trade customers. The Group does not hold any collateral over these balances.

The ageing analysis of the Group's trade receivables (net of impairment loss recognised) presented based on the invoice date at the end of the reporting period is as follows:

	2012	2011
	RMB'000	RMB'000
Within 60 days	**196,789**	334,223
More than 60 days but less than 180 days	**352,280**	159,626
More than 180 days but less than 360 days	**105,854**	-
Total	**654,923**	493,849

The movements in impairment loss recognised of trade receivables are as follows,

	2012	2011
	RMB'000	RMB'000
At 1 January	**-**	-
Recognised during the year	**60,933**	-
At 31 December	**60,933**	-

As at 31 December 2012, the Group has assessed the recoverability of the receivables past due and established a provision for impairment loss. The impairment loss is recorded using an allowance account unless the Group is satisfied that recovery is remote, in which case the unrecovered loss is written off against trade receivables and the impairment loss directly.

The ageing analysis of trade receivables (net of impairment loss) which are neither individually nor collectively considered to be impaired are as follows :

	2012	2011
	RMB'000	RMB'000
Current	**397,107**	493,849
Less than 3 months past due	**257,816**	-
	654,923	493,849

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record and continuous settlement are received by the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment 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.

12. TRADE AND OTHER PAYABLES

	2012	2011
	RMB'000	RMB'000
Trade payables	**57,956**	55,473
Other payables and accruals	**15,818**	21,565
Valued added tax payables	**17,343**	6,518
	91,117	83,556

At 31 December 2012, included in the other payables and accruals was directors' fee payable of approximately RMB80,000 (2011: nil).

The aged analysis of the Group's trade payables based on invoice date at the end of the reporting period is as follows:

	2012	2011
	RMB'000	RMB'000
Within 90 days	**57,956**	55,473

The average credit period on purchases of goods is 30 to 90 days (2011: 30 to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

As at 31 December 2012, approximately RMB1,538,000 (2011: RMB1,014,000) of other payables of the Group were denominated in HK$ while the remaining were denominated in RMB.

FINANCIAL REVIEW

Turnover

During the year ended 31 December 2012, the aggregate turnover of the Group decreased by approximately RMB450.7 million or 29.2% to approximately RMB1,092.4 million. The decrease in turnover was primarily attributable to the decrease in sales of our *Flyke* casual-sportwear products as a results of the shift in the Group's strategy and the overall weakness of sportwear market in China.

The following table sets forth a summary of the turnover of the Group by four principal activities during the year ended 31 December 2012 (with comparative figures for the year ended 31 December 2011):–

	For the year ended 31 December				
	2012		2011		Charge
	RMB'000	**%**	RMB'000	%	%
Sales of footwear, apparels and accessories with the *Flyke* casual-sport brand	**728,046**	**66.6%**	1,120,106	72.5%	(35.0)%
Sales of footwear, apparels and accessories with the **Flyke** casual brand *	**13,984**	**1.3%**	-	-	-
Sales under the Export ODM Business	**309,191**	**28.3%**	372,804	24.2%	(17.1)%
Sales of soles	**41,174**	**3.8%**	50,186	3.3%	(18.0)%
Total	**1,092,395**	**100.0%**	1,543,096	100.0%	(29.2)%

* We started the sales of **Flyke** casual brand products in second-half of 2012.

Sales of the *Flyke* casual-sportwear products

The brand products include footwear, apparels and accessories. *Flyke* footwear was produced by the Group while the apparel and accessories were produced by the Group's independent contract manufacturers via OEM arrangement. The Group sold all the *Flyke* casual-sportwear products directly to the Authorised Distributors, which operate and manage the authorised retail stores. As of 31 December 2012, *Flyke* casual-sportwear products were sold at 1,574 authorised retail stores including 10 image stores, operated by 13 independent Authorised Distributors.

The following table illustrates the sale analysis of the *Flyke* casual-sportwear products by product categories during the year ended 31 December 2012 (with comparative figures for the year ended 31 December 2011):–

	For the year ended 31 December				
	2012		2011		Charge
	RMB'000	**%**	RMB'000	%	%
Sales of apparel and accessories	**374,886**	**51.5%**	585,429	52.3%	(36)%
Sales of footwear	**353,160**	**48.5%**	534,677	47.7%	(33)%
Total	**728,046**	**100.0%**	1,120,106	100.0%	(35)%

The following table sets forth a sale breakdown of the *Flyke* casual-sportwear brand by regions during the Review Period:

	For the year ended 31 December				
	2012		2011		Change
	RMB'000	**% of Turnover**	RMB'000	% of Turnover	%
Northern China	**198,715**	**27.3%**	291,515	26.1%	(31.8)%
Eastern China	**137,602**	**18.9%**	209,914	18.7%	(34.4)%
Southern China	**184,350**	**25.3%**	274,366	24.5%	(32.8)%
Central/Southwestern China	**207,379**	**28.5%**	344,311	30.7%	(39.8)%
Total	**728,046**	**100.0%**	1,120,106	100.0%	(33.2)%

The decrease in turnover of *Flyke* casual-sportwear products was primarily attributed to the decrease in sales volume as a result of a shift in Group's strategy and intense competition during the Review Period.

The following table sets forth the number of pairs/pieces/sets sold and the average ex-factory prices of the Group's *Flyke* casual-sportwear products during the year ended 31 December 2012 (with comparative figures for the year ended 31 December 2011):–

	For the year ended 31 December				
	2012		2011		
	Total pairs/ pieces sold	**Average ex-factory price**	Total pairs/ pieces sold	Average ex-factory price	Change of average ex-factory price
	'000	**RMB**	'000	RMB	%
Apparels and accessories (pieces/sets)	**5,290**	**70.9**	8,195	71.4	(0.8)%
Footwear (pairs)	**4,552**	**77.6**	7,326	73.0	6.3%

Sales of footwear under the Export ODM

During the year ended 31 December 2012, the Export ODM Business recorded a decrease by approximately 17.1% to approximately RMB309.2 million. The decline in the Export ODM Business was principally due to the challenging global economy which affects the demand for our exports.

The following table illustrates a sale analysis of the Export ODM Business by production sources during the year ended 31 December 2012 (with comparative figures for the year ended 31 December 2011):–

	For the year ended 31 December				
	2012		2011		Change
	RMB'000	**%**	RMB'000	%	%
Sales of own produced footwear	**233,477**	**75.5%**	244,273	65.5%	(4.4)%
Sales of outsourced footwear	**75,714**	**24.5%**	128,531	34.5%	(41.1)%
Total	**309,191**	**100.0%**	372,804	100.0%	(17.1)%

The following table sets forth the number of pairs sold and the average selling price of footwear for the Export ODM Business for the year ended 31 December 2012 (with comparable figures for the year ended 31 December 2011):–

	For the year ended 31 December				
	2012		2011		
	Total pairs sold '000	**Average ex-factory price RMB**	Total pairs sold '000	Average ex-factory price RMB	Change of average ex-factory price %
Footwear	**5,296**	**58.4**	6,572	56.7	2.9%

Sales of soles

During the year ended 31 December 2012, the sales of soles decreased by approximately 18.0% to approximately RMB41.2 million principally due to the decreased demand for footwear in the market.

Cost of sales

The cost of sales included raw materials, direct labour, production cost and outsourcing fees to contract manufacturers. It was incurred in: (a) the production of the *Flyke* footwear; (b) the outsourcing fees to the Group's contract manufacturers for the production of the **Flyke** footwear, apparel and accessories; (c) the production of the footwear for the Export ODM Business; (d) the production of Soles and (e) the outsourcing fees to the Group's contract manufacturers for the production of certain footwear for the Export ODM Business and the apparels and accessories with the *Flyke* casual-sport brand.

For the year ended 31 December 2012, total cost of sales decreased by approximately 26.0% to approximately RMB811.9 million from approximately RMB1,097.8 million for the year ended 31 December 2011, of which the outsourcing fee to contract manufacturers decreased by approximately 33.6% to approximately RMB347.9 million for the year ended 31 December 2012 from approximately RMB523.8 million for the year ended 31 December 2011.

The percentage year-over-year decrease in the cost of sales was less than the percentage year-over-year decrease in the aggregate turnover because in-house production costs did not decrease in-line with aggregate turnover.

Gross profit and gross profit margin

The gross profit of the Group decreased by approximately 37% to approximately RMB280.5 million (2011: RMB445.3 million) while the gross profit margin decreased to approximately 25.7% (2011: 28.9%). The decrease in gross profit was mainly attributable to decrease in the sales of the *Flyke* casual-sportwear brand.

The following table illustrates the gross profit and the gross profit margins of the Group by its principal activities, namely footwear, apparel and accessories with the *Flyke* casual-sportwear brand and **Flyke** casualwear brand, the Export ODM Business and soles during the year ended 31 December 2012 (with comparative figures for the year ended 31 December 2011):–

	For the year ended 31 December				
	2012		2011		
	RMB'000	**Gross profit margin %**	RMB'000	Gross profit margin %	Change %
Sales of footwear, apparels and accessories with the *Flyke* casual-sportwear brand	**197,080**	**27.1%**	342,872	30.6%	(42.5)%
Sales of footwear, apparels and accessories with the **Flyke** casualwear brand	**6,397**	**45.7%**	-	-	-
Sales under Export ODM Business	**68,494**	**22.2%**	91,362	24.5%	(25)%
Sales of soles	**8,481**	**20.6%**	11,096	22.1%	(23.6)%
Total	**280,452**	**25.7%**	445,330	28.9%	(37)%

***Flyke* casual-sportwear products**

The gross profit for the sales of the *Flyke* casual-sportwear products during the Review Period decreased by approximately 42.5% to approximately RMB197.1 million while the gross profit margin decreased by approximately 3.5% to approximately 27.1% as the increase in cost of raw material and labour. The decrease of gross profit was primarily attributable to the consolidation of our retail network as a result of our strategy to reduce the number of stores and the declining demand in the industry.

The following table illustrates an analysis of the gross profit and profit margin of the *Flyke* casual-sportwear products by product categories during the year ended 31 December 2012 (with comparative figures for the year ended 31 December 2011):–

	For the year ended 31 December				
	2012		2011		
		Gross profit margin		Gross profit margin	Change
	RMB'000	**%**	RMB'000	%	%
Sales of apparels and accessories	**97,553**	**26.0%**	166,267	28.4%	(43.6)%
Sales of footwear	**99,527**	**28.2%**	176,605	33.0%	(41.3)%
Total	**197,080**	**27.1%**	342,872	30.6%	(42.5)%

Export ODM Business

The gross profit for the Export ODM Business for the Review Period decreased by approximately 25% to approximately RMB68.5 million while the gross profit margin decreased from approximately 24.5% for the year ended 31 December 2011 to approximately 22.2% for the year ended 31 December 2012. The decrease in gross profit was primarily a result of decreasing sales volume during the Review Period.

Soles

The gross profit for the sales of soles decreased by approximately 23.6% to approximately RMB8.5 million. The decrease in gross profit was attributable to the decrease in quantities sold.

Other income

The other income of the Group for the year ended 31 December 2012 decreased to approximately RMB1.0 million (2011: RMB1.8 million) due to a subsidy granted by local government of approximately RMB3.7 million for successful listing in March 2010 of which approximately RMB0.4 million was received and recognised as income during the year ended 31 December 2011.

Selling and distribution expenses

During the year ended 31 December 2012, the selling and distribution expenses amounted to approximately RMB101.8 million (2011: RMB74.5 million) representing approximately 9.3% to the aggregate sales of the Group (2011: 4.8%). The increase in percentage to the aggregate turnover of the Group was primarily due to a series of marketing launched to promote **Flyke** casualwear brand awareness in the media and recognised subsidies to image stores as expenses during the Review Period.

Administrative expenses

During the year ended 31 December 2012, the administrative expense was kept at a stable level of approximately RMB34.0 million (2011: RMB33.8 million). The expense did not decrease in line with turnover due to the increase in depreciation and salary remuneration.

Impairment loss

It represents the provision of past due outstanding balances from trade receivables. During the Review Period, the Group recognised the impairment loss of RMB60.9 million after the assessment of the recoverability of each past due trade receivable.

Other operating expenses

Other operating expenses of RMB32.4 million consisted of expenses incurred from product design and development of footwear and apparels and donation, of which RMB32.1 million was incurred for design and development. The decrease in product design and development of the sport casualwear brand lead to a decrease in other operating expenses by 16.3% to RMB32.4 million (2011: RMB38.7 million) representing approximately 3% of aggregate turnover (2011: 2.5%) during the Review Period.

Equity-settled share-based payments

The recognition of approximately RMB3.2 million (2011: RMB21.6 million) as to equity-settled share-based payment represents the cost of share options granted to the eligible employees and Directors.

Finance costs

The finance costs consisted of interest expense on bank borrowings. During the year ended 31 December 2012, the finance costs incurred by the Group increased by 3.2% to approximately RMB9.4 million (2011: RMB9.1 million) due to the increase in bank borrowing during the Review Period. The balance of bank borrowings was approximately RMB232.0 million as of 31 December 2012 (2011: RMB96.0 million).

Income tax expense

The income tax represented amounts of corporate income tax and deferred tax in China. No provision for Hong Kong profits tax has been made as no member of the Group did generate any assessable profit in Hong Kong during the year ended 31 December 2012. The Group was not subject to any tax in the Cayman Islands and the British Virgin Islands during the year ended 31 December 2012.

The Group's income tax expense during the year ended 31 December 2012 amounted to approximately RMB8.5 million (2011: RMB55.4 million), representing a decrease of approximately 84.7% while the Group's effective income tax rate increased by 0.8% to approximately 21.3% for the year ended 31 December 2012 (2011: 20.5%). The reason of dramatic decrease of income tax was the increase in advertising of the new brand promotion of casual wear and the decrease of sales from casual-sportwear brand products and deferred tax assets recognised on the impairment loss of in respect of trade receivables. Flyke (China) is subject to Law of People's Republic of China on Enterprise Income Tax ("EIT") 12.5% from 1 January 2010 to 31 December 2012.

Profit for the year

Profit for the year decreased by approximately 85.4% from approximately RMB214.1 million for the year ended 31 December 2011 to RMB31.3 million for the year ended 31 December 2012. The decrease in the profitability of the Group was principally driven by the decrease in profits in casual-sportwear brand.

FINAL DIVIDEND FOR THE YEAR ENDED 31 DECEMBER 2012

DIVIDEND

A final dividend of RMB0.0080 per share (equivalent to approximately HK$0.0100 at exchange rate RMB0.80 : HK$1 has been recommended by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

USE OF PROCEEDS

Use of Net Proceeds from the Global Offering

The net proceeds from the global offering were approximately HK$363.3 million (after deducting related expenses). The following table sets forth the use of the net proceeds up to the Review Period: –

Use of net proceeds from the global offering	Available to utilise	(HK$ million) Utilised as of 31 December 2012	Unutilised as of 31 December 2012
Improvement in our information technology systems	22.5	-	22.5
Expansion of our product research and development teams	63.9	63.9	-
Establishment of 7 flagship stores and 23 image stores	63.9	25.1	38.8
Increase three footwear production lines	23.0	8.5	14.5
Establish new production facilities for apparels	80.0	-	80.0
Advertising and marketing activities	110.0	110.0	-
Total	363.3	207.5	155.8

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The bank balances and cash of the Group decreased from approximately RMB313.9 million as of 31 December 2011 to approximately RMB289.1 million as of 31 December 2012. The Directors believe that the funds generated from operations, the available banking facilities will enable the Group to meet its future working capital requirements.

The net assets increased to approximately RMB834.3 million as of 31 December 2012 from approximately RMB820.2 million as of 31 December 2011.

The bank borrowings was approximately RMB232 million as of 31 December 2012 (2011: RMB96 million), all denominated in Renminbi.

As of 31 December 2012, the Group's gearing ratio (measured by total bank loans divided by the equity) was 27.8% (2011: 11.7%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group mainly operates in the PRC and most of the transactions were settled in Renminbi. However, part of the Group's bank deposit is denominated in Hong Kong Dollars. During the Review Period, the Group did not hedge against any exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may impact on the financial condition of the Group.

PLEDGE OF ASSETS

At the end of the reporting period, property, plant & equipment with carrying value of approximately RMB15,349,000 were pledged to secure banking facilities granted to the Group.

CONTINGENT LIABILITIES

As of 31 December 2012, we had no material contingent liabilities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the applicable code provisions in the Code on Corporate Governance Practices (the "Code") as set out in appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the Review Period except for the following deviation:

Code Provision A.2.1

Currently, the roles of the chairman and chief executive of the Company are performed by the same individual, Mr. LIN Wenjian. The Company is aware of the requirement under paragraph A.2.1 of the Code that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Nevertheless, the Board considers that the combination of the roles of chairman and chief executive will not impair the balance of power and authority between the Board and the management of the Company and is of the view that this structure provides the Group with strong and consistent leadership, which can facilitate the formulation and implementation of its strategies and decisions and enable it to grasp business opportunities and react to changes efficiently and therefore it is in the interests of the Company as a whole and beneficial to the business prospects of the Group for Mr. LIN Wenjian to undertake the roles of the chairman and the chief executive.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2012.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") to review and monitor the financial reporting process and internal control of the Group, to review the financial information of the Group and to consider issues relating to the external auditor. Durung the Review Period, the Audit Committee consists of all three independent non-executive Directors, namely Mr. CHU Kin Wang, Peleus, Mr. WANG Dong, who was appointed on 24 February 2012, Mr. ZHU Guohe and Mr. HUANG Shanhe, who resigned on 24 February 2012. Mr. CHU is the chairman of the Audit Committee. During the Review Period, the Audit Committee held three meetings to make recommendation on the re-appointment of external auditor, review financial statements, financial reporting system and internal control procedures of the Company. The Audit Committee has reviewed the Company's financial statements and the Group's combined financial statements for the year ended 31 December 2012, including the accounting principles and practices adopted by the Group.

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

On 27 May 2011, the Shareholders granted a general and unconditional mandate to the Directors, in the annual general meeting of the Company, to exercise all powers of the Company to repurchase up to 10% of the aggregate nominal amount of the issued share capital of the Company as at 27 May 2011.

During the Review Period, the Company repurchased a total of 944,000 fully paid ordinary shares of the Company at an aggregate consideration of HK$893,106 on the Stock Exchange. Details of the repurchases of such ordinary shares of the Company were as follows:

Month of repurchase	Number of ordinary Shares repurchased	Price per ordinary Share		Aggregate purchase price
		Highest price paid (HK$)	Lowest price paid (HK$)	(HK$)
January 2012	484,000	0.96	0.89	444,720
February 2012	460,000	1.00	0.92	448,386
Total	944,000			893,106

All of the 944,000 repurchased ordinary Shares were cancelled during the Review Period and the issued share capital of the Company was reduced by the par value thereof. The above repurchases were effected by the Directors, pursuant to the mandate from the Shareholders, with a view to benefit the Shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed in this announcement, there was no purchase, sale or redemption, by the Company or any of its subsidiaries, of the Company's listed securities during the Review Period.

PUBLICATION OF ANNUAL REPORT

The Company's annual report for the financial year ended 31 December 2012 containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the Shareholders and published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.chinaflyke.com in due course.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt gratitude to each investor for their support, confidence and trust towards the Group. The Board would also like to take this opportunity to express our appreciation to the management and staff for their dedicated contributions to the Group during the past year.

By order of the Board
Flyke International Holdings Ltd.
LIN Wenjian
Chairman

Fujian, PRC, 22 March 2013

As at the date of this announcement, the executive Directors are Mr. LIN Wenjian (Chairman and Chief Executive), Mr. LIN Mingxu, Mr. LIN Wenzu and Mr. LI Yong, and the independent nonexecutive Directors are Mr. CHU Kin Wang, Peleus, Mr. WANG Dong and Mr. ZHU Guohe.