



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

INTERIM REPORT
2015



The Path
Forward





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. Elul Rafael

Independent non-executive Directors

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

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

AUTHORISED REPRESENTATIVES

Ms. Cai Xiuman
Mr. Chen Yuanjian

REGISTERED OFFICE

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Shoes Industrial Park
Baogai Town
Shishi
Fujian Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3509, West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

AUDITORS

ZHONGHUI ANDA CPA Limited
Unit 701, 7/F
Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

LEGAL ADVISER

As to Hong Kong law:
Eversheds

STOCK CODE

01096

COMPANY WEBSITE

www.active-group.com.cn

FINANCIAL HIGHLIGHTS

KEY FINANCIAL HIGHLIGHTS

For the six months ended 30 June

	Note	2015	2014	% change
Revenue (RMB'000)		115,996	368,915	-68.6%
Gross profit (RMB'000)		1,961	75,050	-97.4%
(Loss)/profit before taxation (RMB'000)		(305,750)	37,674	N/A
(Loss)/profit for the period (RMB'000)		(306,140)	24,997	N/A
Gross profit margin (%)		1.7%	20.3%	
(Loss)/profit after tax margin (%)		(263.9)%	6.8%	
(Loss)/earnings per share ("EPS") – Basic (RMB)	1	(0.23)	0.02	
As at 30 June/31 December				
		2015	2014	
Current ratio (times)	2	2.4	2.3	
Gearing ratio (%)	3	50.0%	37.4%	

Notes for key ratios:

- 1/ Basic EPS: (Loss)/profit attributable to shareholders/weighted average number of ordinary shares of HK\$0.10 each in the share capital of Active Group Holdings Limited ("Shares")
- 2/ Current ratio: Current assets/current liabilities
- 3/ Gearing ratio: Total borrowings (including bank loans and debentures)/total assets

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Market Review

In the first half of 2015, the global economy faced various uncertainties, and the possible interest rate increase by the US Federal Reserve's may cause risks to some emerging economies. The European economy was persecuted by the Greek debt crisis and the economy of China was under downward pressure. As a result, the uncertainty of the global economy is emerging. In the retail market, the gross domestic product (GDP) of China in the first and second quarters of 2015 increased 7% year on year. The slower GDP growth and the weak domestic demands had negative effects on the sale and the consumption market in China. Despite an increase of 10.6% in the total retail sales of consumer goods in the first quarter of 2015, such increase is the smallest growth year on year in the recent ten years in China. It reflects the weak confidence of consumers and causes adverse effects on the footwear industry in China.

In addition, the rapid development of the electronic commerce poses huge competitions and challenges to physical retail stores. The plunge of the Chinese stock market further weakened the consumption sentiment and the footwear market was also affected, which resulted in the significant decline in the sales in the market in the first half of 2015. Despite various cuts of the interest rate and the reserve requirement ratio in mainland China to promote the real economy, the retail market in the second half of 2015 is still unclear. Facing severe operation environment, Active Group Holdings Limited (the **"Company"**) and its subsidiaries (the **"Group"**) made adjustments to the sales strategies to secure stable revenue sources and maintain the sustainable development of the business in long term.

Business Review

Amidst the sluggish consumption atmosphere in the market in the time of online-to-offline (**"O2O"**) marketing models, the footwear manufacturing and retailers face more severe market competitions, not to the exclusion of the Group. As a result, the Group was devoted to the development of the e-commerce and the development of the O2O platform to expand online customers base and introduce them to offline physical stores. Meanwhile, the Group continued to strengthen its online sales business and improve its sales channels by selling its branded products through popular e-commerce platforms such as Tmall.com (天貓網), JD.com (京東商城) and Vip.com (唯品會). On the other hand, the Group strives to explore the market in the third-and fourth-tier cities in mainland China to improve its market share and competitiveness in China.

Meanwhile, the Group also strictly controls the cost to cope with the challenges brought by the increasingly rising production cost. The Group is also actively looking for other possible investment opportunities in order to provide stable income to the Group. The management of the Group believes that through further consolidation of its sales channels and the development and/or acquisition of new businesses, the Group will achieve better operation performance when the market recovers.

The use of smart phones in China continued to increase, driving the rapid development of the mobile games market. The Group completed the acquisition of the 51% equity interest in a Beijing-based technology company – Beijing Ah Huo System Networks Co., Ltd. (**"Beijing Ah Huo"**) and advanced into the mobile games market. The Group believes that with the rich experiences in the mobile games market and efficient R&D capacity of Beijing Ah Huo, the mobile games business will sustainably contribute additional revenue to the Group.

Sales and Distribution Network

As at 30 June 2015, the Group has entered into master sales agreements with 82 distributors and 188 department store customers which operated 1,118 retail sales points located throughout the PRC (31 December 2014: 1,884 retail sales points).

Recognizing the increasing trend of online shopping, the Group strategically consolidated its physical retail stores based on market conditions and continued to sell its branded products through popular e-commerce platforms to strengthen the profitability through online sales channels and improve the brand awareness of the Group among online customers. Besides, the Group believes that it can attract target customer through the e-commerce O2O platform and directing them to offline physical stores, which can bring the synergy effect to the overall sales.

Product design and development

As at 30 June 2015, 12 R&D professionals were responsible for maintaining a steady output of high quality new designs. During the period, the Group has designed more than 1,000 new styles in the footwear segment and the apparel and accessories segment. Besides high-end products, the Group invests more resources in the R&D of medium-and low-end products to expand into the third-and fourth-tier cities with relatively lower consumption power.

For the six months ended 30 June 2015, R&D spending of the Group has accounted for about 1.09% of turnover (six months ended 30 June 2014: 1.14%). The Group continues to focus on developing and designing stylish and functional footwear to optimize its product portfolio to provide customers with quality products and improve the loyalty of customers.

Production

The Group operated ten production lines at its production base in Fujian province with a total production of 1.24 million pairs of footwear for the first half of 2015. The utilisation rate had reached around 25% during the period. In addition, the new production plant equipped with five production lines located in Suining, Jiangsu province has basically completed construction and is expected to put into production in the second half of 2015, and is expected to produce around 3 million pairs of footwear and a small quantity of apparel products once it is in full operation. It will facilitate the Group in realising economies of scale and lay a solid foundation for seizing the opportunities during the market recovery.

Prospects

Looking ahead, as China's economic growth is slowing down and the US is increasingly likely to raise the interest rate in the future, it is still difficult to predict the development of the macro-economic environment. As a result of the heavy pressure on the domestic retail market exerted by the weak consumption sentiment, the footwear industry in China still faces enormous challenges in the second half of 2015. The Group maintains a prudent attitude towards the business performance of the Group.

However, winter and autumn are peak seasons for the sale of footwear products. The Group believes that the performance of the products sale in the second half of 2015 is expected to improve compared with the first half of 2015. In addition, the recent depreciation of RMB reduces the cost of raw materials for the production of footwear. It also reduced the production cost of the Group in the original equipment manufacturing ("**OEM**"), making the business optimistic about its performance in the second half of 2015. On the other hand, the depreciation of RMB will stimulate the export demand. As a result, the Group will promote overseas sale to maintain the sale of footwear products.

The Group is devoted to the development of the e-commerce O2O platform and conduct online brand marketing through an advanced information technology network. It improves the brand awareness of the Group among younger consumers with relatively low promotion costs and provides customers with real-time information through efficient means to grasp the huge online consumption potential in mainland China.

The Group will continue to put resources in the R&D of functional footwear products to provide customers of different ages and levels with quality and innovative footwear products and enlarge its customer base.

The management of the Group believes that with the strong business development models, it has sufficient resources to deal with the currently weak economic conditions and strengthen its position as one of the leading multiple brand operators of men's casual footwear and ultimately create best values for the shareholders of the Group ("**Shareholders**"). In addition, the Group is also in the process of pursuing investment opportunities in order to provide stable income to the Group in the near future.

FINANCIAL REVIEW

Turnover

Turnover of the Group for the six months ended 30 June 2015 was RMB116.0 million, representing a decrease of 68.6% as compared to that of the corresponding period in 2014. It was mainly due to the consistent deterioration of the market conditions, the continuous sluggish retail environment and the decline of revenue caused by the rapid development of online shopping.

Gross profit and gross profit margin

The rising labour and raw material costs continued to pose challenges to the Group and weakened its profitability. In addition, the Group has made an impairment loss of RMB10.34 million on certain long aged inventories. The gross profit of the Group for the six months ended 30 June 2015 was RMB1.96 million, representing a decrease of 97.4% when compared with the same period in 2014 (six months ended 30 June 2014: RMB75.1 million). The gross profit margin of the Group for the six months ended 30 June 2015 was 1.7% (six months ended 30 June 2014: 20.3%).

Selling and distribution expenses

The Group's selling and distribution expenses primarily consisted of advertising and promotional expenses, royalties for licensed brands, salaries for the sales and marketing staff, and other costs related to sales and distribution. Selling and distribution expenses was RMB4.55 million, accounted for approximately 3.9% of turnover during the six months ended 30 June 2015 (six months ended 30 June 2014: 2.0%), primarily as a result of the significant decrease in turnover and certain cost components did not decrease in line with the decrease in turnover. The selling and distribution expenses decreased from RMB7.29 million for the six months ended 30 June 2014 to RMB4.55 million for the six months ended 30 June 2015.

Administrative expenses

Administrative expenses increased to RMB282.06 million for the six months ended 30 June 2015 from RMB24.32 million for the six months ended 30 June 2014, which was mainly attributable to the increase in impairment loss of trade receivables from RMB5.93 million for the six months ended 30 June 2014 to RMB160.69 million for the six months ended 30 June 2015, and the increase in impairment of deposits and prepayments from RMB1.02 million for the six months ended 30 June 2014 to RMB106.05 million for the six months ended 30 June 2015. The Group will take all necessary measures to tighten its credit control to improve the recovery of its trade receivables, deposits, prepayments and other receivables in the future.

Finance costs

Finance costs increased to RMB25.10 million for the six months ended 30 June 2015 from RMB6.20 million for the six months ended 30 June 2014, primarily due to the interest increase from the issuance of debentures. There was no debentures issued and outstanding for the six months ended 30 June 2014.

Effective tax rate

As the Group incurred loss for six months ended 30 June 2015, the tax charge is mainly due to profit generated from one of the subsidiaries. The effective tax rate for the six months ended 30 June 2014 was 33.6%.

Loss attributable to Shareholders

Loss attributable to Shareholders was RMB306.68 million for the six months ended 30 June 2015 (six months ended 30 June 2014: profit attributable to Shareholders of RMB25.0 million). Basic loss per Share was RMB23 cents for the six months ended 30 June 2015 (six months ended 30 June 2014: basic earnings per Share of RMB2 cents).

The loss attributable to Shareholders of RMB306.68 million for six months ended 30 June 2015, as compared with the profit attributable to shareholders of RMB25.0 million for six months ended 30 June 2014, was primarily due to the decrease in turnover while certain cost components did not decrease in line with decrease in the turnover, and the increase in finance cost due to increase in debentures to fund the operation and the increase in impairment loss on trade receivable, deposits, prepayment and other receivable and inventory.

LIQUIDITY AND FINANCIAL RESOURCES

In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in RMB. As at 30 June 2015, the Group had net current assets of RMB947.13 million (as at 31 December 2014: RMB778.95 million), of which cash and cash equivalents and pledged deposits were RMB456.27 million (as at 31 December 2014: RMB221.09 million). The Group has always been pursuing a prudent treasury management policy and is in a strong liquidity position. The gearing ratio, calculated as total borrowings (including bank loans and debentures)/total assets, increased from 37.4% as at 31 December 2014 to 50.0% as at 30 June 2015. This was primarily due to the issuance of debentures of which RMB755.41 million debentures was outstanding as at 30 June 2015 (31 December 2014: RMB373.21 million).

The Group primarily met its funding requirement by cash flows from operations and financing activities. During the six months ended 30 June 2015, the net cash used in operating activities and net cash generated from financing activities were RMB192.68 million (six months ended 30 June 2014: net cash generated from operating activities of RMB23.17 million) and RMB432.04 million (six months ended 30 June 2014; net cash used in financing activities of RMB20.28 million). The total bank borrowings decreased to RMB191.06 million (31 December 2014: RMB219.24 million). The bank loans were repayable within one year. The Group's bank borrowings were mainly denominated in RMB with the remaining denominated in HKD and USD.

During the six months ended 30 June 2015, the Group issued unlisted debentures of RMB382.20 million (six months ended 30 June 2014: Nil). As at 30 June 2015, the outstanding unlisted debentures amounted to RMB755.41 million (31 December 2014: RMB373.21 million). The debentures are repayable from December 2016 to June 2023.

The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the six months ended 30 June 2015.

USE OF PROCEEDS

The Group was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 September 2011. All of the net proceeds of approximately HK\$337.4 million (after deducting the underwriting commission and relevant expenses) from the global offering have been utilised prior to the six months ended 30 June 2015.

CAPITAL STRUCTURE

On 8 June 2015, the Company issued 175,000,000 new ordinary shares at HK\$0.65 per ordinary shares by means of placing. In addition, 15,000,000 share options were exercised at exercise price of HK\$0.72 per ordinary shares. As more detailed in below section “SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES”, the Company issued 64,998,422 new ordinary shares for this acquisition of interest in a subsidiary. As at 30 June 2015, the total number of issued shares of the Company was 1,536,498,422.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

On 16 April 2015, the Group completed the acquisition of 51% equity interest of Beijing Ah Huo System Networks Co., a company established in the PRC with limited liability on 9 December 2014. The Vendor, through certain reorganisation to effectuate, among others, the transfer of certain mobile game business including a mobile game “Ah Huo (阿火)” and the related assets and interest to Beijing Ah Huo System Networks Co. The acquisition was detailed in the announcements of the Company dated 16 December 2014 and 16 April 2015.

During the six months ended 30 June 2015, save as aforesaid acquisition, there was no significant investment, material acquisitions and disposal of subsidiaries by the Company.

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, bank loans and debentures are denominated in Hong Kong Dollars and US Dollars.

During the six months ended 30 June 2015, 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.

CHARGE ON ASSETS

As at 30 June 2015, the Group had pledged its land use rights and buildings with net book value of RMB34.9 million and deposits with banks of RMB173.9 million for the purpose of securing bank loans and certain bills payable.

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2015.

HUMAN RESOURCES

As at 30 June 2015, the Group employed 997 employees (as at 30 June 2014: 1,791 employees) with total staff costs of RMB20.1 million incurred for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB37.4 million). The Group offered competitive salary package, as well as discretionary bonuses and contribution to social insurance to its employees.

DISCLOSURE OF INTERESTS

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

As at 30 June 2015, the interests and short positions of the directors (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 or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are as follows:

(i) Long position in the Shares:

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	45.38%
	Beneficial owner	13,114,000	0.85%
	Interest of spouse	6,000,000	0.39%
Mr. Zhang Wenbin (Note 2)	Interest of spouse	710,386,000	46.23%
	Beneficial owner	6,000,000	0.39%

Notes:

- Ms. Cai Xiuman is the beneficial owner of the entire issued share capital of Festive Boom Limited which holds 697,272,000 Shares. Ms. Cai Xiuman is also the director of Festive Boom Limited.
- Mr. Zhang Wenbin is deemed to be interested in the 710,386,000 shares beneficially held by his spouse Ms. Cai Xiuman.

(ii) Long position in underlying Shares:

Name	Number of share options held				Balance as at 30 June 2015	Approximate percentage of shareholding in the Company
	Balance as at 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period		
Ms. Cai Xiuman	6,000,000	–	(6,000,000)	–	–	–
Mr. Zhang Wenbin	6,000,000	–	(6,000,000)	–	–	–
Mr. Huang Jianren	1,000,000	–	–	–	1,000,000	0.06%
Mr. Wu Xiaoqiu	500,000	–	–	–	500,000	0.03%
Mr. Ye Lin	500,000	–	–	–	500,000	0.03%
Mr. Lee Ho Yiu Thomas	500,000	–	–	–	500,000	0.03%
Total:	14,500,000	–	12,000,000	–	2,500,000	

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

DISCLOSURE OF INTERESTS

(iii) Long position in the Company's associated corporation(s):

Name of Director	Name of associated corporation	Number of shares	Approximate percentage of shareholding
Ms. Cai Xiuman	Festive Boom Limited	1	100%

As at 30 June 2015, save as disclosed herein, none of the Directors and chief executive of the Company were interested in short position in the Shares, underlying shares of equity derivatives or debentures of the Company or any associated corporation defined under the SFO as recorded in the register of directors' and chief executive's interests and short positions required to be maintained under Section 352 of SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2015, the following persons, other than the Directors and chief executive of the Company, had interests and short position 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 of Shareholder	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company
Festive Boom Limited	Beneficial owner	697,272,000	45.38%
Strait Energy Limited	Person having a security interest in shares	647,272,000	42.12%
Strait Energy Investment Company Limited (Note 1)	Interest of controlled corporation	647,272,000	42.12%
中國石油天然氣集團公司 (Note 2)	Interest of controlled corporation	647,272,000	42.12%
Central Huijin Investment Ltd. (Note 3)	Person having a security interest in shares	647,272,000	42.12%
China Construction Bank Corporation (Note 4)	Person having a security interest in shares	647,272,000	42.12%

Notes:

1. Strait Energy Investment Company Limited is deemed to be interested in the 647,272,000 Shares as it holds 50% of the issued share capital of Strait Energy Limited.
2. 中國石油天然氣集團公司 is deemed to be interested in the 647,272,000 Shares as it indirectly holds 50% of the issued share capital of Strait Energy Limited and the entire issued share capital of Strait Energy Investment Company Limited.
3. Central Huijin Investment Ltd. is deemed to be interested in the 647,272,000 Shares as it indirectly holds 57.26% of CCB International Securities Limited, which has a security interest over those Shares.
4. China Construction Bank Corporation is deemed to be interested in the 647,272,000 Shares as it indirectly holds the entire issued share capital of CCB International Securities Limited, which has a security interest over those Shares.

Save as disclosed above, the Directors are not aware of any person, other than the Directors and chief executive 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 30 June 2015.

SHARE OPTION SCHEME

Pursuant to a resolution passed by all the 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. Eligible participants include all Directors, employees of the Group; and suppliers, customers, consultants, agents, advisers and related entities who, in the sole opinion of the board of Directors (the “**Board**”), will contribute or have contributed to the Group. The Directors were authorised to grant options to subscribe for 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, 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.

Unless otherwise approved by the Shareholders in general meeting, the number of the 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 our 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 six months ended 30 June 2015.

Further details of the Share Option Scheme are set out in note 16 to the financial statements and the announcement of the Company dated 17 October 2014. Details of movements in the options granted under the Share Option Scheme of other eligible participants during the six months ended 30 June 2015 are as follows:

Category	Number of share options held				
	Balance as at 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 30 June 2015
Employees of the Group	14,000,000	–	(3,000,000)	–	11,000,000
Business partners and consultants of the Group	10,000,000	–	–	–	10,000,000
Total:	24,000,000	–	(3,000,000)	–	21,000,000

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board resolved that no interim dividend would be declared in respect of the six months ended 30 June 2015 (six months ended 30 June 2014: RMB Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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, which was formerly known as Code on Corporate Governance Practices, contained in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”). During the six months ended 30 June 2015, the Company has complied with all the code provisions of the Corporate Governance Code.

MODEL CODE

Pursuant to a resolution passed by the Board on 4 September 2011, the Company has adopted 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 six months ended 30 June 2015.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with management the accounting principles and policies adopted by the Group and discussed auditing, internal control and financial reporting matters, and also reviewed the unaudited interim financial report for the six months ended 30 June 2015.

INTERNAL CONTROL REVIEW

On 8 May 2015, the audit committee of the Company (the “**Audit Committee**”), appointed RSM Nelson Wheeler Consulting Limited (“**RSM**”) as the independent professional advisor for, among other things, (i) performing review and investigation on the audit issues in respect of the insufficiency in audit evidence provided to KPMG, Certified Public Accountants, the former auditor, to form a basis for audit opinion for the annual result for the year ended 31 December 2014 and conducting internal control review; (ii) reporting their findings on (i) above; and (iii) providing recommendations for improvement measures. Up to the date of this report, RSM has delivered the draft report of findings and recommendations to the management of the Company, and the management has replied to the findings and recommendations. The Company has already started to implement RSM’s recommendations.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2015, the Company issued and allotted (i) 175,000,000 new ordinary shares at a price of HK\$0.65 per share by means of placing; (ii) 15,000,000 new ordinary shares at par value of HK\$0.72 as a result of the exercise of share options to the share option holders of the Company; and (iii) 64,998,422 new ordinary shares at a price of HK\$0.98 as the consideration shares of the acquisition of 51% equity interest in Beijing Ah Huo System Networks Co., Ltd. which completed on 16 April 2015. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities during the six months ended 30 June 2015.

Consolidated Statement of Profit or Loss – unaudited

For the six months ended 30 June 2015
(Expressed in Renminbi unless otherwise indicated)

	Note	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Turnover	2, 3	115,996	368,915
Cost of sales		(114,035)	(293,865)
Gross profit		1,961	75,050
Other revenue	5(a)	3,819	659
Other net income/(loss)	5(b)	178	(225)
Selling and distribution expenses		(4,551)	(7,290)
Administrative expenses		(282,058)	(24,321)
(Loss)/profit from operations		(280,651)	43,873
Finance costs	6(a)	(25,099)	(6,199)
(Loss)/profit before taxation	6	(305,750)	37,674
Income tax	7	(390)	(12,677)
(Loss)/profit for the period		(306,140)	24,997
(Loss)/profit attributable to:			
Equity shareholders of the Company		(306,681)	24,997
Non controlling interest		541	–
		(306,140)	24,997
(Loss)/earnings per share			
Basic (RMB)	8	(0.23)	0.02
Diluted	8	N/A	N/A

The notes on pages 19 to 34 form part of this interim financial report. Details of dividend payable to equity shareholders of the Company are set out in note 15(a).

Consolidated Statement of Profit or Loss and Other Comprehensive Income – unaudited

For the six months ended 30 June 2015
(Expressed in Renminbi unless otherwise indicated)

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	(306,140)	24,997
Other comprehensive income for the period that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of group entities outside the People's Republic of China, net of nil tax	7	(413)
Total comprehensive (loss)/income for the period	(306,133)	24,584
Attributable to:		
Equity shareholders of the Company	(306,674)	24,584
Non-controlling interests	541	–
Total comprehensive (loss)/income for the period	(306,133)	24,584

The notes on pages 19 to 34 form part of this interim financial report.

Consolidated Statement of Financial Position – unaudited

As at 30 June 2015
(Expressed in Renminbi unless otherwise indicated)

	Note	As at 30 June 2015 RMB'000 (unaudited)	As at 31 December 2014 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	124,067	120,471
Intangible assets		4,473	3,532
Goodwill		49,388	–
Lease prepayments		5,159	5,281
Non-current prepayments for acquisitions of property, plant and equipment	9	71,924	71,924
Deferred tax assets		13,913	13,931
		268,924	215,139
Current assets			
Inventories	10	329,918	107,195
Current portion of lease prepayments		129	129
Trade and other receivables	11	838,646	1,039,962
Pledged deposits		173,882	117,040
Cash and cash equivalents		282,388	104,047
		1,624,963	1,368,373
Current liabilities			
Trade and other payables	12	464,316	344,780
Bank loans	13	191,059	219,239
Current tax payable		22,454	25,409
		677,829	589,428
Net current assets			
		947,134	778,945
Total assets less current liabilities			
		1,216,058	994,084
Non-current liabilities			
Debentures	14	755,410	373,214
Receipt in advance		–	2,445
Deferred tax liabilities		3,997	3,997
		759,407	379,656
NET ASSETS			
		456,651	614,428

Consolidated Statement of Financial Position – unaudited

As at 30 June 2015

(Expressed in Renminbi unless otherwise indicated)

	Note	As at 30 June 2015 RMB'000 (unaudited)	As at 31 December 2014 RMB'000 (audited)
CAPITAL AND RESERVES	15		
Capital		124,509	104,381
Reserves		331,154	510,047
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		455,663	614,428
NON-CONTROLLING INTERESTS		988	–
TOTAL EQUITY		456,651	614,428

The notes on pages 19 to 34 form part of this interim financial report.

Consolidated Statement of Changes in Equity – unaudited

For the six months ended 30 June 2015
(Expressed in Renminbi unless otherwise indicated)

Attributable to equity shareholders of the Company

	Capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Retained profits/ (Accumulated losses) RMB'000	Total RMB'000	Non- controlling interest RMB'000	Total Equity RMB'000
At 1 January 2014 (audited)	97,935	152,163	2,268	1,032	27,935	-	382,997	664,330	-	664,330
Changes in equity for the six months ended 30 June 2014:										
Profit for the period	-	-	-	-	-	-	24,997	24,997	-	24,997
Other comprehensive income	-	-	-	(413)	-	-	-	(413)	-	(413)
Total comprehensive income for the period	-	-	-	(413)	-	-	24,997	24,584	-	24,584
Appropriations to statutory reserve	-	-	-	-	1,948	-	(1,948)	-	-	-
At 30 June 2014 (unaudited)	97,935	152,163	2,268	619	29,883	-	406,046	688,914	-	688,914
At 1 January 2015 (audited)	104,381	215,334	2,268	870	27,935	10,984	252,656	614,428	-	614,428
Changes in equity for the six months ended 30 June 2015:										
Loss for the period	-	-	-	-	-	-	(306,681)	(306,681)	541	(306,140)
Other comprehensive income	-	-	-	7	-	-	-	7	-	7
Total comprehensive income for the period	-	-	-	7	-	-	(306,681)	(306,674)	541	(306,133)
Arising on acquisition of a subsidiary	5,141	45,241	-	-	-	-	-	50,382	447	50,829
Placement of new shares	13,804	75,205	-	-	-	-	-	89,009	-	89,009
Share issued under share option scheme	1,183	11,594	-	-	-	(4,259)	-	8,518	-	8,518
At 30 June 2015 (unaudited)	124,509	347,374	2,268	877	27,935	6,725	(54,025)	455,663	988	456,651

The notes on pages 19 to 34 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement – unaudited

For the six months ended 30 June 2015
(Expressed in Renminbi unless otherwise indicated)

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash (used in)/generated from operations	(189,088)	28,090
Tax paid	(3,595)	(4,917)
Net cash (used in)/generated from operating activities	(192,683)	23,173
Investing activities		
Payment for the purchase of property, plant and equipment	(30)	(4,095)
Other cash flows arising from investing activities	(60,993)	605
Net cash used in investing activities	(61,023)	(3,490)
Financing activities		
Other cash flows arising from financing activities	432,039	(20,283)
Net cash generated from/(used in) financing activities	432,039	(20,283)
Net increase/(decrease) in cash and cash equivalents	178,333	(600)
Cash and cash equivalents at 1 January	104,047	12,695
Effect of foreign exchange rate changes	8	(82)
Cash and cash equivalents at 30 June	282,388	12,013

The notes on pages 19 to 34 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue by the board of directors of the Company on 24 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by the Audit Committee.

2 TURNOVER

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

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Footwear	115,903	364,771
Apparel and related accessories	93	4,144
	115,996	368,915

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

3 SEGMENT REPORTING

(a) Segment results

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 six reportable segments, namely, Fujian Jinmaiwang Shoes and Garments Products Co., Ltd. ("**Fujian Jinmaiwang**"), Shishi Haomai Shoes Industrial Co., Ltd. ("**Shishi Haomai**"), Luotuo (Quanzhou) Shoes and Garments Co., Ltd. ("**Luotuo Quanzhou**"), Greiff (Xiamen) International Trading Co., Ltd. ("**Greiff Xiamen**"), Guangzhou Greiff Shoes and Garments Co., Ltd. ("**Guangzhou Greiff**") and Jiangsu Active Shoes Industrial Co., Ltd. ("**Jiangsu Active**"). No operating segments have been aggregated to form the above reportable segments.

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 period is set out below:

	Six months ended 30 June 2015						Total RMB'000 (Unaudited)
	Fujian Jinmaiwang RMB'000 (Unaudited)	Shishi Haomai RMB'000 (Unaudited)	Luotuo Quanzhou RMB'000 (Unaudited)	Greiff Xiamen RMB'000 (Unaudited)	Guangzhou Greiff RMB'000 (Unaudited)	Jiangsu Active RMB'000 (Unaudited)	
Reportable segment revenue derived from the Group's external customers	88,463	14,203	1,139	12,098	93	-	115,996
Inter-segment revenue	13,487	-	-	-	-	-	13,487
	101,950	14,203	1,139	12,098	93	-	129,483
Reportable segment profit							
Profit/(loss) after taxation	(95,563)	(97,262)	(64,306)	(21,669)	(1)	(7,575)	(286,376)
	Six months ended 30 June 2014						
	Fujian Jinmaiwang RMB'000 (Unaudited)	Shishi Haomai RMB'000 (Unaudited)	Luotuo Quanzhou RMB'000 (Unaudited)	Greiff Xiamen RMB'000 (Unaudited)	Guangzhou Greiff RMB'000 (Unaudited)	Jiangsu Active RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Reportable segment revenue derived from the Group's external customers	170,381	103,090	60,330	24,349	-	10,765	368,915
Inter-segment revenue	4,522	4,325	-	-	-	8,260	17,107
	174,903	107,415	60,330	24,349	-	19,025	386,022
Reportable segment profit							
Profit/(loss) after taxation	14,086	8,121	5,389	(1,481)	-	(347)	25,768

3 SEGMENT REPORTING (continued)**(b) Reconciliations of reportable segment revenue and profit or loss**

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue		
Reportable segment revenue	129,483	386,022
Inter-segment revenue	(13,487)	(17,107)
Consolidated turnover	115,996	368,915
Profit		
Reportable segment (loss)/profit derived from the Group's external customers	(286,376)	25,768
Unallocated other revenue and other net (loss)/income	3,171	(92)
Unallocated head office and corporate expenses	(22,935)	(679)
Consolidated (loss)/profit after taxation	(306,140)	24,997

4 SEASONALITY OF OPERATIONS

The Group's operations are subject to seasonal fluctuations. As a result, the sales volumes and revenue recorded in the second half of the financial year are normally higher than those recorded during the first half of the financial year.

5 OTHER REVENUE AND OTHER NET (LOSS)/INCOME**(a) Other revenue**

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Interest income on bank deposits	1,338	605
Government subsidies	5	–
Revenue from online mobile game	2,476	–
Sundry income	–	54
	3,819	659

The Group was entitled to unconditional government subsidies of RMB5,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil). These government subsidies were recognised as other revenue when they became receivable.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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

(b) Other net income/(loss)

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Net foreign exchange gain/(loss)	178	(225)

6 (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
(a) Finance costs		
Interest expenses on		
– bank loans	8,264	6,199
– debentures	16,835	–
	25,099	6,199
(b) Staff costs		
Salaries, wages and other benefits	19,264	35,961
Contributions to defined contribution retirement schemes	787	1,425
	20,051	37,386
(c) Other items		
Cost of inventories	114,035	293,865
Depreciation of property, plant and equipment	1,972	2,917
Amortisation of lease prepayments	120	52
Amortisation of intangible assets	1,329	367
Impairment loss on		
– trade receivables	160,685	5,927
– deposits, prepayments and other receivables	106,053	1,020
– inventories	10,341	–
Operating lease charges in respect of properties		
– minimum lease payments	1,576	2,282
Operating lease charges in respect of trademarks		
– minimum lease payments	596	1,076
Research and development costs	1,268	4,193
Auditors' remuneration	80	480

7 INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Current tax – PRC corporate income tax		
Provision for the period	372	12,291
Deferred tax		
Origination and reversal of temporary differences	18	386
	390	12,677

- (a) 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.
- (b) 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 six months ended 30 June 2015 and 2014. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.
- (c) The Group's PRC subsidiaries are subject to PRC corporate income tax at the statutory rate of 25% unless otherwise specified.
- (d) 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.

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 recognised to the extent that such profits are expected to be distributed in the foreseeable future.

8 (LOSS)/EARNINGS PER SHARE**(a) Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB306,681,000 (six months ended 30 June 2014: profit attributable to equity shareholders of the Company of RMB24,997,000) and the weighted average of 1,336,499,000 ordinary shares (six months ended 30 June 2014: 1,200,000,000) in issue during the period.

(b) Diluted (loss)/earnings per share

The effects of all potential ordinary shares are anti-dilutive for six months ended 30 June 2015 (2014: N/A).

No diluted earnings per share is presented last period as the Company did not have any potentially dilutive ordinary shares during the six months ended 30 June 2014.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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

During the six months ended 30 June 2015, the Group's property, plant and equipment increased mainly due to addition of RMB30,000 and increase in construction in progress of RMB5,538,000.

As at 30 June 2015, the Group has made prepayments for acquisition of retail shops located in the PRC amounted RMB60,000,000 (31 December 2014: RMB60,000,000); prepayments for acquisition of plant and equipment amounted RMB10,905,000 (31 December 2014: RMB10,905,000); and prepayments for acquisition of land use rights in respect of land located in the PRC amounted RMB1,019,000 (31 December 2014: RMB1,019,000).

10 INVENTORIES

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Raw materials	291,260	62,985
Work in progress	3,022	3,471
Finished goods	35,636	40,739
	329,918	107,195

11 TRADE AND OTHER RECEIVABLES

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Trade receivables and bills receivables	638,561	504,112
Less: allowance for doubtful debts	(198,784)	(38,099)
	439,777	466,013
Deposits, prepayments and other receivables (note (a))	398,869	556,129
Amount due from a director (note 18(c))	-	17,820
	838,646	1,039,962

Note:

- (a) Prepayments mainly consist of advance payments made to suppliers for purchases of raw materials and finished goods amounting to RMB224 million (31 December 2014: RMB473 million) and prepayment for development of online market place amounting to RMB79.6 million made in October 2014 (31 December 2014: RMB79.6 million.)

11 TRADE AND OTHER RECEIVABLES *(continued)*

As of the end of reporting period, the ageing analysis of trade receivables and bills receivables (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Within 90 days	45,359	97,824
91 days – 180 days	59,474	66,960
181 days – 360 days	199,533	209,605
Over 361 days	135,411	91,624
Trade receivables and bills receivable, net of allowance for doubtful debts	439,777	466,013

Trade receivables are normally due within 90 days from the date of billing. The maximum credit limit that may be outstanding at any time is determined based on such factors as the customer's 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.

12 TRADE AND OTHER PAYABLES

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Trade payables	56,052	81,485
Bills payable (note (b))	345,281	150,300
Amounts due to a director (note 18(c))	771	12,306
Advance payments from customers	13,063	52,251
Other payables and accruals (note (c))	49,149	48,438
	464,316	344,780

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

12 TRADE AND OTHER PAYABLES *(continued)*

- (a) As at the end of reporting period, the aging analysis of trade payables and bills payables, based on the invoice date, is as follows:

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Within 2 months	133,622	26,448
More than 2 months but within 3 months	67,302	44,161
More than 3 months but within 12 months	174,097	126,779
More than 12 months	26,312	34,397
	401,333	231,785

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

As at 30 June 2015, bills payable totalling RMB345,281,000 (31 December 2014: RMB148,000,000) were secured by pledged deposits of RMB165,290,000 (31 December 2014: RMB95,708,000).

As at 30 June 2015, bills payable totalling RMB nil (31 December 2014: RMB2,300,000) were secured by certain assets of the Group, details of which are set out in note 13(c).

- (c) An analysis of the other payables and accruals of the Group is as follows:

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Salaries, wages, bonus and other accrued benefits	14,998	16,878
Value-added tax payable	641	6,937
Others	33,510	24,623
	49,149	48,438

13 BANK LOANS

- (a) As at 30 June 2015, bank loans were repayable as follows:

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Within 1 year	191,059	219,239

- (b) As at 30 June 2015, the bank loans were analysed as follows:

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Bank loans		
– secured	78,015	82,839
– unsecured	113,044	136,400
	191,059	219,239

- (c) The secured bank loans and certain bills payable (note 13(b)) were secured by the following assets:

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Buildings	29,642	29,716
Lease prepayments	5,288	5,410
Pledged deposits	8,592	21,332
	43,522	56,458

As at 30 June 2015, the Group's utilised banking facilities totalling to RMB29,000,000 (31 December 2014: RMB62,000,000) were also secured by personal guarantees from Zhang Wen Bin and Cai Xiu Man, the directors of the Company at nil fee.

- (d) Nil amount of discounted bills with recourse was noted as at 30 June 2015. Included in secured and unsecured bank loans as at 30 June 2014 were bills discounted with recourse totalling RMB16,000,000 and RMB4,000,000 respectively.
- (e) As at 30 June 2015 and 31 December 2014, all of the Group's banking facilities were subject to the fulfillment of certain covenants as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with those covenants. As at 30 June 2015, the covenant in relation to the financial ratios and target turnover of the Group for the Company and a number of subsidiaries in respect of bank loans of RMB172,740,000 (31 December 2014: RMB47,000,000) was breached. The bank loans have already been included in the current liabilities as at 30 June 2015.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

14 DEBENTURES

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

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Unsecured debentures	755,410	373,214

- (b) Significant terms and repayment schedules of debentures:

During the six months ended 30 June 2015, the Company issued a number of HKD denominated debentures in aggregate principal totally HK\$485 million (equivalent to RMB382 million) (six months ended 30 June 2014: Nil), bearing interest rate at a range of 3.4% to 7% per annum. The debentures are unsecured and repayable from April 2017 to June 2023.

As at 30 June 2015, the Company in total issued a number of HKD denominated debentures in aggregate principal totally HK\$958 million (equivalent to RMB755 million), bearing interest rate at a range of 3.3% to 7% per annum. The debentures are unsecured and repayable from December 2016 to June 2023.

As at 30 June 2015, interest expense totally RMB10,638,000 (31 December 2014: RMB4,424,000) were payable to debenture holders.

15 CAPITAL AND DIVIDENDS

(a) Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB Nil).

(b) Share capital

Authorised and issued share capital

	At 30 June 2015		At 31 December 2014	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
<i>Authorised:</i> Ordinary shares of HK\$0.1 each	10,000,000	1,000,000	10,000,000	1,000,000
	Six months ended 30 June 2015		Year ended 31 December 2014	
	Number of shares '000	Amount HK\$'000 (Unaudited)	Number of shares '000	Amount HK\$'000 (Audited)
<i>Ordinary shares, issued and fully paid:</i> At the beginning of the period/year	1,281,500	128,150	1,200,000	120,000
Shares issued under share option scheme	15,000	1,500	81,500	8,150
Shares issued in respect of acquisition of a subsidiary	64,998	6,500	–	–
New shares issued	175,000	17,500	–	–
At the end of the period/year	1,536,498	153,650	1,281,500	128,150
Equivalent to (RMB'000)		124,509		104,381

15 CAPITAL AND DIVIDENDS (continued)**(b) 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.

16 EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

	Number of instruments	Fair value HK\$'000	Vesting conditions	Contractual life of options
Options granted to directors: – On 17 October 2014	15,500,000	5,580	Immediate from the date of grant	10 years
Options granted to employees: – On 17 October 2014	35,000,000	12,600	Immediate from the date of grant	10 years
Options granted to business partners and consultants: – On 17 October 2014	69,500,000	25,020	Immediate from the date of grant	10 years
Total share options granted	120,000,000	43,200		

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

	Six months ended 30 June 2015	
	Weighted average exercise price HKD	Number of options
Outstanding at the beginning of the period (audited)	0.72	38,500,000
Exercised during the period	0.72	(15,000,000)
Outstanding at the end of the period (unaudited)	0.72	23,500,000

The options outstanding at 30 June 2015 had an exercise price of HKD0.72 and a weighted average remaining contractual life of 9.29 years.

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

(a) (iii) Fair value of share options and assumptions

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

Fair value of assumptions for share options granted on 17 October 2014

Fair value at measurement date	HK\$0.36
Share price	HK\$0.70
Exercise price	HK\$0.72
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	53%
Option life	10 years
Expected dividends	Nil
Risk-free interest rate	1.82%

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

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

- (b) On 16 April 2015, the Group completed the acquisition of 51% of Beijing Ah Huo System Networks Co., Ltd, the then non-wholly owned subsidiary of the Company. The consideration is satisfied by :

- Cash consideration of RMB51,000
- Allotment and issue of 64,998,422 new ordinary shares of the Company.

The assets acquired and liabilities assumed in the above acquisition were as follows:

	RMB'000 (Unaudited)
Net assets acquired:	
Intangible assets	1,750
Trade and other receivables	1,992
Cash and cash equivalents	41
Trade and other payables	(2,604)
Current tax payable	(268)
	911
Non-controlling interest	(447)
	464
Goodwill	49,387
	49,851
Consideration satisfied by	
– New shares issued (i)	50,381
– Cash received from the vendor, net of cash consideration of RMB51,000 (ii)	(530)
	49,851

16 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)**(b)** (continued)

- (i) The new shares issued were measured at fair value based on the closing price of HK\$0.98 on 16 April 2015, the date of the completion of acquisition.
- (ii) As a result of delay in the completion of acquisition, the vendor and the Group agreed that the vendor would compensate the profit during the period of delay to the Group by cash payment.

17 COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2015 not provided for in the interim financial report were as follows:

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Contracted for	39,520	45,058

- (b) At 30 June 2015, the total future minimum lease payments under non-cancellable operating leases in respect of properties were payable as follows:

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Within 1 year	1,427	997
After 1 year but within 5 years	1,497	–
	2,924	997

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

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17 COMMITMENTS

- (c) At 30 June 2015, 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:

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Within 1 year	3,240	3,240
After 1 year but within 5 years	15,741	17,361
	18,981	20,601

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 18(b).

18 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the interim financial report, the Group entered into the following significant related party transactions.

(a) Name and relationship with related parties

During the six months ended 30 June 2015 and 2014, 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.

18 MATERIAL RELATED PARTY TRANSACTIONS (continued)**(b) Significant related party transactions**

Particulars of significant related party transactions during six months ended 30 June 2015 and 2014 are as follows:

(i) Lease of properties

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Rental payable/paid to:		
– Cai Xiu Man	64	120

(ii) Use of trademark

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

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

	At 30 June	At 31 December
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Amounts due from a director	–	17,820
Amounts due to a director	(771)	(12,306)

The amount due to a director at 30 June 2015 was unsecured, interest-free and repayable on demand.

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18 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Short-term employee benefits	1,069	1,072
Retirement scheme contributions	13	15
	1,082	1,087

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

19 NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

The following significant events took place subsequent to 30 June 2015:

- (1) On 3 July 2015, the Company has granted to fifteen eligible persons being, certain employees, business partners and consultants of the Company and its subsidiaries, a total of 136,149,842 share options to subscribe for 136,149,842 new ordinary shares of HK\$0.10 each in the share capital of the Company. The exercise price is HK\$0.77 per share and the exercise period is ten years from 3 July 2015 to 3 July 2025.
- (2) On 12 August 2015, the Company entered into a placing agreement with a third party placing agent to issue 60 million new ordinary shares of HK\$0.10 each in the share capital of the Company at HK\$0.7 per ordinary share. The placement of new shares has not yet completed up to the date of this report.
- (3) Subsequent to 30 June 2015, the Company has issued debentures to several third party individuals amounted to HK\$42,500,000. The debenture is interest bearing at a range of 5% - 9% per annum with a maturity period of a range of 2 years to 8 years.

20 APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by Board of Directors on 24 August 2015.