動感集團
Active Group

Active Group Holdings Limited
動感集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1096

Annual Report 2012

Contents

Corporate Information

BOARD OF DIRECTORS

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

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

BOARD COMMITTEES

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

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

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

COMPANY SECRETARY

Miss. Yau Suk Yan *CPA*

AUTHORISED REPRESENTATIVES

Mr. Chen Yuanjian
Miss. Yau Suk Yan

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Shoes Industrial Park
Baogai Town
Shishi
Fujian Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

AUDITORS

KPMG

LEGAL ADVISER

As to Hong Kong law:
Eversheds

STOCK CODE

01096

COMPANY WEBSITE

www.active-group.com.cn

Financial Highlights

Financial Highlights

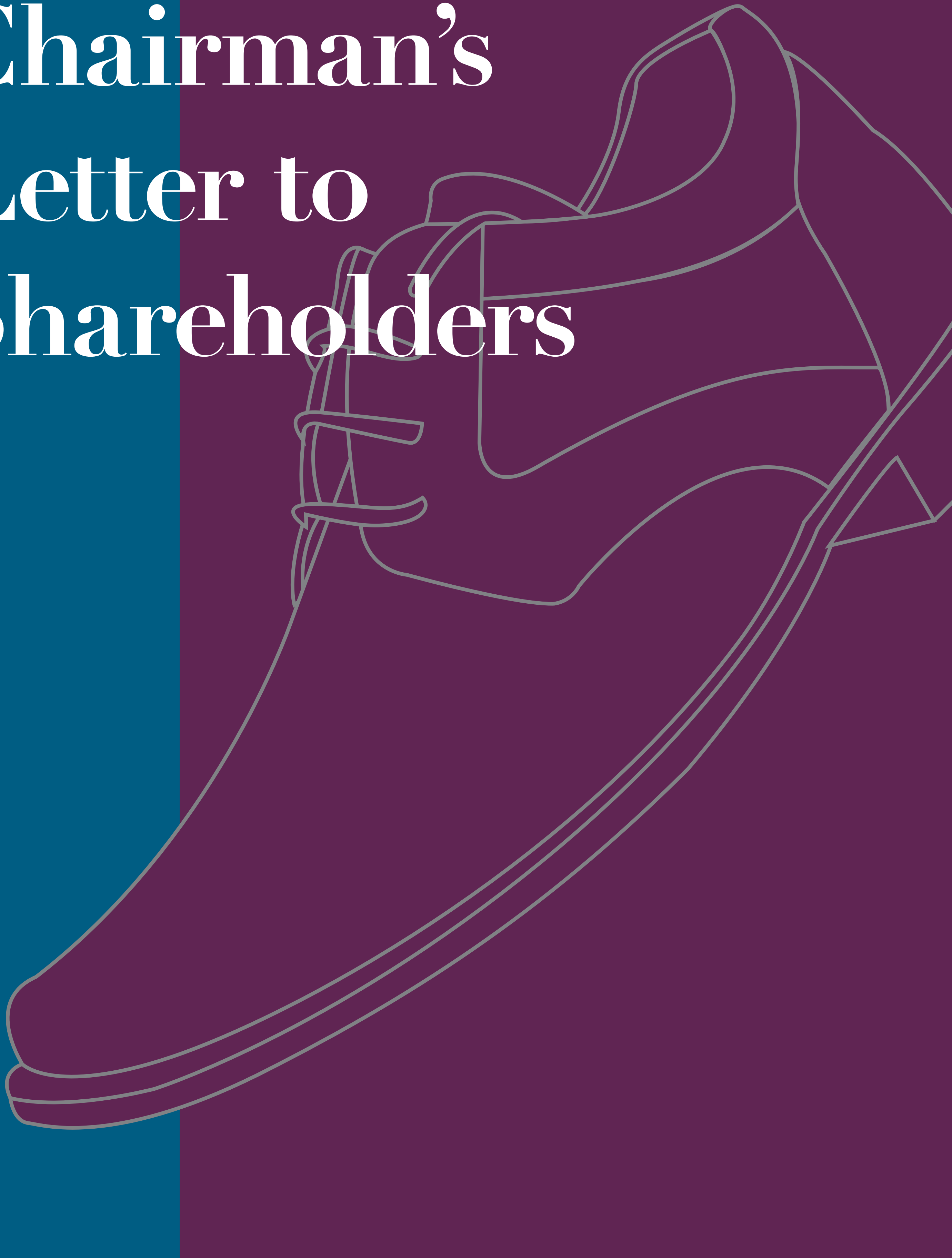
KEY FINANCIAL HIGHLIGHTS
For the Year ended 31 December

	Note	**2012**	2011	% change
Revenue (RMB'000)		**679,498**	607,197	11.9%
Gross profit (RMB'000)		**174,993**	209,576	-16.5%
Profit before taxation (RMB'000)		**104,791**	151,492	-30.8%
Profit for the year (RMB'000)		**72,812**	112,277	-35.1%
Gross profit margin (%)		**25.8%**	34.5%	
Profit before tax margin (%)		**15.4%**	24.9%	
Earnings per share – Basic (RMB)	1	**0.06**	0.12	
Dividend per share – final (HK cents)		**0.88**	0.88	
As at 31 December				
Current ratio (times)	2	**1.8**	2.6	
Trade and bills payables turnover days (days)	3	**109**	71	
Trade and bills receivables turnover days (days)	4	**159**	102	
Inventory turnover days (days)	5	**55**	52	
Gearing ratio	6	**17.7%**	10.1%	

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



Chairman's Letter to Shareholders

On behalf of the Board of Directors (the "**Board**"), I am pleased to present the annual results of Active Group Holdings Limited (the "**Company**") and its subsidiaries (collectively "**Active Group**" or the "**Group**") for the year ended 31 December 2012.

The operating environment in the fiscal year 2012 remained tough mainly brought about by the weak consumer spending, as well as increasing rental, labour, raw materials and commodity costs. Nevertheless, Active Group has continued to grow its business with the turnover for the year ended 31 December 2012 recording an increase of 11.9% to RMB679.5 million (2011: RMB607.2 million). However, due to increasing cost of goods sold, especially the labour and raw material costs, as well as offering more attractive prices to clients to obtain a larger market share, the Group's gross profit adjusted to RMB175.0 million (2011: RMB209.6 million). Gross profit margin stood at 25.8% (2011: 34.5%). Profit attributable to equity shareholders of the Group for the year was RMB72.8 million (2011: RMB112.3 million). Basic earnings per share were RMB6 cents (2011: RMB12 cents).

In view of the slack economy, we have adjusted the pace of our expansion plan by opening two self-operated flagship stores in Xiamen and Shishi, both located at Fujian Province, while adding 294 retail sales points, bringing the total to two flagship stores and 2,334 retail sales points (2011: zero flagship store and 2,040 retail sales points). Notwithstanding the challenging environment, we have continued to exert efforts to promote our brands aiming to achieve higher recognition from consumers through a series of promotional activities, including fashion events, conferences and seasonal sales fairs, etc. Our two self-owned brands, ***Jimaire*** and ***Bull Titan***, are well-recognised men's footwear brands with a fashionable and elegant image and they have continued to contribute significantly to the Group's total turnover and profit. We have also invested comparable efforts for the promotion of our licensed brands, ***Luotuo Brand***, ***Greiff*** and ***Camel Active***, in particular, to emphasise their diversified ranges of high quality features with multi-function designs.

It is always true that quality comes first when building a powerful brand. Active Group has successfully gained the trust from its customers through its superior product quality, which is the result of continuous hard work guided by the commitment of its professional research and development

("**R&D**") team. Equipped with the latest computer-aided design software and systems within the new R&D office in Guangzhou, a talented team of 113 professional designers and researchers have designed more than 2,636 new models of casual footwear and 199 new styles of apparel and accessories per year, approximately 51% of which reached commercial production.

Despite the challenges in 2012, 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. As at 31 December 2012, the Group had a cash and bank balance of RMB57.2 million (2011: RMB213.2 million) and total bank loans of RMB204.3 million (2011: RMB84.6 million). We continued to operate under a comfortable gearing ratio of 17.7% (2011: 10.1%). As the Group is in a healthy financial condition, we plan to inject more resources into brand management to boost profitability and expand our sales channels. At the same time, we are undertaking measures to control costs and intend to effectively allocate resources to different brands.

At the 18th Communist Party of China National Congress held in November 2012, the People's Republic of China (the "**PRC**" or "**China**") government has announced as part of its urbanisation policy that it would take measures to boost household income and purchasing power of consumers. With rising disposable incomes, all generations in China have been pursuing a lifestyle with increasing leisure and fashion components. To capture the market potential presented by this trend, the Group has enriched its multi-brand portfolio with two new trademarks, ***Coremss*** (克雷獅) and ***Brisk Lion*** (布朗獅). With these brands, the Group plans to launch more business casual footwear and functional outdoor footwear with special features targeting customers in the age group from 30 to 55.

Apart from the traditional sales channels, the Group is also planning to develop an e-commerce platform by setting up a self-operated online shop on Tmall.com of Taobao to deliver the convenience benefits of online shopping to customers. Tmall is a leading shopping portal in China and a premier online merchandising outlet for authentic high quality products catering for increasingly sophisticated Chinese consumers. Our brands are chic in design and style yet affordable for the younger audience that Active Group is trying to reach. More importantly, selling products through an e-platform perfectly complements the Group's sales channels as well as our versatile brand building approaches.

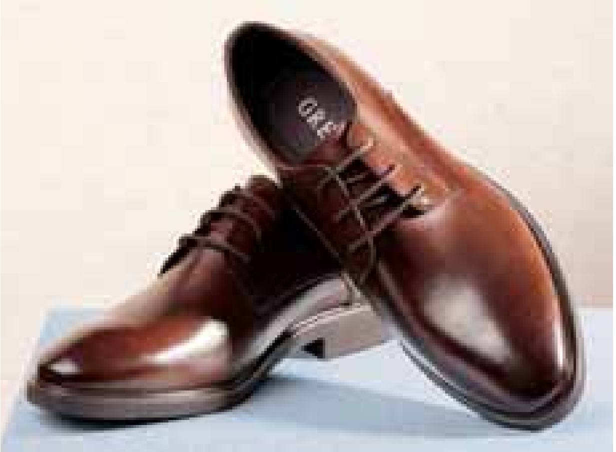
With a forward-looking and experienced management team, we are optimistic about the prospects of Active Group and believe that it will be able to bring about good returns in the near future.

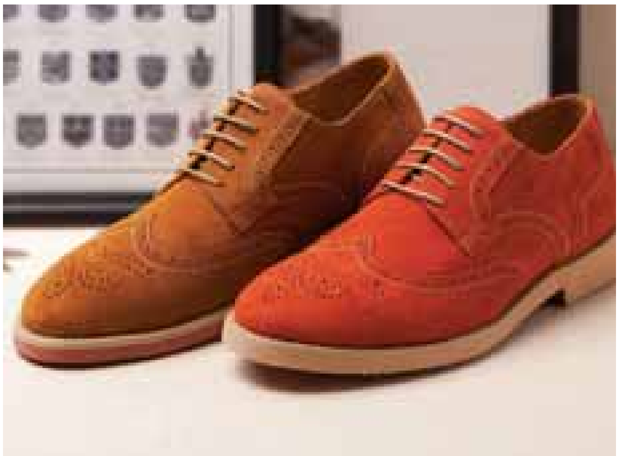
APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank every member of our staff for their constant dedications and contributions to the Group. I also wish to express my sincere appreciation to our customers and business partners for their continuous support. We will continue to make further achievement and to create the best returns for the shareholders of the Company ("**Shareholders**").

Cai Xiuman
Chairman

Hong Kong, 20 March 2013





Management Discussion and Analysis

MARKET REVIEW

During 2012, the global economic environment continued to be complex and full of challenges. The unsolved European sovereign debt crisis and slow economic recovery in the United States remained significant threats to the world economy. In China, lackluster consumption partially hindered the pace of economic development. In view of sluggish market sentiment, the Chinese Government employed strategies to boost growth, including lowering the interest rate for the first time since 2008 and loosening controls on bank lending and deposit rates, thereby providing fresh impetus to economic activity as well as bringing benefits to the retail market. The Government's efforts gradually paid off with GDP reaching 7.9% in the final three months of the year. Although the total retail sales of consumer goods experienced a brief slowdown after the Chinese Spring Festival, the consumer market started to rebound in the second half of 2012. By the third quarter, the consumption of PRC retail market made greater contributions to economic growth than investment – the first time since 2006. Total retail sales of consumer goods reported nominal year-on-year growth of 14.3% to RMB 20.7 trillion.

Against a backdrop of economic instability, the business development strategy of Active Group was adjusted, focusing on expanding production capacity and penetrating second-and third-tier cities in China. The primary objective would be to capture greater market share while concurrently enhance customer loyalty, and in so doing, bolster the Group's business foundation so that long-term sustainable growth can be realised.

BUSINESS REVIEW

With consumers in China becoming increasingly sophisticated and discerning, in line with higher purchasing power, the Group directed greater energies toward nurturing customer loyalty as part of overall efforts to enlarge its market share. Leveraging on the Group's multi-branding strategy, the two self-owned brands, ***Jimaire*** and ***Bull Titan***, as well as the licensed brands, ***Greiff***, ***Camel Active*** and ***Luotuo Brand***, were able to generate favourable feedback from customers. Specifically, all of the aforementioned men's casual footwear brands were associated with high quality, exceptional functionality and appealing designs. With a well-defined multi-brand management strategy in place, the Group launched effective marketing programs via seasonal campaigns and sponsorships, as well as a variety of advertisements to further enhance brand recognition and sustain healthy sales in key regional markets, and thus strengthen its leading position in the men's casual footwear market.

The trademark licence agreement which granted the non-exclusive licence to the Group to use the trademark of Luotuo Brand for casual footwear and sport footwear in the PRC expired on 28 February 2013 without renewal. Accordingly, the Group will not through its distributors and department store customers sell any Luotuo Brand products from 1 March 2013 onwards.

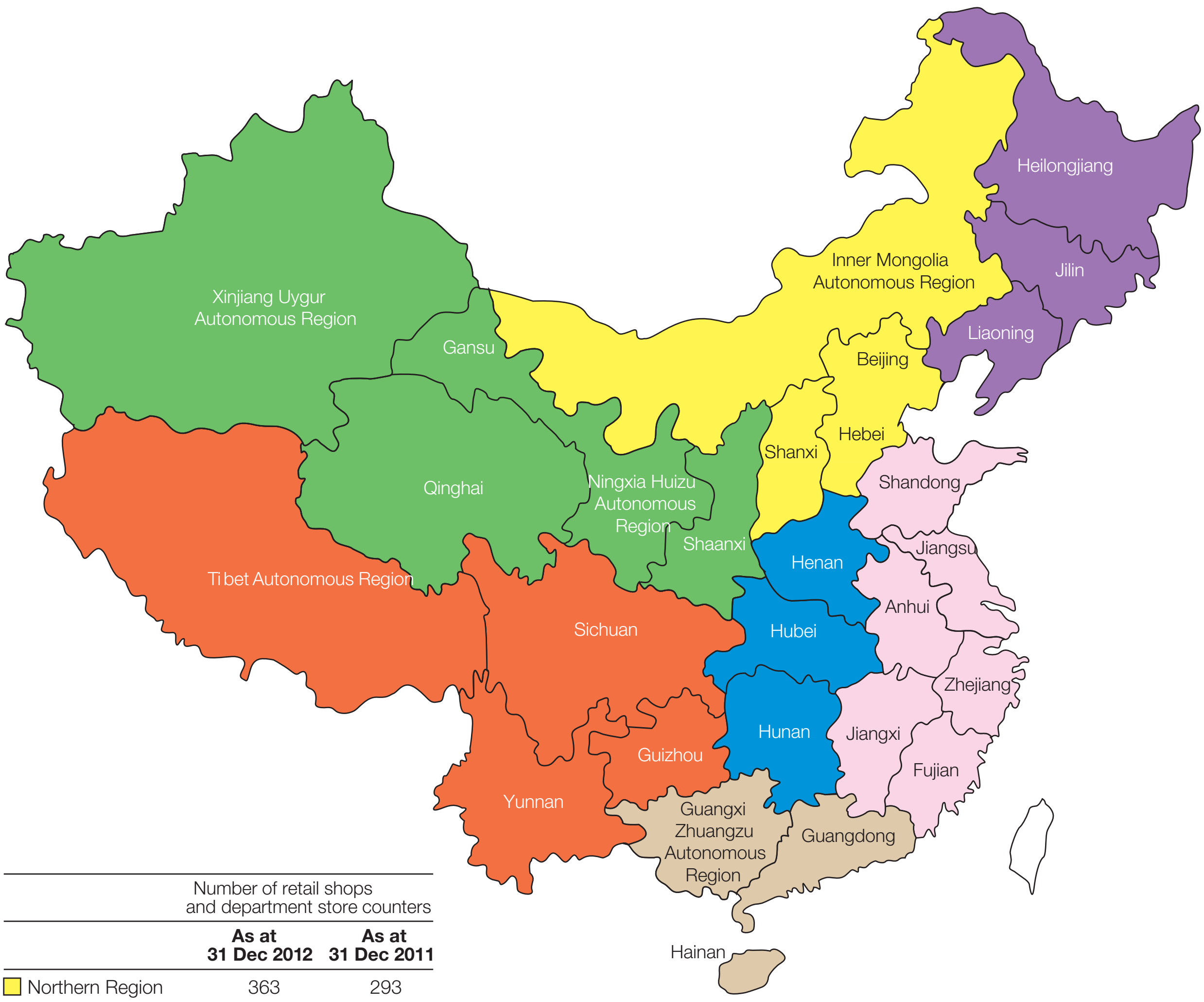
On 27 February 2013, the Group entered into a non-legally binding letter of intent with the registered owner of Luotuo Brand ("**Letter of Intent**") in relation to the arrangement for the proposed establishment of a joint venture for the purpose of managing the Luotuo Brand and its products ("**Proposed Joint Venture Arrangement**"). Pursuant to the terms of the Letter of Intent, for a period of four months commencing from 27 February 2013, the Group and the registered owner of Luotuo Brand will negotiate for the terms of the Proposed Joint Venture Arrangement.

The Group has already informed its distributors and department store customers of the expiry of the trademark licence agreement and there will be no further supply of Luotuo Brand products. The Group has arranged all its distributors and department store customers under the retail sales network of Luotuo Brand to enter into new master sales agreements for the sales and distribution of other self-owned or licensed brands of products of the Group. The production lines originally used for the production of Luotuo Brand products have been used to produce other Group's branded products which were originally outsourced to third party manufacturers. Further details are (were) disclosed in the paragraph headed "NON-ADJUSTING POST BALANCE SHEET EVENTS" in note 27 to the financial statements and the announcement of the Company dated 27 February 2013.

SALES AND DISTRIBUTION NETWORK

The branded products of the Group are sold through an extensive retail sales network, which is operated and maintained by the Group's customers, including distributors and department stores. As at 31 December 2012, the Group entered into master sales agreements with 110 distributors and 501 department store customers (2011: 92 distributors and 504 department stores) that operated

2,334 retail sales points (2011: 2,040 retail sales points), which can be found throughout the PRC. In particular, the Group has increased the number of retail sales points in the northern and eastern regions of the country to 363 and 750 (2011: 293 and 682) respectively. The significant increases were made to address greater demand, rising purchasing power and higher fashion sense of consumers in these regions.



	Number of retail shops and department store counters	
	As at 31 Dec 2012	**As at 31 Dec 2011**
Northern Region	363	293
Northeastern Region	196	169
Northwestern Region	273	224
Eastern Region	750	682
Southern Region	209	194
Southwestern Region	217	193
Central Region	326	285
Total	2,334	2,040

Apart from the sales channels operated by the its distributors, which facilitate rapid network expansion with lower capital expenditure requirements, the Group also started to establish self-owned stores. The grand opening of the Group's first and second flagship stores were conducted in early January 2013, just in time to catch the peak season which preceded the Chinese Spring Festival. Both flagship stores are in Fujian Province, the first store was opened in Xiamen followed by the second one in Shishi. Through operating self-owned flagship stores, the Group is able to better understand consumers' preferences and thereby enhance brand recognition and loyalty.

PRODUCT DESIGN AND DEVELOPMENT

All generations of consumers in China have been pursuing more upscale lifestyles, characterized by greater leisure and fashion consciousness. Correspondingly, the Group has continued to offer high quality, fashionably designed footwear products to meet customers' higher expectations – delivering both practicality and visual appeal. Equipped with the latest computer-aided design software and systems, the newly established laboratory in Guangzhou has commenced full operation since November 2011. Design capacity has reached approximately 2,636 and 199 new styles of footwear and apparel and accessories respectively in 2012. Approximately 51% of the new designs subsequently went into commercial production. During 2012, the size of the R&D team significantly increased from 14 to 113 employees. To enable the Group's designers to keep abreast of the latest fashion trends and market information, the Group delegates its designers to attend various domestic and international trade fairs and exhibitions. By uncovering the latest industry trends, they will be able to integrate the most creative, fashionable and innovative elements into the Group's products.

Through continuous effort and effective measures at improving its R&D capabilities, the Group aims to raise customer loyalty to new heights, attract more potential customers to the fold and strengthen its presence in the China market.

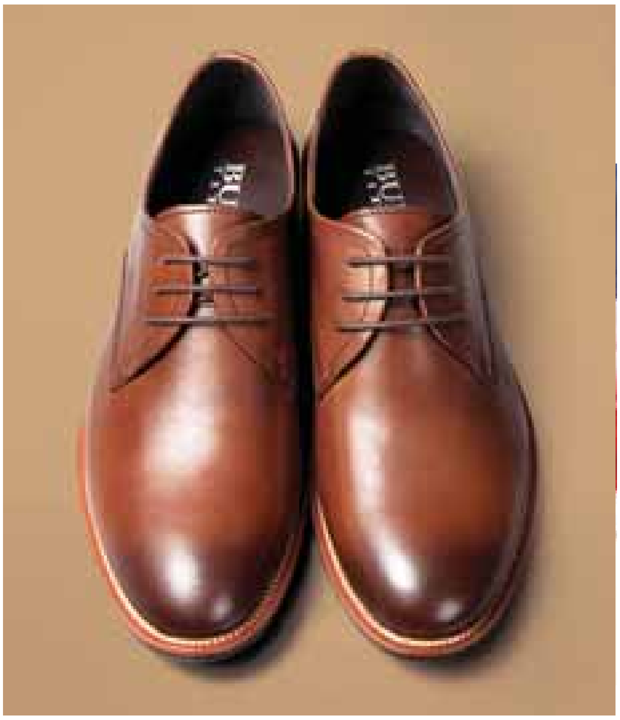
PRODUCTION

In order to satisfy increasing demand and business growth, the Group has upgraded the nine production lines operated at its production base in Fujian Province. The Group is also setting up a new production plant with five production lines in Suining, Jiangsu Province, a location that allows it to benefit from lower labour costs compared with the coastal areas. In addition to facilitating business growth, the new facility will enable the Group to benefit from its close proximity to other casual footwear manufacturers, thus encouraging greater information exchanges. The construction cost of the first stage of production plant is RMB121.5 million. Construction is progressing on schedule and the plant is expected to be completed by mid-2013. Once in full operation, annual production capacity is expected to be boosted by approximately 3.0 million pairs of casual footwear and a small quantity of apparel products.

FINANCIAL ANALYSIS

Turnover

As at 31 December 2012, total turnover amounted to RMB679.5 million, representing year-on-year growth of 11.9%. The increase was due to rapid expansion of the retail sales network; greater recognition of the Group's brands and implementation of an effective marketing and sales strategy that strengthened customer loyalty.



Revenue analysis by brand and product is as follows:

Revenue analysis by brand

	For the year ended 31 December 2012 RMB'000	2011 RMB'000
Jimaire	**180,780**	148,362
Bull Titan	**181,351**	153,195
Luotuo Brand	**112,020**	93,497
Greiff	**41,729**	60,845
Camel Active	**36,465**	25,907
	552,345	481,806
Original equipment manufacturing ("**OEM**")	**127,153**	125,391
Total	**679,498**	607,197

Revenue analysis by product

	For the year ended 31 December 2012 RMB'000	2012 %	2011 RMB'000	2011 %
Casual footwear				
— Branded products	**536,130**	**78.9**	464,554	76.5
— OEM	**127,153**	**18.7**	125,391	20.7
Apparel and accessories	**16,215**	**2.4**	17,252	2.8
	679,498	**100.0**	607,197	100.0

Sales from the Group's branded products increased from RMB481.8 million for the year ended 31 December 2011 to RMB552.3 million for the year ended 31 December 2012, representing an increase of 14.6%.

Revenue from the OEM operations increased modestly by RMB1.8 million or approximately 1.4%, from RMB125.4 million for the year ended 31 December 2011 to RMB127.2 million for the same period in 2012. This was the result of positive signs emerging during the second half of 2012, suggesting that the global economy was making a recovery.

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

By number of units sold and average selling price		For the year ended 31 December 2012 Total units sold '000	2012 Average selling price RMB	2011 Total units sold '000	2011 Average selling price RMB
Jimaire	— Footwear (pairs)	1,473	122.7	1,083	137.0
Bull Titan	— Footwear (pairs)	1,222	148.4	894	171.4
Luotuo Brand	— Footwear (pairs)	840	133.4	612	152.8
Camel Active	— Footwear (pairs)	130	280.5	123	210.6
Greiff	— Footwear (pairs)	190	134.4	257	168.8
	— Apparel (pieces)	96	164.2	134	123.0
	— Accessories (pieces/pairs)	30	13.5	5	175.0

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

By Region	For the year ended 31 December 2012 RMB'000	2012 %	2011 RMB'000	2011 %
Northern Region(1)	78,281	14.2	118,078	24.5
Northeastern Region(2)	34,345	6.2	49,406	10.3
Northwestern Region(3)	56,345	10.2	43,544	9.0
Eastern Region(4)	300,501	54.4	204,774	42.5
Southern Region(5)	19,006	3.4	22,864	4.7
Southwestern Region(6)	35,114	6.4	24,365	5.1
Central Region(7)	28,753	5.2	18,775	3.9
	552,345	100.0	481,806	100.0

Notes

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

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

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

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

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

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

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

Affected by intense competition between both domestic and foreign department store operators in the Northern Region, especially in Beijing, revenue generated from this area decreased to 14.2% of branded product revenue, while most other regions recorded satisfactory revenue growth. As the Group's retail sales network in the Eastern Region was significantly expanded, revenue generated from this area increased by 46.7% to RMB300.5 million in 2012, contributing to over 50% of branded product revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

The past year was very challenging for the Group, due in part to rising labour and material costs. Consequently, the Group's gross profit for the year ended 31 December 2012 amounted to RMB175.0 million (2011: RMB209.6 million), while the gross profit margin stood at 25.8% (2011: 34.5%).

The decline in gross profit margin was mainly caused by increasing unit production cost, which was driven by the aforesaid escalation in labour and raw material costs – a trend that has been ongoing since late 2011. Unit production cost has climbed also as a result of rising expectations among customers for better product designs and materials used, which led to greater reliance on R&D input. In order to further enhance recognition of the Group's brands and enlarge its market share, the management elected not to pass the increase in production cost to its customers; moreover, further discounts were offered so that they could enjoy a competitive advantage over their peers. Consequently, with strengthened customer loyalty, the Group expects to achieve a higher gross profit margin in the coming years.

SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses primarily consisted of advertising and promotional expenses, royalties for licensed brands, salaries for sales and marketing staff, and other costs related to sales and distribution. For the year ended 31 December 2012, the Group strengthened its marketing efforts through various promotional activities and channels, in order to raise the Group's brand awareness. Advertising and promotional expenses incurred for brand promotion during the reporting year amounted to approximately RMB14.9 million (2011: RMB14.6 million), representing approximately 2.2% (2011: 2.4%) of the Group's turnover. Such expenses included media advertising expenses, promotional event expenses, sales fair and fashion show expenses and expenses for the design and decoration of showcases placed in retail stores.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 30.5% to RMB35.6 million for the year ended 31 December 2012. This was primarily due to an increase in R&D activity, which amounted to associated expenses of RMB4.2 million for the year ended 31 December 2012, up from RMB1.7 million for the year ended 31 December 2011. There was also an additional allowance for doubtful debts that amounted to RMB4.4 million for the year ended 31 December 2012 (2011: RMB1.3 million).

OTHER REVENUE

Other revenue for the year ended 31 December 2012 mainly represented government grants of RMB7.8 million (2011: RMB0.1 million).

FINANCE COSTS

Finance expenses mainly consist of interest from short-term secured bank loans. Interest expense rose to RMB10.3 million for the year ended 31 December 2012, up from RMB3.7 million recorded in the preceding year. The rise was due to increased bank borrowing by the Group during the financial year, leading to greater interest incurred.

As at 31 December 2012, the Group's bank borrowings amounted to RMB204.3 million (2011: RMB84.6 million), among which RMB191.2 million (2011: RMB20 million) bears fixed interest rates. Details are set out in note 26(c)(i) to the financial statements.

EFFECTIVE TAX RATE

The effective tax rate for the Group increased from 25.9% in 2011 to 30.5% in 2012, which was mainly attributable to the increase in corporate income tax from Luotuo (Quanzhou) Shoes and Garments Co., Ltd., which ended its 2+3 tax holiday at the end of 2011, and became subject to income tax of 25%.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to Shareholders was approximately RMB72.8 million (2011: RMB112.3 million) and the ratio to revenue was 10.7% for the year ended 31 December 2012 (2011: 18.5%). Basic earnings per share amounted to RMB6 cents for the 2012 financial year (2011: RMB12 cents).

LIQUIDITY AND CAPITAL RESOURCES

In order to achieve better cost control and minimise the cost of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in Renminbi ("**RMB**"). As at 31 December 2012, the Group had net current assets of RMB425.7 million (31 December 2011: RMB470.8 million), of which cash and cash equivalents amounted to RMB57.2 million (31 December 2011: RMB213.2 million).

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. As at 31 December 2012, total available banking facilities of the Group amounted to RMB443.4 million (31 December 2011: RMB230.0 million), among which the amount of outstanding bank borrowings and bills payables were RMB204.3 million (31 December 2011: RMB84.6 million) and RMB164.2 million (31 December 2011: RMB62.4 million) respectively. The ratio of outstanding bank borrowings to total assets was 17.7% for 2012 (2011: 10.1%).

The Group has not experienced any material impact or adverse effects on its operations or liquidity as a result of fluctuations in currency exchange rates during 2012, and the Group has not entered into any interest rate swap arrangements to hedge against interest rate risks.

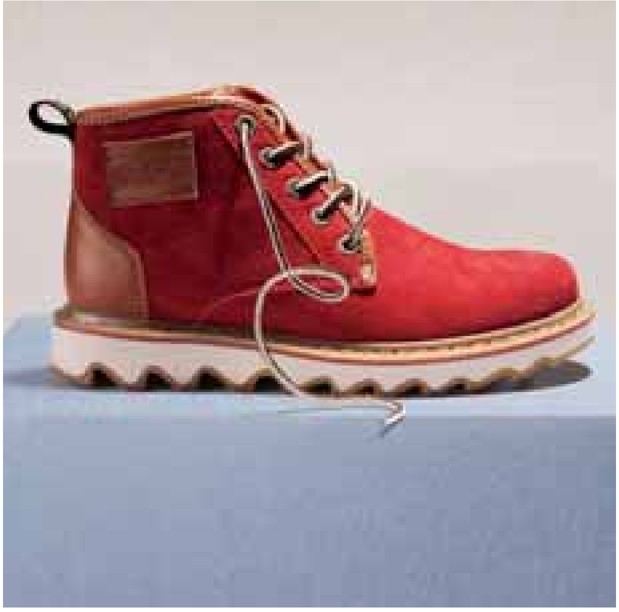
As at 31 December 2012, cash and cash equivalents, including bank deposits with original maturities not exceeding three months, amounted to RMB57.2 million. The

decrease of RMB156.0 million as compared to the Group's position as at 31 December 2011 was mainly attributed to:

- Net cash used in operating activities amounted to RMB87.5 million (excluding income tax paid for RMB37.6 million), and was mainly the result of the net increase of advance payments to suppliers of approximately RMB131.5 million for securing raw materials and outsourcing production in advance for future inflation, together with the net increase of trade and bills receivables resulting from an extension of credit terms to some of customers amounting to RMB194.4 million, though partially offset by an increase in trade and other payables of RMB134.3 million and the effect of profit before taxation of RMB104.8 million;

- Net cash used in investing activities amounting to RMB121.6 million (excluding net increase in placement of pledged deposits for secured bank loan and bills payables amounting to RMB24.8 million), which was primarily due to the payment incurred for the construction of new production plant in Suining totalling RMB118.4 million, which was partially offset by interest of RMB1.8 million received;

- Net cash generated from financing activities amounted to RMB115.5 million, which was mainly attributable to proceeds from bank loans of RMB278.5 million, and was partially offset by the repayment of bank loans of RMB 158.8 million, dividend paid during the year of RMB 8.6 million and interest payment of RMB 10.3 million.



FOREIGN EXCHANGE RISK

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

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

PLEDGE OF ASSETS

As at 31 December 2012, the Group secured its banking facilities by a charge over land use rights with an aggregate carrying amount of RMB4.5 million (2011: RMB4.6 million) and buildings with net book value of RMB33.7 million (2011: RMB35.5 million).

Included in secured and unsecured bank loans as at 31 December 2012 were bills discounted with recourse totalling RMB2.5 million and RMB68.3 million (31 December 2011: RMBNil and RMBNil), respectively.

WORKING CAPITAL MANAGEMENT

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

A substantial part of the Group's inventory was raw materials. The inventory turnover days of the Group increased by 3 days to 55 days for the year ended 31 December 2012 (2011: 52 days), primarily due to the stock up of raw materials in anticipation of future price increases. The Group continued to observe a sound policy on raw material procurement and inventory control.

The trade and bills receivables turnover days for the year ended 31 December 2012 increased to 159 days (2011: 102 days), primarily due to the granting of payment extensions to some of the Group's customers and the recognition of bank or commercial acceptance bills when settlements are due. The maturity period of such bills normally ranges between two to three months. This arrangement allows for greater liquidity, thereby encouraging customers to expand their retail sales network for the Group's branded products. The Group strives to strengthen its credit controls to ensure that the turnover days for trade and bills receivables are in line with the credit terms of 90 days granted to its customers.

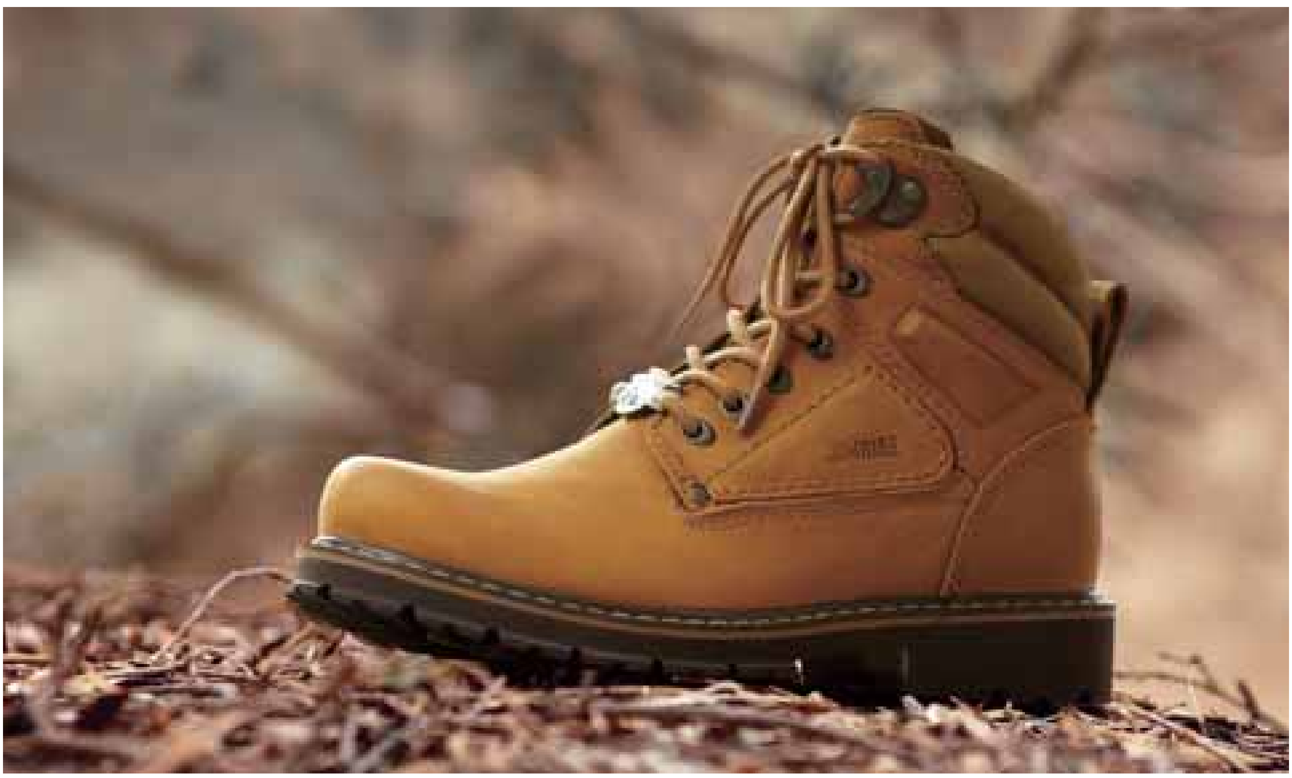
The turnover days for trade and bills payables rose to 109 days (2011: 71 days), which was primarily due to the adherence of credit terms provided by the Group's suppliers and the issue of bank acceptance bills when payments are due. The maturity period of such bills normally ranges between two to three months.

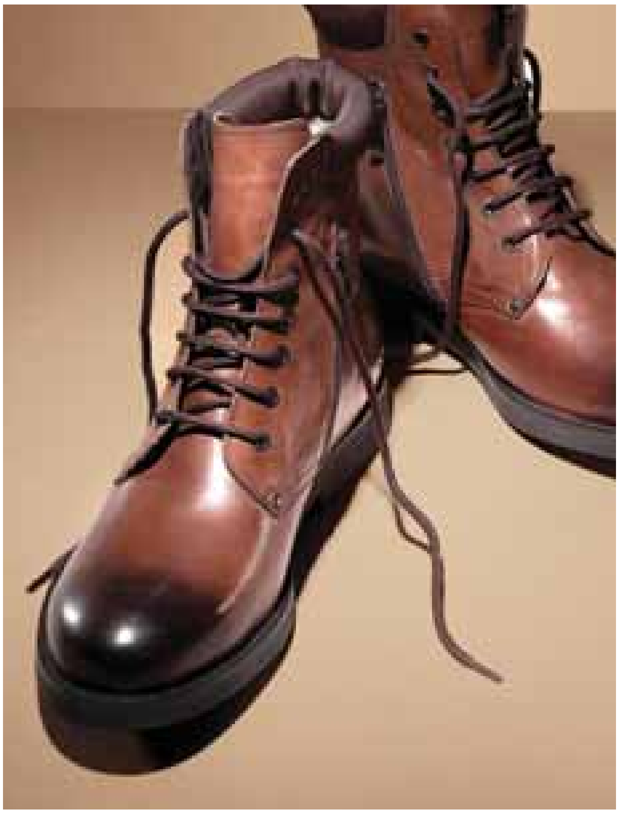
USE OF PROCEEDS

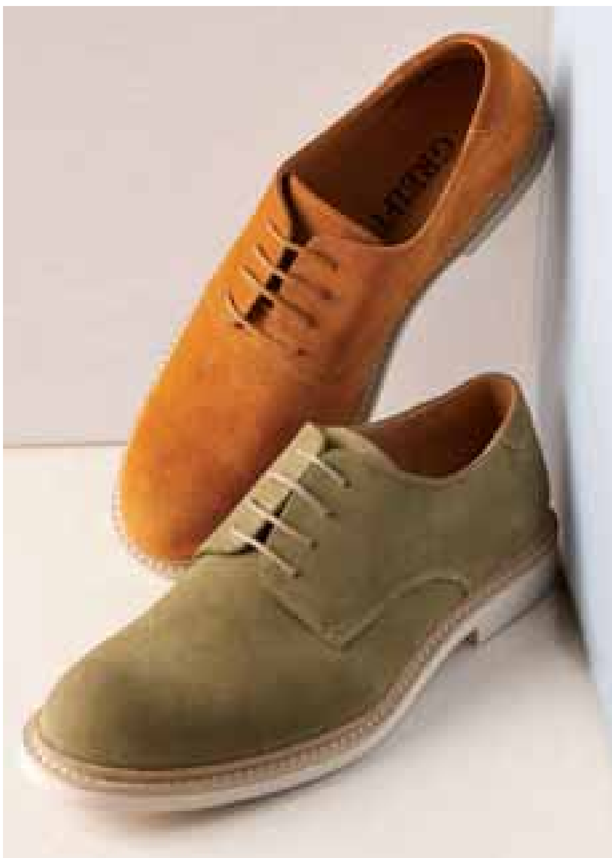
The Group was listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 28 September 2011. Net proceeds from the global offering were approximately HK$337.4 million (after deducting the underwriting commission and relevant expenses). As at 31 December 2012, the unutilised proceeds of approximately HK$86.7 million 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 (up to 31 December 2012) (HK$ million)	Unutilised amount (as at 31 December 2012) (HK$ million)
Establishing a new production facility	39.1%	131.9	131.1	0.8
Establishing self-owned and operated flagship stores	22.4%	75.6	0.5	75.1
Establishing a new product testing and R&D laboratory	15.6%	52.6	52.6	–
Developing and increasing brand awareness	6.6%	22.3	22.3	–
Expansion of the product R&D teams and equipment	3.2%	10.8	10.8	–
Establishing of an enterprise resource planning (i.e. ERP) system	3.2%	10.8	–	10.8
Expansion of original production capacity	2.6%	8.8	8.8	–
General working capital	7.3%	24.6	24.6	–
		337.4	250.7	86.7







EMPLOYEES AND EMOLUMENTS

As at 31 December 2012, the Group employed a total of 1,779 full-time employees in the PRC and Hong Kong, which included management staff, product designers, technicians, salespersons and workers. Remuneration for the entire full-time workforce amounted to RMB56.4 million for the reporting year, which is equivalent to 8.3% of the Group's turnover. The Group's emolument policies are formulated based on the performance of individual employees, whose performance are reviewed and evaluated periodically. Apart from contributions to the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) and social security fund (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses are also awarded to employees according to individual performance. Since the adoption of the share option scheme on 4 September 2011, no options have been granted.

PROSPECTS

Looking ahead, Management believes that consumer demand in China will remain strong. During the 18th Communist Party of China National Congress held in November 2012, the Chinese Government announced that, as part of its urbanisation policy, it would take measures to boost household income and the purchasing power of consumers. To capture the immense opportunities that such measures will create, the Group, as a multi-brand men's casual footwear operator, will remain committed to capturing greater market share, particularly in highly populated areas of China. This will entail strategic expansion of its retail sales points and self-owned flagship stores. In addition, the Group will look for good business opportunities to enrich its brand portfolio and to concurrently strengthen its position in the country. As always, the management will remain committed to furthering the Group's success while generating greater returns for its shareholders.

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

Pursuant to a resolution passed by the Board on 4 September 2011, the Company has adopted all the requirements of the code provisions of the Corporate Governance Code. During the year ended 31 December 2012, the Company has complied with all the code provisions of the Corporate Governance Code.

THE BOARD

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

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

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

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

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

Executive Directors:

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

Independent non-executive Directors:

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

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

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

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

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

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

The Board held 5 meetings during the year and the attendance of the Directors are set out on page 23.

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)).

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

CORPORATE GOVERNANCE

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

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

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

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

SECURITIES TRANSACTIONS

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

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

BOARD COMMITTEES

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

Remuneration Committee

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

The major duties of the Remuneration Committee are as follows:

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

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

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

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

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

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

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

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

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

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

No meeting of the Remuneration Committee was held during the 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 the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained therein. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:

    (i) any changes in accounting policies and practices;

    (ii) major judgmental areas;

    (iii) significant adjustments resulting from audit;

    (iv) going concern assumptions and any qualifications;

    (v) compliance with accounting standards; and

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

(f) Regarding (e) above:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Two meetings of the Audit Committee were held during the year to consider and review the audited financial statements of the Group for the year ended 31 December 2011 and the unaudited financial statements of the Group for the six months ended 30 June 2012 and the attendance of the Audit Committee members of such meetings is set out on page 23.

A recent meeting of the Audit Committee was held on 20 March 2013 to consider and review the audited financial statements of the Group for the year ended 31 December 2012 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 year as there were no vacancies of the Board.

MEETING ATTENDANCE

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

	Attendance			
	Board meeting(s)	Audit Committee meeting(s)	Remuneration Committee meeting(s)	Nomination Committee meeting(s)
Executive Directors				
Ms. Cai Xiuman *(Chairman)*	5/5	—	—	—
Mr. Zhang Wenbin *(Chief executive officer)*	5/5	—	—	—
Mr. Huang Jianren *(Chief operation officer)*	5/5	—	—	—
Mr. Chen Yuanjian *(Chief financial officer)*	5/5	—	—	—
Independent non-executive Directors				
Mr. Wu Xiaoqiu	2/5	2/2	0/0	0/0
Mr. Ye Lin	2/5	2/2	0/0	0/0
Mr. Lee Ho Yiu Thomas	2/5	2/2	0/0	0/0

ACCOUNTABILITY AND AUDIT

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

The statement by the auditor about their reporting responsibilities is set out in the independent auditor's report on page 32.

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 2012 amounted to approximately HK$1.9 million and HK$0.2 million 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 20 March 2013, 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.

COMPANY SECRETARY

The company secretary of the Company, Miss Yau Suk Yan, is a full-time employee of the Group. Please refer to her biographical details as set out on page 31 of this annual report.

SHAREHOLDERS' RIGHTS AND COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

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

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

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

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

AGM for the year ended 31 December 2011 was held on 4 May 2012. The attendance record of the Directors at the meeting is set out below:

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

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

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2012.

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 2012 are set out in the consolidated income statement on page 33. Other movements in reserves are set out in the consolidated statement of changes in equity on page 38.

The Board recommends 0.88 HK cents (equivalent to approximately RMB0.71 cents) per Share as a final dividend for the year ended 31 December 2012.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 82 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2012 are set out in note 23(c) to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company's aggregate amounts of reserves available for distribution were approximately RMB316,279,000, of which approximately RMB8,520,000 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 22 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 2012, the Group's five largest customers accounted for approximately 22.6% of the Group's total revenue and the Group's largest customer for the year accounted for approximately 7.0% of the Group's total revenue. The Group's five largest suppliers accounted for approximately 12.5% of the Group's total purchases, while the largest supplier for the year accounted for approximately 3.3% of the Group's total purchases.

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

EMPLOYEES

As at 31 December 2012, the Group had 1,779 employees in total. The table below shows a breakdown of the Group's employees by their responsibilities:

Department	**Number of employees**
Management and administration	198
Production and procurement	1,332
Sales and marketing	136
Product design and R&D	113
Total	1,779

Total staff costs for the year under review amounted to approximately RMB56.4 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 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares of equity derivatives and debentures of the Company or its associated corporations (as defined by Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register of directors' and chief executive's interests and short positions required to be maintained under Section 352 of SFO are as follows:

(A) Long position in shares of the Company:

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding in the Company
Ms. Cai Xiuman (Note 1)	Interest of controlled corporation	697,272,000	58.11%
	Beneficial owner	4,680,000	0.39%
Mr. Zhang Wenbin (Note 2)	Interest of spouse	701,952,000	58.50%

Notes:

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

2. Mr. Zhang Wenbin is deemed to be interested in the 701,952,000 Shares beneficially held by Ms. Cai Xiuman, his spouse.

(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	Festive Boom Limited	1	100%

As at 31 December 2012, 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 2012, 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	697,272,000	58.11%
Hong Kong Investments Group Limited	Beneficial owner	63,900,000	5.33%
Mr. Cheung Chi Mang (Note 1)	Interest of controlled corporation	63,900,000	5.33%

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 2012.

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 2012 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 2012. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's securities during the year ended 31 December 2012.

PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of an issuer's total issued share capital must at all times be held by the public. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficiency of public float at all times during the year ended 31 December 2012.

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 material 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.

The independent non-executive Directors have reviewed compliance by the Controlling Shareholders and confirm that based on confirmations and information provided by each of the Controlling Shareholders, they were in compliance with the Deed of Non-Competition during the year ended 31 December 2012.

The independent non-executive Directors were not required to review any matter in relation to compliance and enforcement of the Deed of Non-Competition during the year ended 31 December 2012.

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.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend the annual general meeting for the year ended 31 December 2012, the register of members of the Company will be closed from 30 April 2013 to 6 May 2013 (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 2012, 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 29 April 2013.

In order to determine the entitlement to the final dividends for the year ended 31 December 2012, the register of members of the Company will be closed from 13 May 2013 to 16 May 2013 (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 2012, 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 10 May 2013.

On behalf of the Board
Cai Xiuman
Chairman

Hong Kong, 20 March 2013

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 42, 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 46, 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 35, 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 49, 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 Ailiai Xiefu Company Limited (莆田艾力艾鞋服有限公司) from 2007 to 2009. He was an accountant in Putian City Shengfeng Asset Auction Company Limited (莆田市盛峰資產拍賣有限公司) from 2004 to 2006. Mr. Chen was appointed as an executive director of Quality Food International Limited (later renamed as China Power New Energy Development Company Limited), a company listed on the Stock Exchange (stock code: 735), between 1999 to 2002. Between 1996 to 2003, he served as a chief financial controller in Fujian Sanhua Shiye Company Limited (福建省三華實業有限公司). Mr. Chen was a financial manager of Fujian Xinwei Electronics Industry Co. Ltd. (福建省新威電子工業有限公司) from 1994 to 1996. From 1991 to 1993, he was the manager of finance department of Fujian Yaowah Glass Industry Group Co., Ltd. (福建耀華玻璃工業集團股份有限公司). Mr. Chen graduated from Xiamen University (廈門大學) with a diploma of accounting in 1985. Mr. Chen did not hold any directorship in any other listed companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Xiaoqiu (吳曉球), aged 54, 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 49, 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 35, was appointed as an independent non-executive Director on 4 September 2011. Mr. Lee has 12 years of experience in auditing, accounting and financial management. He is now the partner of Lee, Au & Co. Certified Public Accountant. Mr. Lee previously worked as an assistant financial controller in The Beauty Group and also worked at KPMG from 2000 to 2005. Mr. Lee is a fellow of the Association Chartered Certified Accountants, a practising member of the Hong Kong Institute of Certified Public Accountants, a certified tax adviser and a member of the Hong Kong Taxation Institute, a certified internal auditor and a member of the Institute of Internal Auditors, a certified information systems auditor and a member of the ISACA. Mr. Lee holds a bachelor's degree of science in accounting and finance from University of Warwick and a second bachelor's degree in Law from the Tsinghua University. Mr. Lee is currently an independent non-executive director of Suncorp Technologies Limited (stock code: 1063) and Dongwu Cement International Limited (stock code: 695), both companies are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Inno-Tech Holdings Limited (stock code: 8202), a company listed on the GEM Board of the Stock Exchange. Save as disclosed above, Mr. Lee did not hold any directorship in any other listed companies in the past three years.

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 47, 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 38, 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 54, 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 31, 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 33 to 81, which comprise the consolidated and company balance sheets as at 31 December 2012, 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 2012 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

20 March 2013

Consolidated Income Statement

For the year ended 31 December 2012
(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Turnover	4	**679,498**	607,197
Cost of sales		**(504,505)**	(397,621)
Gross profit		**174,993**	209,576
Other revenue	5(a)	**9,758**	959
Other net (loss)/income	5(b)	**(261)**	5,636
Selling and distribution expenses		**(33,758)**	(33,626)
Administrative expenses		**(35,647)**	(27,313)
Profit from operations		**115,085**	155,232
Finance costs	6(a)	**(10,294)**	(3,740)
Profit before taxation	6	**104,791**	151,492
Income tax	7(a)	**(31,979)**	(39,215)
Profit for the year		**72,812**	112,277
Earnings per share			
Basic and diluted (RMB)	11	**0.06**	0.12

The notes on pages 40 to 81 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 23(b).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012
(Expressed in Renminbi)

	2012 RMB'000	2011 RMB'000
Profit for the year	**72,812**	112,277
Other comprehensive income for the year		
Exchange differences on translation of financial statements of subsidiaries outside the People's Republic of China, net of nil tax	**321**	(220)
Total comprehensive income for the year	**73,133**	112,057

The notes on pages 40 to 81 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2012
(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	12	123,460	61,375
Lease prepayments	13	4,378	4,482
Non-current prepayments for acquisitions of property, plant and equipment		43,109	–
Non-current prepayments for acquisitions of intangible assets	15	5,000	–
Deferred tax assets	16(b)	2,201	1,100
		178,148	66,957
Current assets			
Inventories	17	85,745	65,547
Current portion of lease prepayments	13	104	104
Trade and other receivables	18	774,216	460,474
Pledged deposits	19	59,556	34,747
Cash and cash equivalents	20(a)	57,203	213,187
		976,824	774,059
Current liabilities			
Trade and other payables	21	318,417	184,157
Bank loans	22	204,308	84,600
Current taxation	16(a)	28,436	34,530
		551,161	303,287
Net current assets		425,663	470,772
Total assets less current liabilities		603,811	537,729
Non-current liabilities			
Deferred tax liabilities	16(b)	3,131	1,542
NET ASSETS		600,680	536,187

At 31 December 2012
(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
CAPITAL AND RESERVES	23		
Capital		**97,935**	97,935
Reserves		**502,745**	438,252
TOTAL EQUITY		**600,680**	536,187

Approved and authorised for issue by the board of directors on 20 March 2013.

Zhang Wen Bin
Director

Cai Xiu Man
Director

The notes on pages 40 to 81 form part of these financial statements.

Balance Sheet

At 31 December 2012
(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Interests in subsidiaries	14	**404,342**	394,575
Current assets			
Other receivables	18	**11,578**	12,455
Cash and cash equivalents	20(a)	**8,351**	22,941
		19,929	35,396
Current liabilities			
Other payables	21	**1,949**	2,198
Bank loan	22	**8,108**	–
		10,057	2,198
Net current assets		**9,872**	33,198
NET ASSETS		**414,214**	427,773
CAPITAL AND RESERVES	23		
Share capital		**97,935**	97,935
Reserves		**316,279**	329,838
TOTAL EQUITY		**414,214**	427,773

Approved and authorised for issue by the board of directors on 20 March 2013.

Zhang Wen Bin
Director

Cai Xiu Man
Director

The notes on pages 40 to 81 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company						
	Note	Capital RMB'000 (Note 23(c))	Share premium RMB'000 (Note 23(d)(i))	Other reserve RMB'000 (Note 23(d)(ii))	Exchange reserve RMB'000 (Note 23(d)(iii))	Statutory reserve RMB'000 (Note 23(d)(iv))	Retained profits RMB'000	Total RMB'000
At 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	23(c)(ii)	75	–	(75)	–	–	–	–
Issue of ordinary shares upon initial public offering, net of issuing costs	23(c)(iv)	24,483	242,690	–	–	–	–	267,173
Capitalisation issue	23(c)(iv)	73,367	(73,367)	–	–	–	–	–
At 31 December 2011 and 1 January 2012		**97,935**	**169,323**	**2,268**	**517**	**15,823**	**250,321**	**536,187**
Changes in equity for 2012:								
Profit for the year		**–**	**–**	**–**	**–**	**–**	**72,812**	**72,812**
Other comprehensive income		**–**	**–**	**–**	**321**	**–**	**–**	**321**
Total comprehensive income for the year		**–**	**–**	**–**	**321**	**–**	**72,812**	**73,133**
Appropriations to statutory reserve		**–**	**–**	**–**	**–**	**5,775**	**(5,775)**	**–**
Dividends approved and paid during the year	23(b)	**–**	**(8,640)**	**–**	**–**	**–**	**–**	**(8,640)**
At 31 December 2012		**97,935**	**160,683**	**2,268**	**838**	**21,598**	**317,358**	**600,680**

The notes on pages 40 to 81 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2012
(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Operating activities			
Cash used in operations	20(b)	(87,504)	(36,878)
Income tax paid		(37,585)	(25,818)
Net cash used in operating activities		(125,089)	(62,696)
Investing activities			
Payment for the purchase of property, plant and equipment		(118,398)	(7,769)
Proceeds from sale of property, plant and equipment		30	–
Payment for the purchase of intangible assets		(5,000)	–
Interest received		1,790	834
Changes in pledged deposits		(24,809)	(26,051)
Net cash used in investing activities		(146,387)	(32,986)
Financing activities			
Proceeds from new bank loans		278,483	96,100
Repayment of bank loans		(158,775)	(45,000)
Interest paid		(10,294)	(3,740)
Changes in amount due from/to a director		14,690	(30,332)
Net proceeds from issue of ordinary shares upon initial public offering, net of issuing costs		–	267,173
Dividends paid to equity shareholders of the Company		(8,640)	–
Net cash generated from financing activities		115,464	284,201
Net (decrease)/increase in cash and cash equivalents		(156,012)	188,519
Cash and cash equivalents at beginning of the year		213,187	24,687
Effect of foreign exchange rate changes		28	(19)
Cash and cash equivalents at end of the year	20(a)	57,203	213,187

The notes on pages 40 to 81 form part of these financial statements.

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.

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 (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 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 2012 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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 serveral amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, none of the amendments are relevant to the Group's financial statements.

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

(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(i)).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment

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

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

Depreciation is calculated to write off the cost of 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(i)). Cost comprises direct costs of construction and installation during the construction period. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

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

(g) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)).

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

–	Trademarks	5 to 10 years

Both the period and method of amortisation are reviewed annually.

(h) Leased assets

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Leased assets *(continued)*

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

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

(i) Impairment of assets

(a) 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.

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(i)(b). 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(i)(b).

– 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Impairment of assets *(continued)*

(a) Impairment of investments in subsidiaries and trade and other receivables *(continued)*

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.

(b) 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;

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

– non-current prepayments for acquisitions of intangible assets.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Impairment of assets *(continued)*

(b) Impairment of other assets *(continued)*

– 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.

(c) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(i)(a) and (b)).

(j) Inventories

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

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

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

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

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Interest-bearing borrowings

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

(m) Trade and other payables

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Cash and cash equivalents

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

(o) Employee benefits

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.

(p) 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Income tax *(continued)*

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.

(q) 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.

(r) 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)*

(s) 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.

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

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.

(t) 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.

(u) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Related parties *(continued)*

(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.

(v) 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.

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. The 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:

	2012 RMB'000	2011 RMB'000
Footwear	**663,283**	589,945
Apparel and related accessories	**16,215**	17,252
	679,498	607,197

The Group's customer base is diversified and no individual customer had transactions which has exceeded 10% of the Group's revenue for the years ended 31 December 2012 and 2011.

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

(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., Ltd. ("Greiff Xiamen"). No operating segments have been aggregated to form the above reportable segments.

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

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

- Luotuo Quanzhou: this segment manufactures and sells the "Luotuo Brand" branded 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. The trademark licence agreement which granted the non-exclusive licence to the Group to use the trademark of Luotuo Brand for casual footwear and sport footwear in the PRC expired on 28 February 2013. The Group entered into a non-legally binding letter of intent (the "Letter of Intent") with the registered owner of the Luotuo Brand in relation to the arrangement for the proposed establishment of a joint venture for the purpose of managing the Luotuo Brand and its products (the "Proposed Joint Venture Arrangement"). Further details are disclosed in note 27 to these financial statements.

- 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.

4 TURNOVER AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

Other represents the sales of casual footwear, apparel and related accessories products by Jiangsu Active Shoes Industrial Co., Ltd. ("Jiangsu Active") and does not meet the quantitative thresholds prescribed by IFRS 8, *Operating segments* for determining reportable segments.

(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/(loss) 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.

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 2012 and 2011 is set out below:

	Year ended 31 December 2012					
	Fujian Jinmaiwang RMB'000	Shishi Haomai RMB'000	Luotuo Quanzhou RMB'000	Greiff Xiamen RMB'000	Other RMB'000	Total RMB'000
Reportable segment revenue derived from the Group's external customers	307,933	181,351	112,020	75,823	2,371	679,498
Inter-segment revenue	1,741	–	–	–	–	1,741
Reportable segment revenue	309,674	181,351	112,020	75,823	2,371	681,239
Reportable segment profit						
Profit/(loss) after taxation	40,988	23,873	11,609	5,145	(285)	81,330

	Year ended 31 December 2011					
	Fujian Jinmaiwang RMB'000	Shishi Haomai RMB'000	Luotuo Quanzhou RMB'000	Greiff Xiamen RMB'000	Other RMB'000	Total 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

4 TURNOVER AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

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

	2012 RMB'000	2011 RMB'000
Revenue		
Reportable segment revenue	**681,239**	607,197
Elimination of inter-segment revenue	**(1,741)**	–
Consolidated turnover (note 4(a))	**679,498**	607,197
Profit		
Reportable segment profit derived from the Group's external customers	**81,330**	118,605
Other revenue and other net income	**237**	5,992
Unallocated head office and corporate expenses	**(8,755)**	(12,320)
Consolidated profit after taxation	**72,812**	112,277

(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.

	2012 RMB'000	2011 RMB'000
The PRC	**669,311**	593,282
Korea	**6,286**	7,626
Other countries	**3,901**	6,289
	679,498	607,197

5 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2012 RMB'000	2011 RMB'000
(a) Other revenue		
Interest income on bank deposits	**1,790**	834
Government subsidies	**7,770**	120
Sundry income	**198**	5
	9,758	959

The Group was entitled to unconditional government subsidies of RMB7,770,000 for the year ended 31 December 2012 (2011: RMB120,000). These government subsidies were recognised as other revenue when they became receivable.

5 OTHER REVENUE AND OTHER NET (LOSS)/INCOME *(continued)*

	2012 RMB'000	2011 RMB'000
(b) Other net (loss)/income		
Net foreign exchange (loss)/gain	**(224)**	5,642
Loss on disposal of property, plant and equipment	**(37)**	(6)
	(261)	5,636

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2012 RMB'000	2011 RMB'000
(a) Finance costs		
Interest expense on bank loans wholly repayable within five years	**10,294**	3,740
(b) Staff costs		
Salaries, wages and other benefits	**54,246**	40,366
Contributions to defined contribution retirement schemes	**2,174**	1,687
	56,420	42,053

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 2012 and 2011. 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. The cap has been increased to HK$25,000 effective from June 2012. 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.

6 PROFIT BEFORE TAXATION *(continued)*

	2012 RMB'000	2011 RMB'000
(c) Other items		
Cost of inventories # (note 17(b))	**504,505**	397,621
Depreciation of property, plant and equipment	**5,972**	4,296
Amortisation of lease prepayments	**104**	104
Impairment loss on trade receivables	**4,405**	1,306
Operating lease charges in respect of properties		
– minimum lease payments	**3,677**	1,416
Operating lease charges in respect of trademarks		
– minimum lease payments	**7,356**	7,576
Research and development costs	**4,227**	1,742
Auditors' remuneration	**2,089**	1,987

Cost of inventories includes RMB41,376,000 (2011: RMB31,831,000) 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.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2012 RMB'000	2011 RMB'000
Current tax – PRC corporate income tax		
Provision for the year	**31,491**	38,000
Deferred tax		
Origination and reversal of temporary differences (note 16(b))	**488**	1,215
	31,979	39,215

(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 years ended 31 December 2012 and 2011. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

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

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

(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 holidays until they expire. Accordingly, Luotuo Quanzhou is subject to income tax at 12.5% in 2011 and 25% from 2012 onwards.

(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:

	2012 **RMB'000**	2011 RMB'000
Profit before taxation	**104,791**	151,492
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdictions concerned	**27,599**	38,747
Effect of non-deductible expenses	**2,822**	1,955
Effect of non-taxable income	**(31)**	(13)
PRC dividend withholding tax (note 16(b))	**1,589**	1,542
Effect of tax concessions	**–**	(3,016)
Actual tax expense	**31,979**	39,215

8 DIRECTORS' REMUNERATION

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

	Year ended 31 December 2012				
	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	194	135	40	3	372
Cai Xiu Man	195	182	38	–	415
Huang Jian Ren	97	113	35	3	248
Chen Yuan Jian	97	112	40	3	252
	583	542	153	9	1,287
Independent non-executive directors					
Wu Xiao Qiu	146	–	–	–	146
Ye Lin	146	–	–	–	146
Lee Ho Yiu Thomas	97	–	–	–	97
	389	–	–	–	389
	972	542	153	9	1,676

	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	3	278
Cai Xiu Man	66	92	40	–	198
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

8 DIRECTORS' REMUNERATION *(continued)*

During the years ended 31 December 2012 and 2011, 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 2012 and 2011.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four are directors for the year ended 31 December 2012 (2011: four), whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining one individual (2011: one individual) are as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other emoluments	**292**	422
Discretionary bonuses	**–**	–
Retirement scheme contributions	**10**	10
	302	432

The above individuals' emoluments are within the following band:

	2012 Number of individuals	2011 Number of individuals
Nil to HK$1,000,000	**1**	1

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB4,926,000 (2011: RMB2,836,000) which has been dealt with in the financial statements of the Company.

11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB72,812,000 (2011: RMB112,277,000) and the weighted average of 1,200,000,000 ordinary shares (2011: 975,000,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Number of shares	
	2012	2011
Issued ordinary shares at 1 January	**1,200,000,000**	10,000
Effect of issue of shares upon Reorganisation (note 23(c)(ii))	**–**	990,000
Effect of capitalisation issue (note 23(c)(iv))	**–**	899,000,000
Effect of issue of shares upon initial public offering (note 23(c)(iv))	**–**	75,000,000
Weighted average number of ordinary shares at 31 December	**1,200,000,000**	975,000,000

11 EARNINGS PER SHARE *(continued)*

The weighted average number of shares in issue during the year ended 31 December 2011 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 entire year ended 31 December 2011.

There were no dilutive potential ordinary shares throughout the years ended 31 December 2012 and 2011 and therefore, diluted earnings per share are the same as the basic earnings per share.

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	Construction in progress RMB'000	Total RMB'000
Cost:						
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
At 1 January 2012	**60,275**	**9,352**	**4,520**	**4,149**	**–**	**78,296**
Additions	**48**	**496**	**704**	**124**	**66,752**	**68,124**
Disposals	**–**	**–**	**–**	**(350)**	**–**	**(350)**
At 31 December 2012	**60,323**	**9,848**	**5,224**	**3,923**	**66,752**	**146,070**
Accumulated depreciation:						
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
At 1 January 2012	**9,008**	**3,305**	**2,013**	**2,595**	**–**	**16,921**
Charge for the year	**3,574**	**1,095**	**859**	**444**	**–**	**5,972**
Written back on disposals	**–**	**–**	**–**	**(283)**	**–**	**(283)**
At 31 December 2012	**12,582**	**4,400**	**2,872**	**2,756**	**–**	**22,610**
Net book value:						
At 31 December 2012	**47,741**	**5,448**	**2,352**	**1,167**	**66,752**	**123,460**
At 31 December 2011	51,267	6,047	2,507	1,554	–	61,375

Buildings which are held for own use are situated in the PRC. At 31 December 2012, buildings with net book value of RMB33,680,000 (2011: RMB35,542,000) were mortgaged to banks for certain banking facilities granted to the Group (see note 22(c)).

13 LEASE PREPAYMENTS

	The Group	
	2012	2011
	RMB'000	RMB'000
At 1 January	**4,586**	4,690
Less: Amortisation for the year	**(104)**	(104)
At 31 December	**4,482**	4,586

	2012	2011
	RMB'000	RMB'000
Represented by:		
Current portion	**104**	104
Non-current portion	**4,378**	4,482
	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 2012, land use rights with an aggregate carrying amount of RMB4,482,000 (2011: RMB4,586,000) were pledged as securities for certain banking facilities granted to the Group (see note 22(c)).

14 INTERESTS IN SUBSIDIARIES

	The Company	
	2012	2011
	RMB'000	RMB'000
Unlisted shares, at cost	**165,053**	165,053
Amount due from a subsidiary	**239,289**	229,522
	404,342	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.

(Expressed in Renminbi unless otherwise indicated)

14 INTERESTS IN SUBSIDIARIES *(continued)*

Details of the subsidiaries are set out below.

Name of company	Place of incorporation/ establishment	Particulars of issued and paid up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
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	Renminbi ("RMB") 1,500,000	–	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 (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. Total registered capital of Jiangsu Active is RMB110,000,000, RMB82,050,000 was paid up as at 31 December 2012 and the remaining RMB27,950,000 capital is required to be injected to Jiangsu Active by 2 December 2013.

15 NON-CURRENT PREPAYMENTS FOR ACQUISITIONS OF INTANGIBLE ASSETS

The balance represents prepayment to an independent third party company for acquisition of trademarks registered in the PRC. At 31 December 2012, the relevant procedures for transfer of trademarks were yet to be completed. As of the date of these financial statements, the relevant trademark transfer certificates are still pending to be issued by The State Administration for Industry & Commerce of the PRC.

16 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

The Group

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

	2012 RMB'000	2011 RMB'000
At 1 January	**34,530**	22,348
Provision for PRC corporate income tax for the year	**31,491**	38,000
PRC corporate income tax paid	**(37,585)**	(25,818)
At 31 December	**28,436**	34,530

(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 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)
At 1 January 2012	**1,100**	**(1,542)**	**(442)**
Credited/(charged) to profit or loss (note 7(a))	**1,101**	**(1,589)**	**(488)**
At 31 December 2012	**2,201**	**(3,131)**	**(930)**

	2012 RMB'000	2011 RMB'000
Represented by:		
Net deferred tax assets recognised in the consolidated balance sheet	**2,201**	1,100
Net deferred tax liabilities recognised in the consolidated balance sheet	**(3,131)**	(1,542)
	(930)	(442)

16 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(continued)*

(c) Deferred tax liabilities not recognised

At 31 December 2012, 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 RMB262,529,000 (2011: RMB202,866,000) have been recognised as the Company controls the dividend policy of these subsidiaries and the directors determined that it is probable that these profits would not be distributed in the foreseeable future.

17 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2012	2011
	RMB'000	RMB'000
Raw materials	**72,825**	49,864
Work in progress	**2,427**	6,282
Finished goods	**10,493**	9,401
	85,745	65,547

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

	The Group	
	2012	2011
	RMB'000	RMB'000
Carrying amount of inventories sold	**504,505**	397,621

18 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables and bills receivables	**453,039**	254,177	**–**	–
Less: Allowance for doubtful debts	**(8,803)**	(4,398)	**–**	–
	444,236	249,779	**–**	–
Deposits and prepayments (notes (i) and (ii))	**325,341**	195,575	**–**	–
Amount due from a director (note 25(c))	**–**	12,287	**11,575**	12,455
Other receivables	**4,639**	2,833	**3**	–
	774,216	460,474	**11,578**	12,455

Notes:

(i) Included in the deposits at 31 December 2012 were rental and utilities deposits of RMB732,000 (2011: RMB612,000) 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.

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

18 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Ageing analysis

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

	The Group	
	2012	2011
	RMB'000	RMB'000
Within 90 days	**279,743**	173,218
91 days-180 days	**66,461**	49,011
181 days-360 days	**77,396**	23,952
Over 361 days	**20,636**	3,598
	444,236	249,779

Trade receivables are normally due within 90 days from the date of billing. The Group also offers revolving credit to its customers. The revolving credit, which provides for a maximum credit limit that may be outstanding at any one time, is determined based on such factors as 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(i)(a)).

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

	The Group	
	2012	2011
	RMB'000	RMB'000
At 1 January	**4,398**	3,092
Impairment loss recognised	**4,405**	1,306
At 31 December	**8,803**	4,398

At 31 December 2012, the Group's trade receivables of RMB8,803,000 (2011: RMB4,398,000) 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 RMB8,803,000 (2011: RMB4,398,000) were recognised.

18 TRADE AND OTHER RECEIVABLES *(continued)*

(c) Trade receivables that are not impaired

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

	The Group	
	2012	2011
	RMB'000	RMB'000
Current	**279,743**	173,218
Less than 60 days past due	**44,996**	36,686
61 days-180 days past due	**75,754**	27,873
Over 180 days past due	**43,743**	12,002
Amounts past due	**164,493**	76,561
	444,236	249,779

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

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

19 PLEDGED DEPOSITS

Pledged deposits with banks have been placed as security for bills payable issued by the Group (see notes 21(b), 21(c) and 21(d)).

20 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**57,203**	213,187	**8,351**	22,941

At 31 December 2012, cash and cash equivalents in the amount of RMB47,077,000 (2011: RMB189,775,000) 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.

20 CASH AND CASH EQUIVALENTS *(continued)*

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

	Note	**2012** **RMB'000**	2011 RMB'000
Profit before taxation		**104,791**	151,492
Adjustments for:			
– Interest expense	6(a)	**10,294**	3,740
– Depreciation	6(c)	**5,972**	4,296
– Amortisation of lease prepayments	6(c)	**104**	104
– Net foreign exchange loss/(gain)	5(b)	**224**	(5,642)
– Interest income	5(a)	**(1,790)**	(834)
– Impairment loss on trade receivables	6(c)	**4,405**	1,306
– Loss on disposal of property, plant and equipment	5(b)	**37**	6
Changes in working capital:			
– Increase in inventories		**(20,198)**	(16,991)
– Increase in trade and other receivables		**(330,352)**	(233,283)
– Increase in trade and other payables		**139,009**	58,928
Cash used in operations		**(87,504)**	(36,878)

21 TRADE AND OTHER PAYABLES

	The Group		**The Company**	
	2012 **RMB'000**	2011 RMB'000	**2012** **RMB'000**	2011 RMB'000
Trade payables (note (a))	**59,579**	49,106	**–**	–
Bills payables (notes (b), (c) and (d))	**164,217**	62,404	**–**	–
Amount due to a subsidiary	**–**	–	**900**	718
Amount due to a director (note 25(c))	**2,431**	–	**–**	–
Receipts in advance	**58,752**	34,439	**–**	–
Other payables and accruals (note (e))	**33,438**	38,208	**1,049**	1,480
	318,417	184,157	**1,949**	2,198

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

(a) As of the balance sheet date, the ageing analysis of trade payables, based on the invoice date, is as follows:

	The Group	
	2012 **RMB'000**	2011 RMB'000
Within 2 months	**20,559**	29,254
2 to 3 months	**8,188**	3,991
Over 3 months	**30,832**	15,861
	59,579	49,106

21 TRADE AND OTHER PAYABLES *(continued)*

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

(c) At 31 December 2012, bills payable totalling RMB157,817,000 (2011: RMB61,204,000) were secured by pledged deposits of RMB57,006,000 (2011: RMB34,377,000).

(d) At 31 December 2012, bills payable totalling RMB6,150,000 (2011: RMB1,200,000) were secured by (i) pledged deposits of RMB2,550,000 (2011: RMB370,000), and (ii) certain assets of the Group, details of which are set out on note 22(c).

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Salaries, wages, bonus and other accrued benefits	**16,530**	11,974	**–**	–
Payables for the purchase of property, plant and equipment	**780**	8,031	**–**	–
Value-added tax payable	**6,118**	9,045	**–**	–
Others	**10,010**	9,158	**1,049**	1,480
	33,438	38,208	**1,049**	1,480

22 BANK LOANS

(a) At 31 December 2012, the bank loans were repayable as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**204,308**	84,600	**8,108**	–

(b) At 31 December 2012, the bank loans were analysed as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans				
– secured	**34,400**	28,660	**–**	–
– unsecured	**169,908**	55,940	**8,108**	–
	204,308	84,600	**8,108**	–

22 BANK LOANS *(continued)*

(c) The amounts of banking facilities and the utilisation at 31 December 2012 are set out as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Banking facilities				
– secured	**40,000**	36,500	**–**	–
– unsecured	**403,380**	193,500	**28,380**	–
	443,380	230,000	**28,380**	–
Amounts utilised	**308,719**	112,257	**8,108**	–

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

	2012	2011
	RMB'000	RMB'000
Buildings (note 12)	**33,680**	35,542
Lease prepayments (note 13)	**4,482**	4,586
	38,162	40,128

At 31 December 2012 and 2011, 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 2012 and 2011, none of the covenants relating to drawn down facilities had been breached.

(d) Included in secured and unsecured bank loans of the Group as at 31 December 2012 were bills discounted with recourse totalling RMB2,500,000 and RMB68,300,000 (31 December 2011: RMB Nil and RMB Nil) respectively.

23 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$'000 (Note 23(c))	Share premium RMB$'000 (Note 23(d)(i))	Other reserve RMB$'000 (Note 23(d)(ii))	Exchange reserve RMB$'000 (Note 23(d)(iii))	Accumulated losses RMB$'000	Total equity RMB$'000
Balance at 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	23(c)(ii)	84	–	164,969	–	–	165,053
Issue of ordinary shares upon initial public offering, net of issuing costs	23(c)(iv)	24,483	242,690	–	–	–	267,173
Capitalisation issue	23(c)(iv)	73,367	(73,367)	–	–	–	–
Balance at 31 December 2011 and 1 January 2012		**97,935**	**169,323**	**164,969**	**(1,570)**	**(2,884)**	**427,773**
Loss for the year		**–**	**–**	**–**	**–**	**(4,926)**	**(4,926)**
Other comprehensive income		**–**	**–**	**–**	**7**	**–**	**7**
Total comprehensive income for the year		**–**	**–**	**–**	**7**	**(4,926)**	**(4,919)**
Dividends approved and paid during the year		**–**	**(8,640)**	**–**	**–**	**–**	**(8,640)**
Balance at 31 December 2012		**97,935**	**160,683**	**164,969**	**(1,563)**	**(7,810)**	**414,214**

23 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Dividends

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

	2012 RMB'000	2011 RMB'000
Final dividend proposed after the balance sheet date of 0.88 HK cents (equivalent to approximately RMB0.71 cents) per ordinary share (2011: 0.88 HK cents (equivalent to approximately RMB0.72 cents) per ordinary share)	8,520	8,640

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

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

	2012 RMB'000	2011 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 0.88 HK cents (equivalent to approximately RMB0.72 cents) per ordinary share (2011: Nil)	8,640	–

(c) Share capital

Authorised and issued share capital

	2012 Number of shares '000	2012 Amount HK$'000	2011 Number of shares '000	2011 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	10,000,000	1,000,000	10,000,000	1,000,000
Ordinary shares, issued and fully paid:				
At 1 January	1,200,000	120,000	10	1
Issue of shares upon Reorganisation (note (ii))	–	–	990	99
Capitalisation issue (note (iv))	–	–	899,000	89,900
Issue of shares upon initial public offering (note (iv))	–	–	300,000	30,000
	1,200,000	120,000	1,200,000	120,000
Equivalent to (RMB'000)		97,935		97,935

23 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital *(continued)*

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:

(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 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 Company was listed on the Stock Exchange following the completion of its initial public offering. 300,000,000 ordinary shares of HK$0.1 each were issued at a price of HK$1.2 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.

(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.

(iii) Exchange reserve

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

23 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

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

(iv) Statutory reserve

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

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

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

(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 2012.

The aggregate amounts of reserves available for distribution to equity shareholders of the Company were RMB316,279,000 (2011: RMB329,838,000). After the balance sheet date, the directors proposed a final dividend of 0.88 HK cents (equivalent to approximately RMB0.71 cents) (2011: 0.88 HK cents (equivalent to approximately RMB0.72 cents)) per ordinary share, amounting to RMB8,520,000 (2011: RMB8,640,000) (note 23(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 deferred "capital" as including all components of equity. Trade balances and short-term bank loans that arise in the course of ordinary business are not regarded by the Group as capital. On this basis, the amount of capital employed by the Group at 31 December 2012 were RMB600,686,000 (2011: RMB536,187,000).

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

Except for the banking facilities which require the fulfilment of certain covenants as disclosed in note 22(c), neither the Company nor any of the subsidiaries are subject to any externally imposed capital requirements.

24 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2012 not provided for in the consolidated financial statement were as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
Contracted for	**17,800**	6,131
Authorised but not contracted for	**–**	121,530
	17,800	127,661

24 COMMITMENTS *(continued)*

(b) At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases in respect of properties were payable as follows:

	The Group 2012 RMB'000	2011 RMB'000
Within 1 year	**1,292**	3,150
After 1 year but within 5 years	**143**	10,179
After 5 years	**–**	17,644
	1,435	30,973

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.

During the year ended 31 December 2011, the Group leased a property from an independent third party for an initial period of ten years for an annual rental of RMB2,058,000 and a 10% increment each year, at the end of which period all terms would be renegotiated. Pursuant to an agreement signed between the Group and the independent third party on 9 May 2012, the rental agreement was terminated and no charge or penalty was required to be paid or payable by the Group in respect of the early termination.

(c) At 31 December 2012, the Group committed to pay royalties for the usage of several trademarks for manufacturing and sales of footwear, apparel and related accessories products. The minimum guaranteed royalty payments were payable as follows:

	The Group 2012 RMB'000	2011 RMB'000
Within 1 year	**8,050**	9,750
After 1 year but within 5 years	**8,739**	20,632
	16,789	30,382

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).

In January 2012, pursuant to an agreement signed between the Group and one of the licensors, the calculation basis of royalties payable for using the relevant trademarks is revised which results in less amount of minimum guaranteed royalty payments in the remaining period of the licensing agreement.

24 COMMITMENTS *(continued)*

(d) 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 future minimum payments were payable as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
Within 1 year	**–**	588

25 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed in notes 8, 9, 18, 21 and 23 of these consolidated financial statements, the Group entered into the following significant related party transactions.

(a) Name and relationship with related parties

During the years ended 31 December 2012 and 2011, 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.

25 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Significant related party transactions

Particulars of significant related party transactions during the years ended 31 December 2012 and 2011 are as follows:

(i) Lease of properties

	The Group	
	2012	2011
	RMB'000	RMB'000
Rental payable/paid to:		
– Zhang Wen Bin, Zhang Li Zhu and Zhang Wen Zhi#	**–**	21
– Huang Cong Ming#	**–**	12
– Cai Xiu Man	**246**	104
	246	137

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) Amount due (to)/from a director

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amount due (to)/from a director (notes (i) and (ii))	**(2,431)**	12,287	**11,575**	12,455

25 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(c) Amount due (to)/from a director *(continued)*

Notes:

(i) The amount due (to)/from a director at 31 December 2012 was unsecured, interest-free and repayable on demand.

(ii) 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
Balance of the cash advance	
– at 1 January 2011	RMB Nil
– at 31 December 2011 and 1 January 2012	RMB12,287,000
– at 31 December 2012	RMB Nil
Maximum balance outstanding	
– during the year ended 31 December 2012	RMB26,407,000
– during the year ended 31 December 2011	RMB21,925,000

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
Short-term employee benefits	**1,991**	1,533
Retirement scheme contributions	**27**	27
	2,018	1,560

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

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

The related party transactions in respect of lease of properties and use of trademark in note 25(b) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

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 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 2012, 1% (2011: 1%) of the total trade and other receivables was due from the Group's largest customer and 8% (2011: 7%) was due from the five largest customers.

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

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

(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.

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

(b) Liquidity risk *(continued)*

The Group

	At 31 December 2012		
	Within 1 year or on demand RMB'000	**Total contractual undiscounted cash flow RMB'000**	**Balance sheet carrying amount RMB'000**
Bank loans	**209,700**	**209,700**	**204,308**
Trade and other payables	**259,665**	**259,665**	**259,665**
	469,365	**469,365**	**463,973**

	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

The Company

	At 31 December 2012		
	Within 1 year or on demand RMB'000	**Total contractual undiscounted cash flow RMB'000**	**Balance sheet carrying amount RMB'000**
Bank loans	**8,239**	**8,239**	**8,108**
Other payables	**1,949**	**1,949**	**1,949**
	10,188	**10,188**	**10,057**

	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	–	–	–
Other payables	2,198	2,198	2,198
	2,198	2,198	2,198

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

(c) Interest rate risk

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

(i) Interest rate profile

The following table details the interest rate profile of the Group's total borrowings at the balance sheet date:

The Group

	2012		2011	
	Effective interest rate %	**Amount RMB'000**	Effective interest rate %	Amount RMB'000
Fixed rate borrowings:				
RMB bank loans	**7.06**	**191,200**	6.23	20,000
Variable rate borrowings:				
RMB bank loans	**8.20**	**5,000**	7.17	64,600
HKD bank loans	**3.28**	**8,108**	–	–
		13,108		64,600
Total net borrowings		**204,308**		84,600
Net fixed rate borrowings as a percentage of total net borrowings		**94%**		24%

(ii) Sensitivity analysis

At 31 December 2012, 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 RMB119,000 (2011: RMB496,000).

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 2011.

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 denominated in Hong Kong dollars which 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

	2012		2011	
	United States Dollars RMB'000	**Renminbi RMB'000**	United States Dollars RMB'000	Renminbi RMB'000
Trade and other receivables	**1,060**	**–**	2,403	–
Cash and cash equivalents	**100**	**15,027**	71	105,605
Trade and other payables	**(1,755)**	**–**	(2,709)	–
Net exposure arising from recognised assets and liabilities	**(595)**	**15,027**	(235)	105,605

The Company

	2012 Renminbi RMB'000	2011 Renminbi RMB'000
Cash and cash equivalents	**40**	13,255
Net exposure arising from recognised assets and liabilities	**40**	13,255

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

	2012		2011	
	Increase/ (decrease) in foreign exchange rates RMB'000	**Increase/ (decrease) in profit for the year and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates RMB'000	Increase/ (decrease) in profit for the year and retained profits RMB'000
United States Dollars	**5%**	**(22)**	5%	(9)
	(5)%	**22**	(5)%	9
Renminbi	**5%**	**751**	5%	5,280
	(5)%	**(751)**	(5)%	(5,280)

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 2011.

(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 2012 and 2011.

(Expressed in Renminbi unless otherwise indicated)

27 NON-ADJUSTING POST BALANCE SHEET EVENTS

The following significant event took place subsequent to 31 December 2012:

The trademark licence agreement which granted the non-exclusive licence to the Group to use the trademark of Luotuo Brand for casual footwear and sport footwear in the PRC expired on 28 February 2013 without renewal. Accordingly, the Group will not through its distributors and department store customers sell any Luotuo Brand products from 1 March 2013 onwards.

On 27 February 2013, the Group entered into a Letter of Intent with the registered owner of Luotuo Brand in relation to the Proposed Joint Venture Arrangement. Pursuant to the terms of the Letter of Intent, for a period of four months commencing from 27 February 2013, the Group and the registered owner of Luotuo Brand will negotiate for the terms of the Proposed Joint Venture Arrangement.

28 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 31 December 2012, 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.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 12, *Disclosure of interests in other entities*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
IAS 27, *Separate financial statements* (2011)	1 January 2013
Annual Improvements to *IFRSs 2009-2011 Cycle*	1 January 2013
Amendments to IFRS 7, *Financial instruments: Disclosures – Disclosures-Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
IFRS 9, *Financial instruments*	1 January 2015

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.

FIVE-YEAR FINANCIAL SUMMARY

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

	Year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Turnover	**679,498**	607,197	412,138	231,461	161,833
Cost of sales	**(504,505)**	(397,621)	(282,984)	(167,336)	(137,326)
Gross profit	**174,993**	209,576	129,154	64,125	24,507
Other revenue	**9,758**	959	267	248	397
Other net (loss)/income	**(261)**	5,636	(613)	(22)	(69)
Selling and distribution expenses	**(33,758)**	(33,626)	(16,560)	(9,041)	(9,864)
Administrative expenses	**(35,647)**	(27,313)	(14,482)	(10,223)	(7,566)
Financial costs	**(10,294)**	(3,740)	(1,295)	(768)	(646)
PROFIT BEFORE TAXATION	**104,791**	151,492	96,471	44,319	6,759
Income tax	**(31,979)**	(39,215)	(25,142)	(12,777)	(2,057)
PROFIT FOR THE YEAR	**72,812**	112,277	71,329	31,542	4,702
Earnings per share — Basic and diluted (RMB)	**0.06**	0.12	0.08	0.04	0.01

ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**1,154,972**	841,016	350,152	198,435	164,966
TOTAL LIABILITIES	**(554,292)**	(304,829)	(193,195)	(111,916)	(110,118)
TOTAL EQUITY	**600,680**	536,187	156,957	86,519	54,848