FLYKE

FLYKE INTERNATIONAL HOLDINGS LTD.

HKEX STOCK CODE : (01998)

INTERIM REPORT 2013

FLYKE

Keep wonderful

Contents

Company Information 2

Financial Highlights 3

Management Discussion and Analysis 4

Corporate Governance and Other Information 10

Report on Review of Condensed Consolidated Financial Statements 14

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income 15

Condensed Consolidated Statement of Financial Position 16

Condensed Consolidated Statement of Changes in Equity 17

Condensed Consolidated Statement of Cash Flows 18

Notes to the Condensed Consolidated Financial Statements 19

Company Information

BOARD OF DIRECTORS

Executive Directors

Mr. LIN Wenjian *(Chairman and Chief Executive)*
Mr. LIN Mingxu
Mr. LIN Wenzu
Mr. LI Yong

Independent Non-executive Directors

Mr. CHU Kin Wang, Peleus
Mr. WANG Dong
Mr. ZHU Guohe

COMPANY SECRETARY

Ms. HO Wing Yan, *ACIS, ACS(PE)*

BOARD COMMITTEES

Audit Committee

Mr. CHU Kin Wang, Peleus *(Chairman)*
Mr. WANG Dong
Mr. ZHU Guohe

Remuneration Committee

Mr. WANG Dong *(Chairman)*
Mr. LI Yong
Mr. ZHU Guohe

Nomination Committee

Mr. WANG Dong *(Chairman)*
Mr. LIN Wenzu
Mr. ZHU Guohe

AUTHORISED REPRESENTATIVES

Mr. LIN Wenjian
Ms. HO Wing Yan, *ACIS, ACS(PE)*

LEGAL ADVISERS

As to Cayman Islands law:

Conyers Dill & Pearman

AUDITOR

SHINEWING (HK) CPA Limited

INTERNAL CONTROL REVIEW ADVISER

SHINEWING Risk Services Limited

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEAD OFFICE IN THE PRC

Xinwei Industrial Zone
Yangdai, Chendai Town
Jinjiang, Quanzhou City
Fujian Province 362218
The People's Republic of China ("PRC")

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 06-12, 33/F.
Shui On Centre
Nos. 6-8 Harbour Road
Wanchai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada
Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

Industrial Bank Co., Ltd.
Agricultural Bank of China Limited

STOCK CODE

01998

COMPANY WEBSITE

http://www.chinaflyke.com

Financial Highlights

	For the six months ended 30 June		Change
	2013	2012	%
OPERATING RESULTS			
Turnover (RMB'000)	**517,744**	609,753	(15.1)%
Gross (loss) profit (RMB'000)	**(39,474)**	176,185	(122.4)%
(Loss) profit for the period (RMB'000)	**(84,747)**	76,444	(210.9)%
Basic (loss) earnings per share (RMB)	**(0.104)**	0.094	(210.6)%
Diluted (loss) earnings per share (RMB)	**(0.104)**	0.094	(210.6)%
KEY FINANCIAL RATIOS			
Gross profit margin	**(7.6)%**	28.9%	(36.5)%
Net profit margin	**(16.4)%**	12.5%	(28.9)%
Return on owners' equity	**(11.4)%**	8.7%	(20.1)%
	As of 30 June 2013	As of 31 December 2012	
FINANCIAL POSITION			
Non-current assets (RMB'000)	**158,603**	134,414	
Current assets (RMB'000)	**1,063,307**	1,042,351	
Current liabilities (RMB'000)	**473,929**	335,078	
Bank borrowings (RMB'000)	**399,000**	232,000	
Net current assets (RMB'000)	**589,378**	707,273	
Total assets less current liabilities (RMB'000)	**747,981**	841,687	
Net assets (RMB'000)	**744,193**	834,285	
Bank balances and cash (RMB'000)	**391,063**	289,078	
Current ratio (times)	**2.2**	3.1	
Gearing ratio (%) [1]	**53.6%**	27.8%	

Footnote:

[1] The calculation of gearing ratio is based on the total bank loans divided by the equity.

Management Discussion and Analysis

INDUSTRY REVIEW

The year of 2013 is still a challenging year. Although the global economy showed signs of recovery and the domestic inflation was under control, the overall consumer market in China has been significantly affected by the tightening monetary policies. Following the over expansion in sportswear industry over the past years, some local brands have recorded significant adjustments such as heavy discount and repurchase of the inventory from distributors in recent years. During the first half of the year (the "Review Period"), the competition in sportswear industry remained keen and some local brands still relied on heavy discount for clearance of their excessive inventory level. In view of this, after negotiating with our distributors in the first half of the year, Flyke International Holdings Ltd. (the "Company"), and its subsidiaries (collectively, the "Group") adjusted our strategies to buy back the slow-moving inventory from our authorised distributors of *Flyke* brand so as to lessen the inventory pressure and enhance the market competitiveness of those distributors. Meanwhile, the Group consolidated certain less-efficient authorised retail stores of *Flyke* brand for enhancing the competitiveness of a single store.

BUSINESS REVIEW

Brand

Business

The Group currently operates a causalwear brand ("**Flyke**") targeting in first and second-tier cities and a casual-sportswear brand ("*Flyke*") targeting in third and fourth-tier cities in China.

For **Flyke** brand, since the economic growth of the PRC has slightly slowed down during the Review Period, together with the fierce competition in the overall casualwear market, the management, for the sake of our long-term development objectives, decided to take measures to enhance the competitiveness of the authorised retail stores and improve the financial position of our distributors through monitoring the inventory level and the purchase orders; strengthen our design capability and product diversification and make adjustments on the scale and growing speed of our authorised retail stores, so as to optimise our financial position. Since we have no production facility for casual footwear and apparels, the relevant production is currently outsourced to independent contract manufacturers through OEM arrangements.

For *Flyke* brand, the Group consolidated 681 less-efficient retail stores during the Review Period. The consolidation of retail stores since second half of 2012 has resulted in accumulation of excessive inventory by distributors. In view of this, our Group in the first half of this year, launched an one-off voluntary repurchase scheme to buy-back the slow-moving inventory held by them. The Group repurchased inventory amounting to RMB191.5 million from distributors and resold the repurchased inventories to overseas buyers at RMB41.6 million during the Review Period. The Group expects that the repurchase scheme involving a total sum of RMB302.3 million will be completed in the fourth quarter of this year.

Sales Network

Despite the intense competition, our Group newly opened 2 authorised retail stores of **Flyke** brand to a total of 24 at 30 June 2013. In future, our Group will continue to expand the casualwear market shares in a stable and reasonable manner, so as to boost the brand recognition. Although it is expected that the casualwear market in the PRC will remain in keen competition, we believe that **Flyke** casualwear brand will be benefited from the increasing demand in mid-tier casualwear as a result of the acceleration of urbanisation and the increase in disposable income of the middle-class consumers. We also believe that the positioning of the **Flyke** brand as an American style brand with appropriate Chinese cut will continue to be attractive among targeted middle-class customers. Additionally, we have focused on developing products with stylish and lifestyle. For *Flyke* brand, the total number of authorised retail stores decreased by 681 to 893 stores (including 7 image stores) during Review Period.

Product design and development

The board (the "Board") of directors (the "Director(s)") of the Group believe that the product design and the development capability are crucial to success in the competitive market. To enhance the competitiveness and to support the persistent growth and expansion, we have cooperated with professional design firms and reputable designers to strengthen both product mix and product design.

The Export ODM Business

The Group has established a vertically integrated business model for the Export ODM Business with the design, production and sales of footwear over ten years. All products are sold to overseas buyers including some international brands. The Export ODM Business not only provides a stable source of cash inflow for the Group, but also allows us to keep abreast with international trend of design.

Soles

The business is primarily engaged in the design, production and sales of soles. The Group normally uses the soles for internal production of footwear and may sell some to local footwear companies.

FINANCIAL REVIEW

Turnover

The Group's aggregate turnover decreased to approximately RMB517.7 million (2012: RMB609.8 million) during the Review Period, representing a decrease of approximately 15.1% as compared with the same period in 2012. The decrease in aggregate turnover was primarily attributable to vigorous competition in the sportswear market and the tightening currency policy in the PRC, which affected the sales of casual-sportswear products.

The following table sets forth a summary of the aggregate turnover of the Group by principal activities and resales of repurchased inventory for the six months ended 30 June 2013 (with comparative figures for the six months ended 30 June 2012):

	For the six months ended 30 June				
	2013		2012		
	RMB'000	% of Turnover	RMB'000	% of Turnover	Change %
Sales of footwear, apparels and accessories with brands#	**313,022**	**60.5%**	424,998	69.7%	(26.3)%
Sales under the Export ODM Business	**145,818**	**28.2%**	160,604	26.3%	(9.2)%
Sales of soles	**17,304**	**3.3%**	24,151	4.0%	(28.3)%
Resales of repurchased inventory *	**41,600**	**8.0%**	-	-	-
Total	**517,744**	**100%**	609,753	100%	(15.1)%

The brand sales included the sales from *Flyke* casual-sportswear brand and **Flyke** casualwear brand, in which the sales of **Flyke** brand products amounted to RMB21.8 million during the Review Period. The sales of **Flyke** casualwear brand was firstly generated in the second half of 2012.

* Resales of repurchased inventory represented the Group repurchased slow-moving inventory from *Flyke* distributors and resold to the independent overseas buyers during the Review Period amounting to RMB41.6 million.

Sales of brand products

As of 30 June 2013, the aggregate turnover from the brands was RMB313.0 million, of which approximately 93%, amounting to approximately RMB291.2 million (2012: RMB425.0 million) was contributed by *Flyke* brand. The decrease in *Flyke* brand turnover was mainly attributable to intense market competition. The aggregate brand turnover contributed approximately 60.5% of the aggregate turnover of the Group during the Review Period.

Export ODM Business

The turnover derived from the Export ODM Business for the Review Period amounted to approximately RMB145.8 million (2012: RMB160.6 million), representing a decrease of approximately 9.2% as compared with same period in 2012. The decrease was principally due to the uncertainty of global economy. Turnover under the Export ODM Business during the Review Period contributed approximately 28.2% of the Group's aggregate turnover.

Soles

During the Review Period, the sales of soles amounted to approximately RMB17.3 million (2012: RMB24.2 million), accounting for 3.3% of the aggregate turnover of the Group.

Resales of repurchased inventory

In considering the long-term development strategy and the future cooperation with distributors, the Group repurchased slow-moving inventory from distributors of the casual-sportswear brand and resold to overseas buyers. During the Review Period, the aggregate resales from repurchased inventory amounted to RMB41.6 million.

Cost of sales

The cost of sales included raw materials, direct labour, production cost and outsourcing fees to contract manufacturers. It was incurred in: (a) the production of the *Flyke* footwear; (b) the outsourcing fees to the contract manufacturers for the production of the apparels and accessories with the *Flyke* brand; (c) the production of Soles; (d) the outsourcing fees to the contract manufacturers for the production of the **Flyke** footwear, apparel and accessories; (e) the outsourcing fees to the contract manufacturers for the production of certain footwear for the Export ODM Business; (f) the production of the footwear for the Export ODM Business and (g) the repurchased slow-moving inventory from *Flyke* distributors.

During the Review Period, total cost of sales increased by about 28.5% to approximately RMB557.2 million (2012: RMB433.6 million). The increase was mainly due to Group repurchased slow-moving inventory from *Flyke* distributors of RMB191.5 million during the Review Period.

Gross (loss) profit / gross profit margin

The Group recorded a turnaround from a gross profit of approximately RMB176.2 million for the first half of 2012 to a gross loss of approximately RMB39.5 million for the Review Period. Gross loss was incurred due to the repurchase of the slow-moving inventory of approximately RMB191.5 million from *Flyke* distributors during the Review Period, but such repurchased inventory was then resold to overseas buyers at RMB41.6 million, which led to a gross loss of RMB149.9 million.

The following table illustrates the gross (loss) profit and the gross profit margin of the Group by its principal activities and resales of repurchased inventory during the six months ended 30 June 2013 (with comparative figures for the six months ended 30 June 2012):

	For the six months ended 30 June				
	2013		2012		Change of gross profit margin
		Gross profit margin		Gross profit margin	
	RMB'000	**%**	RMB'000	%	%
Sales of footwear, apparels and accessories with brands[#]	**80,102**	**25.6%**	126,723	29.8%	(4.2)%
Sales under our Export ODM Business	**27,344**	**18.8%**	44,332	27.6%	(8.8)%
Sales of soles	**3,019**	**17.4%**	5,130	21.2%	(3.8)%
Resales of repurchased inventory	**(149,939)**	**(360.4)%**	-	-	-
Total	**(39,474)**	**(7.6)%**	176,185	28.9%	(36.5)%

[#] The gross profit of the brand included the gross profit of RMB10.5 million derived from **Flyke** casualwear brand.

Brands

The gross profit derived from the brands for the Review Period decreased by 36.8% to approximately RMB80.1 million (2012: RMB126.7 million). Gross profit margin decreased by 4.2% to 25.6% due to the intense market competition.

Export ODM Business

The gross profit of the Export ODM Business for the Review Period dropped by 38.3% to approximately RMB27.3 million (2012: RMB44.3 million). The decrease in gross profit was a result of the shrinking of overseas demand in a view of the uncertainty of global markets.

Soles

The gross profit for the sales of soles amounted to approximately RMB3.0 million (2012: RMB5.1 million), representing a decrease of 41.2% as compared with same period in 2012.

Selling and distribution expenses

During the Review Period, the selling and distribution expenses decreased by 27.1% to approximately RMB28.9 million (2012: RMB39.6 million). The selling and distribution expenses represented approximately 5.6% (2012: 6.5%) to the aggregate sales of the Group. The decrease of selling and distribution expenses was primarily due to the reduction of promotion expenses on *Flyke* brand.

Administrative expenses

During the Review Period, the administrative expenses amounted to approximately RMB15.4 million (2012: RMB16.2 million) representing a decrease of approximately 4.9%. The administrative expenses represented approximately 3.0% (2012: 2.7%) to the aggregate sales of the Group.

Research and development expenses

Research and development expenses decreased by 11.9% to approximately RMB14.2 million (2012: RMB16.1 million) during the Review Period. The decrease was mainly due to the reduction of external design fee. The research and development expenses represented 2.7% (2012: 2.6%) to aggregate turnover of the Group.

Management Discussion and Analysis (Continued)

Finance cost
The finance cost primarily represented the interest expense on bank borrowings. The finance cost incurred by the Group increased by 142.7% to approximately RMB9.6 million from approximately RMB4.0 million in the last corresponding period. The increase of finance cost was primarily due to the increase in bank loans from RMB116 million as at 30 June 2012 to RMB399 million as at 30 June 2013.

Income tax expense
The income tax represents the Enterprise Income Tax in China and deferred tax. No provision for Hong Kong profits tax has been made as no member of the Group generated any assessable profit in Hong Kong during the Review Period. The Group was not subject to any tax in the Cayman Islands and the British Virgin Islands during the Review Period.

The Group's income tax credit of approximately RMB 23.3 million was recorded during the Review Period, while income tax expense amounting to approximately RMB22.2 million was incurred in for the last corresponding period. The Group's income tax credit for the Review Period was mainly attributable to the deferred tax assets recognised arising from the loss of Flyke (China) incurred during the Review Period.

(Loss) profit for the Review Period
The Group has recorded a turnaround from a profit of approximately RMB76.4 million for the first half of 2012 to a loss of RMB84.7 million for the Review Period. The loss was primarily attributable to the gross loss amounting to RMB149.9 million arising from the repurchase of inventory of RMB191.5 million from *Flyke* distributors, which was then resold to overseas buyers at RMB41.6 million during the Review Period.

BUSINESS OUTLOOK

Brand Development
Due to intense competition in the sportswear market and the limited improvement of domestic market, the Group will continue to consolidate our casual-sportswear authorised retail stores and may terminate the cooperation with less efficient distributors of *Flyke* brand. On the other hand, the casualwear sector demonstrates the increasing market competition yet enormous market potentials with higher gross profit margin. After thorough consideration, the Group started concentrating its resources to develop **Flyke** casualwear brand since 2012. In order to increase our market shares within the casualwear market, our Board has set-out the following sustainable growth targets.

Strengthening Brand Awareness and Image
In order to enhance the market share and awareness of **Flyke** brand, the Group has launched a series of advertising and promotion activities since 2012. We intend on continuing with our brand promotion activities to enhance the recognition and to enlarge market shares.

Expanding Sales Network
During the Review Period, the Group newly opened up 2 **Flyke** casualwear stores in first and second-tier cities to a total of 24 casualwear authorised stores as at 30 June 2013. On the other hand, the number of authorised retail stores of *Flyke* brand decreased by 681 to 893 (including 7 image stores) during the Review Period. We will continue to expand the number of casualwear retail stores steadily in the coming years while consolidating the casual-sportswear authorised retail stores in order to concentrate the resources on the development of **Flyke** brand and to improve per-store efficiency.

Product innovation
To pursue in sustainable growth of the business, the Group will continuously cooperate with professional design firms as well as research and development centres or reputable designers for the development of new products. We will also consider hiring international designers for the enhancement of the capabilities in design, research and development as well as product mix.

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

USE OF PROCEEDS

Use of Net Proceeds from the Global Offering

The net proceeds from the global offering were approximately HK$363.3 million (after deducting related expenses). The following table sets forth the use of the net proceeds as at 30 June 2013:

	(HK$ million)		
	Available to utilise	Utilised as of 30 June 2013	Unutilised as of 30 June 2013
Improvement in our information technology systems	22.5	-	22.5
Expansion of our product research and development teams	63.9	63.9	-
Establishment of seven flagship stores and 23 image stores	63.9	25.1	38.8
Increase three footwear production lines	23.0	8.5	14.5
Establish new production facilities for apparels with the *Flyke* brand	80.0	-	80.0
Advertising and marketing activities	110.0	110.0	-
Total	**363.3**	**207.5**	**155.8**

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The bank balances and cash of the Group amounted to approximately RMB391.1 million as of 30 June 2013. The Group's working capital requirement was financed by its internal resources and also by bank loans. The Directors believe that the funds generated from operations and the available banking facilities will enable the Group to meet its future working capital requirements.

The net assets decreased to approximately RMB744.2 million as of 30 June 2013 from approximately RMB834.3 million as of 31 December 2012.

The bank borrowings amounted to RMB399 million as of 30 June 2013, all denominated in Renminbi.

As of 30 June 2013, the Group's gearing ratio (measured by the total bank loans divided by total equity) was 53.6% (31 December 2012: 27.8%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

PLEDGE OF ASSETS

As of 30 June 2013, the Group pledged certain prepaid lease payments and property, plant and equipment with aggregate net book value of approximately RMB90.3 million to secure banking facilities granted to the Group.

EVENTS AFTER THE END OF THE REPORTING PERIOD

The Group has formed a business plan to repurchase the slow-moving inventories from our *Flyke* brand distributors. As of 30 June 2013, the total repurchase made by the Group amounted to approximately RMB191.5 million. It is expected that subsequent repurchase amounting to approximately RMB110.7 million will be completed by the end of the financial year ending 31 December 2013.

CONTINGENT LIABILITIES

As of 30 June 2013, we had no material contingent liabilities.

EMOLUMENTS POLICY

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted a share option scheme for its employees.

SHARE OPTIONS

The following table discloses details of the Company's share options held by the Directors and eligible employees of the Group pursuant to the Company's share option scheme and movements in such holdings during the Review Period:

Name or category of participant	Date of grant	Outstanding as of 1 January 2013	Granted during the Review Period	Exercised during the Review Period	Cancelled/ Lapsed during the Review Period	Outstanding as of 30 June 2013	Exercisable Period	Exercise price	Closing price immediately before the date of grant
								HK$	HK$
(a) Directors									
Mr. LIN Wenjian	4 May 2011	500,000	—	—	—	500,000	4 May 2011 to 3 May 2021	1.620	1.620
Mr. LIN Mingxu	4 May 2011	7,500,000	—	—	—	7,500,000	4 May 2011 to 3 May 2021	1.620	1.620
Mr. LIN Wenzu	4 May 2011	7,500,000	—	—	—	7,500,000	4 May 2011 to 3 May 2021	1.620	1.620
Mr. LI Yong	31 December 2010	840,000	—	—	—	840,000	1 July 2012 to 30 December 2020	1.726	1.730
	31 December 2010	840,000	—	—	—	840,000	1 January 2014 to 30 December 2020	1.726	1.730
	31 December 2010	1,120,000	—	—	—	1,120,000	1 January 2016 to 30 December 2020	1.726	1.730
	4 May 2011	1,200,000	—	—	—	1,200,000	4 May 2011 to 3 May 2021	1.620	1.620
(b) Eligible employees	31 December 2010	4,008,000	—	—	60,000	3,948,000	1 July 2012 to 30 December 2020	1.726	1.730
	31 December 2010	4,008,000	—	—	60,000	3,948,000	1 January 2014 to 30 December 2020	1.726	1.730
	31 December 2010	5,344,000	—	—	80,000	5,264,000	1 January 2016 to 30 December 2020	1.726	1.730
	4 May 2011	16,300,000	—	—	800,000	15,500,000	4 May 2011 to 3 May 2021	1.620	1.620
		49,160,000	—	—	1,000,000	48,160,000			

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2013, the following Directors or the chief executives of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) (i) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(i) Long positions in shares and underlying shares of the Company

Name of Director	Capacity	Number of shares held	Number of underlying shares held pursuant to share options	Position	Total	Approximate Percentage of issued share capital
Mr. LIN Wenjian	Interest of controlled corporation	480,000,000 (note 1)	—	Long	480,500,000	59.13%
	Beneficial owner	—	500,000	Long		
Mr. LIN Mingxu	Beneficial owner	60,000,000 (note 2)	7,500,000	Long	67,500,000	8.30%
Mr. LIN Wenzu	Beneficial owner	60,000,000 (note 2)	7,500,000	Long	67,500,000	8.30%
Mr. LI Yong	Beneficial owner	—	4,000,000	Long	4,000,000	0.49%

Notes:

1. These shares are held by Super Creation International Limited ("Super Creation"), the entire issued share capital of which is wholly and beneficially owned by Mr. LIN Wenjian. By virtue of the SFO, Mr. LIN Wenjian is deemed to be interested in the 480,000,000 shares held by Super Creation.

2. Each of Mr. LIN Wenzu and Mr. LIN Mingxu is a beneficiary of a trust scheme established by Super Creation, The Flyke Trust. As at 30 June 2013, 40,800,000 shares are held on trust by the trustee of The Flyke Trust for the benefit of Mr. LIN Wenzu and Mr. LIN Mingxu equally.

(ii) Long positions in associated corporations of the Company

Name of the Director	Name of the associated corporation	Capacity	Position	No of shares in the associated corporation	Approximate percentage of shareholding in the associated corporation
Mr. LIN Wenjian	Super Creation	Beneficial owner	Long	1	100%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN AND/OR SHORT POSITIONS IN SHARES OR UNDERLYING SHARES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

So far as is known to the Directors and chief executives of the Company, as at 30 June 2013, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have, interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Name of shareholder	Capacity	Number of shares held	Number of underlying shares held pursuant to share options	Position	Total	Approximate Percentage of issued share capital
Super Creation	Beneficial owner	480,000,000	—	Long	480,000,000	59.07%
Potent Growth Limited	Beneficial owner	16,000,000	96,000,000	Long	112,000,000	13.78%
Mr. ZHANG Qing	Interest of controlled corporation	16,000,000	96,000,000	Long	122,400,000 (note 1)	15.06%
	Beneficial owner	10,400,000	—	Long		
TMF Trust (HK) Limited	Trustee	40,800,000	—	Long	40,800,000 (note 2)	5.02%

Notes:

1. These shares are held by Potent Growth Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. ZHANG Qing. By virtue of the SFO, Mr. ZHANG Qing is deemed to be interested in the 112,000,000 shares and underlying shares held by Potent Growth Limited.

2. The shares are held on trust for Mr. LIN Wenzu and Mr. LIN Mingxu, the beneficiaries of The Flyke Trust.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Review Period.

DISCLOSURE OF CHANGE IN INFORMATION OF DIRECTOR

Pursuant to rule 13.51B(1) of the Listing Rules, the change of information on Director is as follows:

Name of Directors	Details of change
Mr. CHU Kin Wang, Peleus *(Independent Non-executive Director)*	He has been an independent non-executive director of Telecom Service One Holdings Limited (stock code: 8145) with effect from 30 April 2013.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the Review Period except the provision requiring the roles of the chairman and chief executive to be undertaken by two individuals under paragraph A.2.1 of the CG Code.

Mr. LIN Wenjian, executive Director, is the chairman of the Group, responsible for the leadership and effective running of the Board, ensuring that all material issues are decided by the Board in a conducive manner as well as the chief executive of the Group. Mr. LIN Wenjian is also responsible for running the Group's business and effective implementation of the strategies of the Group.

Currently, the roles of the chairman and chief executive of the Company are performed by the same individual, Mr. LIN Wenjian. The Company is aware of the requirement under paragraph A.2 of the CG Code that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Nevertheless, the Board considers that the combination of the roles of chairman and chief executive will not impair the balance of power and authority between the Board and the management of the Company is of the view that this structure provides the Group with strong and consistent leadership, which can facilitate the formulation and implementation of its strategies and decisions and enable it to grasp business opportunities and react to changes efficiently and therefore it is in the interests of the Company as a whole and beneficial to the business prospects of the Group for Mr. LIN Wenjian to undertake the roles of the chairman and the chief executive.

The Board and the audit committee of the Board have reviewed the effectiveness of the Group's internal control systems and considered that the Group's internal control systems are reasonably implemented and the Group has fully complied with the CG Code provisions regarding internal control systems in general.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the Review Period.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Company established the audit committee to review and monitor the financial reporting process and internal control of the Group and to review the financial information of the Group. The audit committee consists of all three independent non–executive Directors namely Mr. CHU Kin Wang, Peleus, Mr. WANG Dong and Mr. ZHU Guohe. Mr. CHU is the chairperson of the audit committee. The audit committee has reviewed the Company's financial statements and the Group's consolidated financial statements for the Review Period, including the accounting principles and practices adopted by the Group.

Report on Review of Condensed Consolidated Financial Statements

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE BOARD OF DIRECTORS OF FLYKE INTERNATIONAL HOLDINGS LTD.
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Flyke International Holdings Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 15 to 30, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
23 August 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Notes	For the six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Turnover	3	**517,744**	609,753
Cost of sales		**(557,218)**	(433,568)
Gross (loss) profit		**(39,474)**	176,185
Other income		**631**	579
Selling and distribution expenses		**(28,893)**	(39,648)
Administrative expenses		**(15,434)**	(16,224)
Research and development expenses		**(14,231)**	(16,148)
Finance costs		**(9,619)**	(3,963)
Equity-settled share-based payments		**(992)**	(2,183)
(Loss) profit before taxation	6	**(108,012)**	98,598
Income tax credit (expense)	7	**23,265**	(22,154)
(Loss) profit for the period		**(84,747)**	76,444
Other comprehensive income:			
Item that may be subsequently reclassified to profit and loss:			
Exchange difference arising on translation of foreign operations and other comprehensive income for the period		**164**	505
Total comprehensive (expense) income for the period attributable to owners of the Company		**(84,583)**	76,949
(Loss) earnings per share (RMB)	8		
Basic		**(0.104)**	0.094
Diluted		**(0.104)**	0.094

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**106,518**	111,432
Prepaid lease payments	10	**22,745**	22,982
Deferred tax assets	17	**29,340**	-
		158,603	134,414
Current assets			
Inventories		**64,770**	83,679
Trade and other receivables	11	**606,346**	669,081
Income tax recoverable		**615**	-
Prepaid lease payments	10	**513**	513
Bank balances and cash		**391,063**	289,078
		1,063,307	1,042,351
Current liabilities			
Trade and other payables	12	**51,363**	91,117
Amount due to the controlling shareholder	13	**14,337**	6,540
Amount due to a director	13	**72**	72
Income tax payable		**9,157**	5,349
Bank borrowings	14	**399,000**	232,000
		473,929	335,078
Net current assets		**589,378**	707,273
		747,981	841,687
Capital and reserves			
Share capital	15	**71,551**	71,551
Reserves		**672,642**	762,734
Total equity		**744,193**	834,285
Non-current liability			
Deferred tax liabilities	17	**3,788**	7,402
		747,981	841,687

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

For the six months ended 30 June 2012

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Special Reserve RMB'000	Statutory reserve RMB'000	Share options reserve RMB'000	Translation reserve RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000	Total equity RMB'000
		(note a)	(note b)	(note c)	(note d)					
At 1 January 2012 (audited)	71,627	273,068	869	28,256	73,573	21,579	(4,211)	335,174	20,277	820,212
Profit for the period	-	-	-	-	-	-	-	76,444	-	76,444
Other comprehensive income for the period										
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	505	-	-	505
Total comprehensive income for the period	-	-	-	-	-	-	505	76,444	-	76,949
Recognition of equity-settled share-based payments	-	-	-	-	-	2,183	-	-	-	2,183
Shares repurchased and cancelled	(76)	(649)	76	-	-	-	-	(76)	-	(725)
Dividends paid during the period	-	-	-	-	-	-	-	-	(20,277)	(20,277)
At 30 June 2012 (unaudited)	71,551	272,419	945	28,256	73,573	23,762	(3,706)	411,542	-	878,342

For the six months ended 30 June 2013

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Special Reserve RMB'000	Statutory reserve RMB'000	Share options reserve RMB'000	Translation reserve RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000	Total equity RMB'000
		(note a)	(note b)	(note c)	(note d)					
At 1 January 2013 (audited)	71,551	272,419	945	28,256	73,573	24,766	(3,626)	359,900	6,501	834,285
Loss for the period	-	-	-	-	-	-	-	(84,747)	-	(84,747)
Other comprehensive income for the period										
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	164	-	-	164
Total comprehensive income (expense) for the period	-	-	-	-	-	-	164	(84,747)	-	(84,583)
Recognition of equity-settled share-based payments	-	-	-	-	-	992	-	-	-	992
Forfeiture of vested equity-settled share-based payments	-	-	-	-	-	(512)	-	512	-	-
Dividends paid during the period	-	-	-	-	-	-	-	-	(6,501)	(6,501)
At 30 June 2013 (unaudited)	71,551	272,419	945	28,256	73,573	25,246	(3,462)	275,665	-	744,193

Notes:

a) Under the Companies Law, Cap. 22 (Law 6 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

b) Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.

c) Special reserve represents the difference between the nominal value of the share capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries.

d) In accordance with the relevant regulations applicable in the People's Republic of China (the "PRC"), subsidiaries established in the PRC are required to transfer at least 10% of their statutory annual profits after tax to the statutory reserve until the balance of the reserve reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against accumulated losses of the respective PRC subsidiaries. The amount of the transfer is subject to the approval of the board of directors of the respective PRC subsidiaries.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(57,475)**	(917)
Net cash generated from (used in) investing activities	**631**	(5,709)
Net cash generated from financing activities	**158,817**	1,593
Net increase (decrease) in cash and cash equivalents	**101,973**	(5,033)
Cash and cash equivalents at beginning of the period	**289,078**	313,922
Effect of foreign exchange rate changes	**12**	482
Cash and cash equivalents at end of the period, represented by bank balances and cash	**391,063**	309,371

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

Flyke International Holdings Ltd. (the "Company") was incorporated in the Cayman Islands as an exempted Company with limited liability on 21 April 2008. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 29 March 2010. Its parent company is Super Creation International Limited, a company incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling party is Mr. LIN Wenjian ("Mr. LIN").

The addresses of the registered office and principal place of business of the Company are disclosed in the "Company Information" section to the interim report.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle, except for the amendments to HKAS 1
Amendments to HKFRS 1	First-time Adoption of HKFRSs – Government Loans
Amendments to HKFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK (International Financial Reporting Interpretation Committee)-Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not applied any new or revised HKFRSs that is not yet effective for the current interim period.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 Interim Financial Reporting
(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment. Since the Group has only one single reportable segment, no segment assets and liabilities are presented.

The application of the other new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and / or disclosures set out in these condensed consolidated financial statements.

3. TURNOVER

Turnover represents revenue arising on sale of footwear, apparels and accessories and soles, net of sales related taxes and rebates. An analysis of the Group's revenue for the period is as follows:

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Footwear	**272,370**	357,275
Apparels and accessories	**228,070**	228,327
Soles	**17,304**	24,151
	517,744	609,753

4. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the condensed consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker, Mr. LIN for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

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

5. LOSS ON REPURCHASE OF INVENTORIES

During the six months ended 30 June 2013, the Group repurchased inventories of approximately RMB191,539,000 (included in the cost of sales) from the customers and subsequently resold for an aggregated amount of approximately RMB41,600,000 (included in the revenue) to overseas customers through an export company which is an independent third party, resulting in a gross loss of approximately RMB149,939,000. Further details are set out in the announcement of the Company dated 17 July 2013.

6. (LOSS) PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss) profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**1,090**	1,347
Other staff costs (excluding directors)	**44,124**	74,401
Total staff costs	**45,214**	75,748
Amortisation of prepaid lease payments	**237**	257
Cost of inventories recognised as an expense	**557,218**	433,568
Depreciation of property, plant and equipment	**4,914**	4,823
Operating lease rental paid in respect of rented premises	**72**	23
Bank interest income	**(631)**	(575)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

7. INCOME TAX CREDIT (EXPENSE)

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The tax charge comprises:		
PRC Enterprise Income Tax ("EIT")	**(4,939)**	(16,677)
Deferred taxation (note 17)	**28,204**	(5,477)
	23,265	(22,154)

Notes:

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

(b) For the six months ended 30 June 2013 and 2012, Hong Kong Profits Tax has not been provided for in the condensed consolidated financial statements as the Group did not have any assessable profits subject to Hong Kong Profits Tax.

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

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

The first profit-making year of Flyke (China) was 2007. As year 2007 was not a full year operation, accordingly, year 2008 was regarded the beginning year of Tax Exemption as the first profit-making year and is exempted from EIT from 1 January 2008 to 31 December 2009 and is entitled to a 50% exemption of income tax from 1 January 2010 to 31 December 2012. From 1 January 2013 onwards, provision for the PRC EIT for Flyke (China) is calculated at 25% of its estimated assessable profit.

** English name is for identification purpose only.*

8. (LOSS) EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company for the purposes of calculating basic and diluted (loss) earnings per share	**(84,747)**	76,444
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	**812,600,000**	812,988,619

For the six months ended 30 June 2013 and 2012, diluted (loss) earnings per share is the same as the basic (loss) earnings per share. The computation of diluted (loss) earnings per share does not assume the exercise of the Company's outstanding share options (note 16) as the exercise price of the option is higher than the average market price of the Company's shares for the six months ended 30 June 2013 and 2012.

9. DIVIDENDS

During the current interim period, a final dividend of HK$0.0100 (equivalent to approximately RMB0.0080) per share in respect of the year ended 31 December 2012 (30 June 2012: HK$0.0300 (equivalent to approximately RMB0.0249) per share in respect of the year ended 31 December 2011) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK$8,126,000 (equivalent to approximately RMB6,501,000) (30 June 2012: HK$24,406,000 (equivalent to approximately RMB20,277,000)).

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2013 and 2012.

10. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

During the six months ended 30 June 2012, the Group spent approximately RMB2,520,000 for the construction of a staff quarter and approximately RMB3,764,000 on additions to plant and machinery, furniture, fixtures and office equipment and motor vehicles (six months ended 30 June 2013: nil).

At 31 December 2012, the Group has not yet obtained the legal title of the buildings and prepaid lease payments with aggregate carrying values of approximately RMB19,974,000 (30 June 2013: nil) and RMB620,000 (30 June 2013: nil) respectively.

11. TRADE AND OTHER RECEIVABLES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade receivables (note)	**654,653**	715,856
Less: Impairment loss recognised in respect of trade receivables	**(60,933)**	(60,933)
	593,720	654,923
Prepayments	**12,608**	14,127
Other receivables	**18**	31
	606,346	669,081

Note: At 30 June 2013, included in the trade receivables was an amount of approximately RMB87,492,000 (31 December 2012: RMB64,122,000) transferred to a bank on a full recourse basis. As the Group has not transferred the significant risk and rewards relating to these receivables, it continues to recognise the full carrying amount of receivables and has recognised the cash received on the transfer as a secured bank borrowing. These financial assets are carried at amortised cost in the Group's condensed consolidated statement of financial position.

The Group generally allows credit period of 120 to 150 days (31 December 2012: 120 to 150 days) to its trade customers.

The following is an analysis of trade receivables (net of impairment loss recognised) by age, presented based on the invoice date, which approximated the revenue recognition date.

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within 60 days	**267,289**	196,789
61 to 180 days	**259,769**	352,280
181-365 days	**66,662**	105,854
Total	**593,720**	654,923

12. TRADE AND OTHER PAYABLES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade payables	**36,554**	57,956
Other payables and accruals	**12,298**	15,818
Valued added tax payable	**2,511**	17,343
	51,363	91,117

12. TRADE AND OTHER PAYABLES (Continued)

At 30 June 2013, included in the other payables and accruals was directors' fee payable of approximately RMB47,700 (31 December 2012: RMB80,000).

The following is an analysis of trade payables by age, presented based on invoice date.

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within 90 days	**36,554**	57,956

13. AMOUNTS DUE TO THE CONTROLLING SHAREHOLDER / A DIRECTOR

The amounts are unsecured, non-interest bearing and repayable on demand.

14. BANK BORROWINGS

During the six months ended 30 June 2013, the Group obtained new bank borrowings in the amount of approximately RMB353,000,000 (31 December 2012: RMB280,000,000) for general working capital. Included in bank borrowings at 30 June 2013 are amounts of approximately RMB384,000,000 (31 December 2012: RMB232,000,000) which carried interest at fixed rates ranging from 5.40% to 8.528% (31 December 2012: 5.40% to 8.528%) per annum and RMB15,000,000 (31 December 2012: nil) which carried interest at variable rate at 101% (31 December 2012: 90% to 130%) of The People's Bank of China Base Lending Rate per annum. The bank loans are repayable within one year.

During the six months ended 30 June 2013, the Group settled bank borrowings amounting to approximately RMB186,000,000 (31 December 2012: RMB144,000,000).

At 30 June 2013, bank borrowings of approximately RMB332,000,000 (31 December 2012: RMB155,000,000) were jointly or singly guaranteed by the directors of the Company, Mr. LIN, Mr. Lin Mingxu and Mr. Lin Wenzu and/or Ms. Lin Ezhi, the spouse of Mr. LIN. Included in the above, bank borrowings of approximately RMB134,000,000 (31 December 2012: RMB88,000,000) were also jointly guaranteed by an independent third party, 福建鑫威汽車部件有限公司 ("鑫威汽車") of which business registration certification was revoked in Feburary 2013. The directors of the Company are in the opinion that the bank borrowings guaranteed by 鑫威汽車 of approximately RMB134,000,000 (31 December 2012: RMB88,000,000) will not be recalled by the bank as the loan was jointly guaranteed by the three directors of the Company.

15. SHARE CAPITAL

Ordinary shares of HK$0.1 each

	Number of shares	Amount HK$	Amount as presented RMB'000
Authorised:			
At 1 January 2012, 31 December 2012 and 30 June 2013	2,000,000,000	200,000,000	
Issued and fully paid:			
At 1 January 2012	813,544,000	81,354,400	71,627
Repurchased during the year (note)	(944,000)	(94,400)	(76)
At 31 December 2012 and 30 June 2013	812,600,000	81,260,000	71,551

Note:

During the year ended 31 December 2012, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Period	Number of shares repurchased '000	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate amount paid HK$'000	Amount as presented RMB'000
January 2012	484	0.96	0.89	445	362
February 2012	460	1.00	0.92	448	363
	944			893	725

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law (2007 Revision) of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of approximately HK$94,000 (equivalent to approximately RMB76,000) was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of approximately HK$799,000 (equivalent to approximately RMB649,000) was charged to share premium.

16. EQUITY-SETTLED SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 24 February 2010 for the primary purpose of recognising and acknowledging the contributions that the eligible participants (the "Eligible Participants") have made or may make to the business development of the Group.

Eligible Participants include the directors of the Company and its subsidiaries, any employee or officer (whether full-time or part-time) of the Group, and any customer, supplier, agent, business or joint venture partner, consultant, distributor, promoter, service provider, adviser or contractor to any member of the Group.

The subscription price in respect of each share under the Scheme shall, will be a price determined by the board of directors (the "Board") and notified to a participant and will be no less than the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer to the participant, which must be a day on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities (a "Trading Day"); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five consecutive Trading Days immediately preceding the date of offer to the participant; and (iii) the nominal value of a share.

At 30 June 2013, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 48,160,000 (31 December 2012: 49,160,000) representing 6% (31 December 2012: 6%) of the shares of the Company in issue at that date. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. Options may not be granted under any schemes of the Company (including the Scheme) if this will result in the said 30% limit being exceeded.

Unless approved by the shareholders, no option may be granted to any Eligible Participants which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to such Eligible Participant (including exercised, cancelled and outstanding share option) in the 12-month period up to and including the date of such new grant exceeding 1% of the total number of shares in issue as at the date of such new grant.

An option may be exercised in accordance with the terms of the Scheme at any time during the period to be notified by the Board to the grantee that such period shall not be more than 10 years from the business day on which the option is deemed to have been granted in accordance with the terms of the Scheme.

The Scheme will remain in force for a period of 10 years from the date of its adoption.

A consideration of HK$1 will be payable upon acceptance of each grant.

16. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Details of specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price
Option 2010	31 December 2010	Not more than 30% of the share options will be vested on 30 June 2012	Not more than 30% of the share options can be exercised between 1 July 2012 and 30 December 2020	HK$1.726
		Not more than 60% of the share options will be vested on 31 December 2013	Not more than 60% of the share options can be exercised between 1 January 2014 and 30 December 2020	HK$1.726
		Not more than 100% of the share options will be vested on 31 December 2015	Not more than 100% of the share options can be exercised between 1 January 2016 and 30 December 2020	HK$1.726
Option 2011	4 May 2011	-	4 May 2011 to 3 May 2021	HK$1.620

The following table discloses movements of the Company's share options held by directors and employees during the current and prior periods:

Option type	Outstanding at 1/1/2012, 31/12/2012 and 1/1/2013	Granted during the period	Exercised during the period	Forfeited during the period	Expired during the period	Outstanding at 30/6/2013
Option 2010	16,160,000	-	-	(200,000)	-	15,960,000
Option 2011	33,000,000	-	-	(800,000)	-	32,200,000
	49,160,000	-	-	(1,000,000)	-	48,160,000
Weighted average exercise price	HK$1.655	-	-	HK$1.641	-	HK$1.655

At 30 June 2013, 36,988,000 share options were exercisable (31 December 2012: 37,848,000).

For the six months ended 30 June 2013, the Group recognised total expenses of approximately RMB992,000 (30 June 2012: approximately RMB2,183,000) in relation to the fair value of the share options granted by the Company.

During the six months ended 30 June 2013, upon the resignation of two eligible employees, a total of 1,000,000 share options were forfeited.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

17. DEFERRED TAXATION

For the purpose of the presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis for the deferred tax balances for financial reporting purposes:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Deferred tax assets	**29,340**	-
Deferred tax liabilities	**(3,788)**	(7,402)
	25,552	(7,402)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

	Accrued expenses and others RMB'000	**Impairment loss recognised** RMB'000	**Tax losses** RMB'000	**Undistributed profits of subsidiaries** RMB'000	**Total** RMB'000
At 1 January 2012	5,064	-	-	(21,840)	(16,776)
Credited (charged) to profit or loss for the year	(1,161)	15,234	-	(4,699)	9,374
At 31 December 2012	3,903	15,234	-	(26,539)	(7,402)
Credited (charged) to profit or loss for the period	(451)	-	28,931	(276)	28,204
Withholding tax paid during the period	-	-	-	4,750	4,750
At 30 June 2013	3,452	15,234	28,931	(22,065)	25,552

18. OPERATING LEASE COMMITMENTS

The Group leases office under operating lease arrangement. Lease for property is negotiated for terms ranging from one to two years. Rental was fixed at the inception of the lease. No provision for contingent rent and terms of renewal was established in the leases.

At 31 December 2012, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due within one year of approximately RMB29,000 (30 June 2013: nil).

19. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had entered into the following significant transactions with related parties during the six months ended 30 June 2013 and 2012.

Compensation of key management personnel

The remuneration of directors and other members of key management during the periods were as follows:

	For the six month ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	**1,811**	1,630
Post-employment benefits	**18**	21
Equity-settled share-based payments	**366**	838
	2,195	2,489

The remuneration of the directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

20. PLEDGE OF ASSETS

At 30 June 2013 and 31 December 2012, certain assets of the Group were pledged to secure banking facilities granted to the Group as follows:

	30 June 2013	31 December 2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Property, plant and equipment	**67,015**	15,349
Prepaid lease payments	**23,258**	-
	90,273	15,349

21. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2013, the Group repurchased inventories of approximately RMB191,539,000 (2012: nil) from its customers. The settlement of such is netted off with the respective outstanding trade receivable balances.

22. EVENTS AFTER THE END OF THE REPORTING PERIOD

The Group has formed a business plan to repurchase the excessive inventories which were purchased by its customers during 2011 to 2012. Up to 30 June 2013, the total repurchase made by the Group was amounted to approximately RMB191,539,000. It is expected that subsequent repurchase amounted to approximately RMB110,727,000 will be completed by the end of the financial year ending 31 December 2013. Details of the repurchase are set out in the announcement of the Company dated 17 July 2013.