Half-Year Report 2014

Fast Casualwear AG

Content

Key financials

		H1 2014	H1 2013	+/- %
Revenue and results				
Revenue	in EUR million	40.1	53.9	(25.6%)
Gross profit	in EUR million	8.7	13.9	(37.4%)
EBIT	in EUR million	(5.7)	10.0	(157.0%)
Net profit	in EUR million	(8.0)	7.0	(214.3%)
Profitability				+/- percentage points
Gross profit margin	in %	21.7%	25.8%	(4.1pp)
EBIT margin	in %	(14.2%)	18.5%	(32.7pp)
Net profit margin	in %	(19.8%)	13.0%	(32.8pp)
Cash flow statement figures				+/- %
Cash flow from operating activities	in EUR million	4.7	20.7	(77.3%)
Employees				+/- %
Employees as of 31.6		**671**	981	(31.5%)
		30 Jun 2014	**31 Dec 2013**	**+/- %**
Key balance sheet statement figures				
Total assets	in EUR million	100.4	115.4	(13.0%)
Equity ratio	in %	75.5	72.2	3.3pp

TO OUR SHAREHOLDERS

Dear fellow shareholders,

After a very prosperous start into the year 2014 we faced a challenging environment in the second quarter. We recognized revenues of EUR 40.1 million in the first half-year 2014 which represents a decrease of more than 25% compared to the same period last year. Measured in RMB, revenue still decreased significantly by 22.1% during the reporting period. Sales of our own brand products decreased by 31.8% or EUR 14.2 million to EUR 30.5 million. An increase of OEM/ODM sales by 4.9% or EUR 0.5 million to EUR 9.6 million could not compensate this development. As a result, gross profit was down by 37.4% to EUR 8.7 million. The reason is that cost of sales could not be reduced in the same speed as revenues declined. An aggravating factor is that labour costs in the People's Republic of China ("PRC") increased sharply. Nevertheless, the group managed to increase the average unit prices for shoes and casual wear of the FAST brand by 23.2% and 16.2% respectively.

Of course, we have taken instant measures to strengthen our competitiveness and return to the profitable growth path. An immediate action was, for example, to reduce the number of employees, especially in the production. In total, we reduced the number of employees from 980 as of 31 December 2013, to 671 as of 30 June, 2014.

We reevaluated our strategy and we will concentrate on the high margin business in future. In this respect we liaised with our distribution partners and closed down 182 retails shops and at the same time opened another 20 new shops at good locations for future sales and brand building. Moreover we will enhance the efficiency of our international distribution by working with strong partners abroad. We will provide a comprehensive presentation of our strategy and measures in due course and also at our annual general meeting which is expected to take place in the second half of 2014.

Due to the poor development in the second quarter of fiscal year 2014 we were forced to issue a profit warning on 27 August 2014. In its annual report published in April 2014, the company originally forecasted a growth in sales of 15% - 20% combined with an EBIT margin of 16% - 19%. These forecasts have been revised downwards. The company expects that in 2014 the revenue will decrease by 25% -30% compared to 2013. Subsequently, the EBIT margin is now forecasted with 8% -10%.

Mr. Wing Chi CHONG, CEO of FAST Casualwear AG, informed the company on 28 of July, that he – due to a disease – is actually not able to exercise his office and would like to be released from his CEO position. The supervisory board complied with his request. In the meantime, Mr. Zhang Wenya is the sole executive board member and will conduct the company's business.

Sincerely yours,

Zhang Wenya

CEO of FAST Casualwear AG

INTERIM MANAGEMENT REPORT

1. General information about the Group

FAST Casualwear AG ("The Company") is the German holding company of FAST Group (The "Group"), a Chinese group of companies engaged in the design, production and sale of casualwear, consisting of footwear and apparel including accessories. The condensed interim consolidated financial statements and the management report have been prepared in accordance with Section 37w of the German Securities Trading Act (WpHG) and the International Financial Reporting Standards (IFRS).

The Group mainly designs and produces casualwear under its own brand name FAST, targeting consumers aged between 16 and 35 primarily in the lower tier cities in China. The company's distributes its own brand products through 20 unaffiliated regional distributors, who sell the products via retail outlets operated either by themselves or by third party sub-distributors.

Its distribution network consists of 843 retail outlets (in Q2 2014 there are 20 new retail outlets added and 182 retail outlets were closed down) in over 100 cities throughout China. The company also designs and produces footwear as contract manufacturer for international brand owners, mainly from Europe and the U.S. FAST's operating facilities are located in the southeast of China in Jinjiang City, Fujian Province.

The Company's registered office is located in Cologne, Germany. The company's operating facilities are located in the Huzhong Industrial Park, Chendai Town, Jinjiang City, Fujian Province, People's Republic of China ("PRC").

The Company holds 100% of the shares in Wah Lei Group International Company Limited and in Hong Kong Rich Profit Industrial Limited. Wah Lei Group International Company Limited is the sole direct shareholder of Fujian Kuaijiezou Sports Goods Co. Ltd. and Jinjiang Yiliyi Shoes and Plastic Development Co. Ltd. both incorporated as limited liability companies under the laws of PRC. Hong Kong Rich Profit Industrial Limited is the sole direct shareholder of Fujian Huali Shoes Co., Ltd. Jinjiang, which was incorporated as a limited liability company under the laws of PRC.

2. Business and operating environment

General economic environment

Despite the fact that the economy continued to be complicated in China and globally, the global economy continued to recover moderately. At the macroeconomic level, China's overall growth rate in the first six months 2014 was affected by the fragile growth of the global economy. The growth rate of Europe remained on a low level.

In the second quarter the GDP in China increased by 7.5%[1] to RMB 26.9044 trillion in the first half of 2014. This represents a slight increase compared to the GDP growth of 7.4% in the same period last year. China is currently in a stage to reinforce and establish a strong foundation in all aspects. The slight increase of the GDP is a part of the foundation process for further growth in the medium term and long term. We expect that China's economic growth is still ongoing but may experience a further slowdown over the course of 2014.

[1] China National Bureau of Statistics

Business environment
Within the casualwear market, existing challenges such as intense competition and increasing labour costs continued in the first half of 2014.

We believe that our casualwear products compete on the basis of brand image, design, product mix, quality, price and the breadth of our retail network.

FAST's products are marketed in China and thus the customer spending sentiment is crucial to our future business performance. According to the National Bureau of Statistics of China, from January to June 2014, the total retail sales of consumer goods reached 12.4199 trillion yuan, up by 12.1%[2] year-on-year (actual increase was 10.8% after deducting price factors). The total retail sales of consumer goods increased by 12.4% in June 2014 compared to June 2013, month-on-month.

3. Earnings position

3.1 Results of Operations

The following tables present the company's consolidated income statement data. The comparability is affected by movements in the relative value of the functional currency (RMB) compared to the presentation currency (EUR).

	Q2 2014	Q2 2013	H1 2014	H1 2013	H1 +/- %
	kEUR	kEUR	kEUR	kEUR	%
Revenue	7,528	33,087	40,091	53,863	(25.6%)
Cost of sales	(7,322)	(24,743)	(31,391)	(39,971)	(21.5%)
Gross profit	206	8,344	8,700	13,892	(37.4%)
Other Income	60	12	60	12	>100.0%
Selling and distribution expenses	(3,707)	(2,439)	(4,185)	(3,015)	40.0%
Administrative expenses	(9,769)	(571)	(10,279)	(1,004)	>100.0%
Finance income	9	50	18	69	(73.9%)
Finance costs	(223)	(282)	(530)	(539)	(1.7%)
(Loss) / Profit before income tax	(13,424)	5,114	(6,216)	9,415	>100.0%
Income Tax	72	(1,334)	(1,737)	(2,426)	(29.2%)
Net (loss) / profit attributable to owners of the parent	(13,352)	3,780	(7,953)	6,989	(>100.0%)
Currency translation reserve movement	773	(264)	(1,343)	2,243	>100.0%
Total Comprehensive (loss) / Income	(12,579)	3,516	(9,296)	9,232	(>100.0%)
Earnings per share	(1.12)	0.34	(0.66)	0.62	(>100.0%)

[2]China National Bureau of Statistics

Revenues

Revenue decreased sharply from EUR 53.9 million in H1 2013 by EUR 13.8 million, or 25.6%, to EUR 40.1 million in H1 2014. Measured in RMB, revenue decreased significantly by 22.1% during the reporting period. The decrease in revenue was due to the combined effect of decreased sales of FAST brand shoes, decreased sales of FAST brand casual wear and increased sales in OEM/ODM business. Domestic economic development has been sluggish effecting the spending acceptance of Chinese customers.

Our own brand products decreased by 31.8% or EUR 14.2 million to EUR 30.5 million. This development reflects the keen completion and the industry and the re-development of the sales strategy with distributors. In the second quarter, the Company has liaised with various distributors and formulated a sales strategy to retain retail shops with greater values and has been considering to close and has closed certain retails shops of distributors for long run strategy purpose. OEM/ODM sales increased by 4.9% or EUR 0.5 million to EUR 9.6 million in the first half of 2014.

Measured in RMB, the average unit selling price for shoe products under the brand name FAST grew by 23.2% while the average unit selling price of apparels products under the brand name FAST increased by 16.2%. While prices increased, the quantity sold decreased: 38.4% for brand shoes under the FAST brand and 46.7% for apparel products under the FAST brand. The Group's revenues in the first six months 2014 were derived wholly from the PRC.

Cost of sales

Cost of sales consist of purchasing materials consumed, outsourcing fees, labour costs for personnel employed in production, depreciation of assets used for production purposes, manufacturing overheads (mainly utilities and maintenance costs) etc.

Costs of sales decreased from EUR 40.0 million in the first half 2013 by EUR 8.6 million, or 21.5%, to EUR 31.4 million in the first six months 2014. This was mainly due to combined effect of lower costs of raw materials of EUR 7.0 million, the reduction of outsourcing costs by EUR 1.5 million and the depreciation of property, plant and equipment by kEUR 226, which was partly offset by the increase in labour cost by kEUR 236.

The Group continuously kept a close eye on the cost development in first half of 2014 and tried to maintain the cost steadily.

The following table presents a breakdown of cost of sales for the first six months 2014 and the first six months 2013:

	H1 2014		**H1 2013**		
	kEUR	**% of cost of sales**	**kEUR**	**% of cost of sales**	**+/- %**
Cost of raw materials consumed	26,837	85.5%	33,827	84.6%	(20.7%)
Depreciation of property, plant and equipment	1,059	3.4%	1,285	3.2%	(17.6%)
Amortisation of intangible assets	44	0.1%	22	0.1%	100.0%
Labor costs	1,542	4.9%	1,306	3.3%	18.1%
Factory overheads	118	0.4%	185	0.5%	(36.2%)
Outsourcing	1,700	5.4%	3,194	8.0%	(46.8%)
Other	91	0.3%	152	0.4%	(40.1%)
Total	**31,391**	**100.0%**	**39,971**	**100.0%**	**(21.5%)**

Gross profit and gross profit margin

Gross profit decreased during the reporting period by EUR 5.2 million, or 37.4% to EUR 8.7 (H1 2013: 13.9 million). The overall gross profit margin decreased by 4.1 percentage from 25.8% in the first half 2013 to 21.7% in the first six months 2014. This was due to the fact that the overall costs decreased slower than the revenues.

Selling and distribution expenses
Selling and distribution expenses comprise mainly promoition materials and employment costs for sales and marketing personnel.

Selling and distribution expenses increased from EUR 3.0 million in the first half of 2013 by 40.0% to EUR 4.2 million in first half of 2014. This increase was mainly due to the increase in sales promotion materials for sales campaign for the retail shops. We are adjusting and evaluiating our sales promotion costs on a periodic basis in line with our strategy to boost brand promotion, to stimulate sales, to maintain our competition edge in the market, and more importantly, to build a good foundation for future sales sessions. Correspondingly, the selling and distribution expenses represent 10.4% of revenues in H1 2014 (H1 2013: 5.6%).

Administrative expenses

Administrative expenses comprise mainly impairment loss on accounts receivables, legal and professional fees, salaries to management and administrative personnel as well as depreciation.

Administrative expenses increased from H1 2013 by EUR 9.3 million or 920.7%, to EUR 10.3 million in H1 2014. This increase was mainly attributed to the increase in impairment loss on accounts receivables of EUR 9.3 million. The Company is considering incentives including providing assistance to distributors for its sales campaigns with a view to clearing accumulated inventories of the distributors. We will closely communicate with the distributors and work with them to regain brand loyalty from the customers towards FAST brand. The administrative expenses as a percentage of revenues is 25.6% in H1 2014 while in H1 2013 is 1.9%.

Net finance expense

The net finance expenses increased from kEUR 470 in H1 2013 to kEUR 512 in H1 2014. The increase was mainly due to higher bank borrowing in H1 2014 as compared to H1 2013 that is mainly to fund working capital.

Loss before income tax

Loss before income tax is EUR 6.3 million in H1 2014 while net profit before income tax is EUR 9.4 million for the H1 2013. . This loss before income tax is mainly contributed by the impairment loss on accounts receivables of EUR 9.3 million, and the decrease of gross profit of EUR 5.2 million. The decrease is mainly due to the decrease in profit of casual shoes arising from keen competition and sales campaign launched in 2nd quarter.

Income tax

Income tax expenses decreased from EUR 2.4 million in H1 2013 to EUR 1.7 million in H1 2014 that is in line with the decrease in profit in the reporting period.

Net loss for the period
The net loss for the period is EUR 8.0 million in while the net profit in H1 2013 is EUR 7.0 million.

3.2 Business performance by segment

Management determines the operating segments, which represents product category, based on reports reviewed and used for strategic decisions. The Group entities' business segments are organized into the following main operating segments:

- FAST Brand which is subdivided into Shoes/Casual wear

- Others, which is subdivided into OEM/ODM. These segments are managed by the Group entities.

The following table shows the development of the segments for the first half-year 2014:

	FAST brands		**Others**	
	Shoes	**Casual wear**	**OEM**	**Total**
	kEUR	**kEUR**	**kEUR**	**kEUR**
Revenue				
External customers	21,911	8,541	9,639	40,091
Total revenue	21,911	8,541	9,639	40,091

The following table shows the development of the segments for the first half-year 2013:

	FAST brands		**Others**	
	Shoes	**Casual wear**	**OEM**	**Total**
	kEUR	**kEUR**	**kEUR**	**kEUR**
Revenue				
External customers	30,222	14,448	9,193	53,863
Total revenue	30,222	14,448	9,193	53,863

FAST brands

In H1 2014, 54.7% of FAST's total revenues were attributable to sales of shoes (H1 2013: 56.1%) while 21.3% were attributable to sales of casual wear (H1 2013: 26.8%). The decrease of the "FAST brand" segment was due to higher sales in the segment "Others".

Sales from shoes slowed down in the first six months of 2014. It decreased from EUR 30.2 million in H1 2013 to EUR 21.9 million in H1 2014. The unit sales volume in this segment decreased from 5.6 million units to 3.5 million units. It was, however, offset by the increase of average unit selling price of shoes under the FAST brand from EUR 5.4 in the first six months 2013 to EUR 6.3 in the first half of 2014.

Sales from casual wear decreased from EUR 14.4 million by EUR 5.9 million, or 40.9% to EUR 8.5 million in the first six months 2014. The unit sales volume in this segment decreased from 1.7 million to 0.9 million, and the average unit selling price amounted to EUR 9.5 in H1 2014 (H1 2013: EUR 8.6).

OEM/ODM

The OEM/ODM sales accounted for 24.0% of total revenues in H1 2014 (H1 2013: 17.1%). Revenues in this segment are mainly derived from the sale of casual and sport shoes manufactured for various international brand owners mainly in Europe and United States. The overall revenue generated from OEM/ODM products increased in H1 2014 by 4.9% to EUR 9.6 million from EUR 9.2 million as compared to the same period in 2013. On one hand, the Group focus on higher profit margin customers, and on the other hand we also provided OEM services to some new customers in Europe.

3.3 Financial Position

The balance sheet total assets decreased from EUR 115.4 million as at 31 December 2013 to EUR 100.4 million as at 30 June 2014. This decrease was principally attributable to the decrease in trade and other receivables, and deposit for land use rights and offset partly by the increase in property, plant and equipment.

The following table presents the balance sheet data of FAST as at 30 June 2014 and 31 December 2013 on a consolidated basis:

	30 June 2014	**31 December 2013**
	kEUR	**kEUR**
Non-current assets	59,238	49,630
Current assets	41,164	65,721
Total Assets	**100,402**	**115,351**
Total equity	75,760	83,256
Non-current liabilities	-	-
Current liabilities	24,642	32,095
Total liabilities	**100,402**	**115,351**

Non-current assets

Non current assets mainly comprise property, plant and equipment (including machinery, furniture, fixtures, office equipment and motor vehicles) and lease prepayments on land use rights. Non current assets increased from EUR 49.6 million as at 31 December 2013 to EUR 59.2 million by EUR 9.6 million. This increase is mainly attributable to the acquisition of plant and machinery and facilities for production of FAST branded footwear products and OEM/ODM products. New and better machines have replaced old machines.

Current assets

Current assets mainly comprise inventories, trade and other receivables, cash and cash equivalents etc. The amount decreased from EUR 65.7 million as at 31 December 2013 to EUR 41.0 million as at 30 June 2014 by EUR 24.6 million. The decrease is due to the net effect of the decrease in trade and other receivables, restricted cash, cash and case equivalents, and the increase in inventory.

Inventories

Inventories comprise raw materials, work in progress, raw materials delivered to the contract manufacturers and not yet returned as finished goods and finished goods products on stock.

Inventories increased from kEUR 606 as at 31 December 2013 by 604.3% to EUR 4.3 million as at 30 June 2014. This increase resulted primarily from the low level of inventory as at 31 December 2013 as most of the goods are shipped out before Lunar New Year. The level of the inventory as at 30 June 2014 is reasonable as to cope with the orders in both Fast brands and OEM/ODM businesses. The Group, according to its experience in the industry, responded to the market situation in respect of the demand for FAST products and orders on hand by maintaining inventory levels accordingly.

Trade and other receivables

Trade and other receivables comprise trade receivables and prepayments.

Trade and other receivables decreased from EUR 61.4 million as at 31 December 2013 by 40.5%, to EUR 36.5 million as at 30 June 2014. This decrease was mainly due to decrease in revenues in the 2nd quarter 2014 and the impairment loss on accounts receivables. The Group will closely monitor the overall trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash on hand.

Cash and cash equivalents decreased by EUR 1.4 million or 80.4% to kEUR 347 as at 30 June 2014. For a more detailed discussion of cash at the end of each period, see the chapter "Cash flow and capital resources".

Restricted cash (deposits pledged with banks)

Restricted cash relates to deposits pledged with bank to secure the issued bills payable and they are released upon the maturity of the related bills payable. The pledged deposits decreased compared with 31 December 2013 by EUR 1.9 million to nil as at 30 June 2014 which is in line with the decrease of accounts payable outstanding at the balance sheet date.

Equity
Equity comprises share capital, reserves and retained earnings.

Equity decreased from EUR 83.3 million as at 31 December 2013 by EUR 7.5 million, or by 9.0% to EUR 75.8 million as at 30 June 2014 mainly due to aggregate effect of the decrease in retained earnings and currency translation reserve and the increase of the share capital. FAST was able to further increase its equity ratio in the first half of 2014. As at 30 June 2014, the Group achieved a ratio of equity to total assets of 75.5% (31 December 2013: 72.2%).

Statutory reserves relate to the statutory reserve required under PRC law. FAST has reached the required statutory reserve as at 31 December 2013, which is why the amount remained the same at 30 June 2014.

Current liabilities

Liabilities from deliveries and services and other liabilities

Trade and other payables comprise mainly trade payables, VAT payables, accrued income and other payables. Other payables comprise of amounts for taxes and accruals for normal utility expenses.

Trade and other payables decreased from EUR 11.6 million as at 31 December 2013 by 65.5%, to EUR 4.0 million as at 30 June 2014. This is due to the settlement of raw materials for the production to ensure timely provision with raw materials.

Interest bearing bank borrowings

Interest bearing bank borrowings comprise primarily bank loans and bank overdraft. Bank borrowings increased from EUR 16.6 million as at 31 December 2013 by 8.4%, to EUR 18.0 million as at 30 June 2014. This is due to increased working capital requirements.

Income tax payable

Income tax payable decreased from EUR 2.8 million as at 31 December 2013 by EUR 1.9 million or 68.5% to kEUR 876 as at 30 June 2014, which was due to the larger tax settlement in first half of 2014 as compared to that of the last year.

3.4 Cash Flow and capital resources

The following table presents a summary of the cash flow data of the Group for the three months ended 31 March 2014 and 2013.

	30 June 2014	30 June 2013
	kEUR	kEUR
Cash flows from operating activities	4,660	20,737
Cash flows/(outflows) from investing activities	(11,796)	(19,618)
Cash flows/(outflows) from financing activities	5,742	(123)
Cash and bank balances at the end of the period	**347**	**1,146**

Net cash generated from operating activities was EUR 4.7 million in H1 2014 while net cash generated from operating activities was EUR 20.7 million in H1 2013. The decrease is mainly due to the net effect of the decrease in trade and other payables and the operating loss, as offset by the decrease in trade and other receivables.

Net cash used in investing activities decreased to EUR 11.8 million in H1 2014 from EUR 19.6 million in H1 2013. This decrease was mainly attributable to refund of deposits made this period while the said deposits were paid for the acquisition of the land last period; and the increase in acquisition of property, plant and equipment for production of FAST branded and OEM/ODM footwear.

Net cash generated from financing activities was EUR 5.7 million in H1 2014 while net cash used in financing activities was kEUR 123 in H1 2013. This change was mainly attributable to the net effect of the increase in bank loans (net), decrease in restricted cash, increase in amounts owing to related parties, and the increase in issuance of shares arising from capital increase.

4. Summary on the Group's business and operating development

Sales from our own brand products were the major drivers for revenue and profit of the whole Group in H1 2014. Sales of casual footwear made under the FAST brand decelerated in H1 2014 by 27.5% while sales of FAST brand apparel decreased by 40.9% in the same period. Sales from OEM/ODM business, however, increased by 4.9% during the reporting period.

The overall Group gross profit margin in the first six months 2014 was 21.7%, a decrease of 4.1 percentatge points compared to 25.8% for the first half of 2013.

Within the segment "FAST brand" the gross profit margin of FAST casual shoes dropped to 24.8% in the first six months 2014 (H1 2013: 30.1%). For FAST casual wear the gross profit margin increased by 0.2 percentage points to 29.7% (H1 2013: 29.5%).

In the segment "Others" the gross profit margin of the OEM/ODM business increased by 1.9 percentage points to 7.5% (H1 2013: 5.6%).

5. FAST Casualwear AG share

The price of FAST's share has decreased in the period under review. It started at a price of EUR 1.62 at the beginning of the year 2013 and reached it's high at EUR 2.69 shortly before the annual general meeting at the end of January. Since then the share price suffered significantly reaching it's low at EUR 0.92 by the end of June of the period under review.

In the first half of the business year 2014 FAST executed two capital increases. The first was a cash increase of share capital by using authorized capital of EUR 500,000 by issuing 500,000 new shares at a price of EUR 1.68 in February. The share capital rose from EUR 12,200,000 to EUR 12,700,000. The gross proceeds amounting to EUR 840,000 are used to support overall working capital and further growth.

With the second capital increase FAST raised gross proceeds of EUR 960,000, which also are used to support overall working capital needs and for further growth. The cash increase of share capital of EUR 600,000 by issuing 600,000 new shares at a price of EUR 1.60 was executed from authorized capital. The share capital rose to EUR 13,300,000.

At the ordinary annual general meeting at 23 January, 2014 the shareholders approved the proposed resolutions of the management board and the supervisory board with vast majority.

The ordinary annual general meeting elected the following individuals as members of the supervisory board of FAST Casualwear AG:

1. Ms Nanyan Ding, Business Consultant and Advocate, Munich, Germany,

2. Mr SHUM Shing-kei, Certified Accountant, Hong Kong,

3. Mr WONG Tsz Piu, Corporate Finance Adviser, Hong Kong.

The appointment lasts until the end of the annual general meeting that votes over the discharge of the financial year ending 31 December, 2017.

Also the annual general meeting agreed to renew the authorized capital to EUR 6,100,000. This can be used until 22 January, 2019 (authorized capital 2014).

5. Human resources

As of 30 June 2014, FAST had 671 employees (31 December 2013: 980).

The following table shows a breakdown of FAST's employees by function as of 30 June 2014 and 31 December 2013, respectively:

	30 June 2014	**31 December 2013**
Management and administration	34	43
Sales	44	107
Production	521	725

Research & Development	31	64
Quality control	41	41
Total	**671**	**980**

In H1 2014, the Group continued to control the personnel costs during the rapid growth of business. The labour costs for production maintained at approximately 3.8% of the total revenue. For further information please also see chapter cost of sales in this report. The Group continued to strike for an effective human reseoruce structure by retaining only high calibre and talented staff in the group. The Group will continue to focus on its self-brand business together with OEM/ODM business, and employ talented staff to develop and work with the Group.

6. Sales and distribution

Segment FAST brands

FAST sells its own brand products to unaffiliated regional distributors (including the distributors in form of department stores) on a wholesale basis. The distributors may distribute FAST's own brand products via self-operated retail stores or via retail stores operated by third parties. The FAST retail outlets can be divided into the following two categories: those exclusively selling products under the "FAST" brand ("Exclusive FAST Shops") and non-exclusive retail outlets.

As at 30 June 2014, FAST had 20 regional distributors, who operated or subcontracted the operation of 843 retail outlets in over 100 cities throughout China. In the 2nd quarter, the Group has liaised with the distributors and strategically closed down 182 retails shop and at the same time open another 20 new shops at good locations for future sales and brand building. The Group will act dynamically and formulate sales strategies with distributors to act fast to the market changes for long-term purpose.

The Group has continued to work with 16 capable distributors and screened out 1 distributor and 12 department stores distributors to cope with the long-term development of the Group. The department stores distributors served as promotional medium purpose strategically in the past and have achieved its results. The group has engaged 4 new distributors to strengthen the sales in 4 different regions strategically. As at 30 June 2014, 115 of the retail outlets exclusively sell products under the FAST brand.

For further information we refer to the Annual report 2013.

7. Production, quality control and sourcing

FAST operates two shoe production facilities in Huzhong Industrial Park, Chendai Town, Jinjiang City, Fujian Province, which is one of the largest footwear manufacturing hubs in the PRC. The two facilities with a total area of 40,967 sqm are owned by FAST.

As at 30 June 2014, the production facilities operated by FAST comprised 10 production lines. The major part of the shoe production process is in-house production. However, to a certain extent, the shoes are fully or partly produced by independent contract manufactures. The production of the apparel and accessories is fully outsourced. Looking forward, the Group will continuously to strike a balance in self-production and out-sourcing in order to produce high quality of products to meet the demand of the FAST products.

Quality Control

FAST believes that quality is one of the key factors to its success, and wishes to gain market share and brand recognition by providing quality products.

As at 30 June 2014, FAST's quality control department consisted of 41 employees. The quality control team monitors each stage of the production process, from raw material testing to finished goods inspecting. FAST's customers also frequently visit FAST's production facilities to ensure that the quality check procedures meet their requirements.

Sourcing

The Group continues to work with various suppliers of raw materials either in Jinjiang regions or other provinces in China to ensure timely delivery of raw materials for its manufacturing operation.

8. Research and development

FAST believes that design is of key importance to maintain its competitive advantages. All of FAST's own brand products are designed by its in-house design and product development team. As at 30 June 2014, FAST's design and product development team comprised 31 members.

In Q2 2014 FAST introduced to the market approx. 56 new footwear styles and approx. 20 new apparel styles. FAST has also designed around 31 styles of casual shoes for its ODM business, which are marketed to Europe and the United States.

FAST's expenses relating to its design and product development activities amounted to kEUR 178 in H1 2014 (H1 2013: kEUR 129), consisting mainly of labour costs and materials for the design team. The Group has continuously worked with the material research centre of Huaqiao University, a renowned University in Fujian province, for the purpose of producing new materials to cope with the design and market needs for the casual footwear.

For further information we refer to the Annual report 2013.

9. Opportunity and risk report

There were no significant changes in risks and opportunities in the H1 2014. The Group maintains a conservative strategy regarding risk management. For more information on the risks the Group is exposed to and the Group's risk management policy, please refer to the "Risk Factors" section in the Group's Annual report 2013.

10. Related party transactions

There were no significant related party transactions in the H1 2014. For more information on related party transactions, we refer to the corresponding section in the Group's Annual report 2013.

11. Outlook

Industry outlook

At the time of publication of this Q2 2014 report, the industry outlook hasn't changed much compared to the publication date of the annual report 2013.

The Chinese economy is expected to continue growing but it may experience a further slowdown over the course of 2014.China maintained steady GDP growth in the 2 quarters of 2014, and it is expected that the ongoing expansion in domestic demand will continuously drive the demand of the retail sales of consumer goods.
It is believed that the Chinese government will continue to adopt urbanization plan and to implement various economic reforms for the purpose to maintain a steady growth in economy. However, there are still keen competition in the industry and uncertainties in business environment. The group believes that the remaining 2 quarters of 2014 will still a challenging period ahead for the group as a producer of retail products in China.

Despite this positive fact we believe 2014 will remain challenging for retail operators. The Group has to compete with domestic and international brands through our competitive edge on design, qualities, and sales capabilities through distributors. Therefore, we will closely monitor the operating environment of the industry and response promptly to mitigate risks and changing market environment with a view to maintaining a sustainable business and increase its competitiveness.

The Group has determined to work closely with distributors to capture the customers' need for products and produce quality of products in order to mitigate the risk of over-inventory in distributors' level, and improve the profit of both distributors and the Group in long run.

With the beginning of 3rd quarter 2014, it appears that there are signs of recovery. We look ahead optimistically, because the China retail market is essentially driven by factors like continuous urbanization and the general wage growth. Rising disposable income will result in increased consumer spending and that in turn will provide positive opportunities in the domestic leisure product market in the short and medium terms. We believe that the leisure footwear and apparels market will grow in medium run.

Future business development of FAST Casualwear Group

To maintain our market position and to project brand equity for FAST, we will continue to strike for differentiation of our products features and products portfolio. We expect that this will help FAST to suit the market needs and grasp hold of the customers. With the new plant and machinery added to the production lines, we anticipate that we are in a competitive position to produce higher quality of products to suit the market.

In view of the keen competition of the industry and the ever-changing business environment in China,

the Group has worked with the distributors to restructure the distribution networks and close down certain shops and open some new shops strategically in certain locations.

The Group believes that it may take certain time to build up a good foundation after the distribution network restructuring and to implement the strategy to maintain the loyalty of customers. The Group expects that the revenues and profits will be affected accordingly.

In view of the above and the challenges of the increase of labor costs, increased costs of raw materials, the sales pressure of certain slowing inventory of the distributors. All in all we expect a revenue drop in the range of 25 to 30% for full year 2014, measured in local currency RMB. For the financial year 2014 the company expects an EBIT margin of 8 to 10%.

12. Developments after the end of the reporting period

By notice dated 28.07.2014, Mr. Chong Wing-Chi asked the supervisory board to release him from his management board position as CEO of Fast Casualwear AG with immediate effect due to urgent health issues. The supervisory board complied with his request. Hereafter, Mr. Zhang Wenya is the sole executive board member and will conduct the company's business. A replacement for Mr. Chong is to be found in the near future. Both the executive board and the supervisory board (Aufsichtsrat) thank Mr. Chong for his good services for the company and wish him a quick recovery.

Hamburg, 28 August, 2014
FAST Casualwear AG

The Board of Management

Mr Chi Wing CHONG Mr Wenya Zhang

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed interim consolidated statement of comprehensive income

1 January 2014 – 30 June 2014

	1. January – 30. June 2014 kEUR	1. January – 30. June 2013 kEUR
Revenue	40,091	**53,863**
Cost of sales	(31,391)	(39,971)
Gross profit	**8,700**	**13,892**
Other operating income	60	12
Selling and distribution expenses	(4,185)	(3,015)
Administrative expenses	(10,279)	(1,004)
Finance income	18	69
Finance costs	(530)	(539)
Profit before income tax	**(6,216)**	**9,415**
Income tax	(1,737)	(2,426)
Profit for the period	**(7,953)**	**6,989**
Other comprehensive (loss) / income after taxation - Exchange differences on translating foreign operations	(1,343)	2,243
Total comprehensive (loss) / income for the period	**(9,296)**	**9,232**
(Loss) / Profit attributable to: owners of the parent	**(9,296)**	9,232
Total Comprehensive (loss) / income attributable to: owners of the parent:	**(9,296)**	**9,232**
Earnings per share (EUR)*	(0.66)	0.62
Number of shares (in thousands)	11,965	11,274

* Earnings per share has been calculated for the purpose of comparability as if the weighted average share capital of FAST Casualwear AG for the interim period 22 June to 31 December 2012 had applied for all periods shown above.

Condensed interim consolidated statement of financial position
as of 30 June 2014

	30. June 2014	31. December 2013
	kEUR	kEUR
ASSETS		
Non-Current		
Intangible assets	552	607
Property, plant and equipment	53,675	32,264
Lease prepayments on land use rights	5,011	5,160
Deposit for land use rights	-	11,599
	59,238	**49,630**
Current		
Inventories	4,268	606
Trade and other receivables	36,542	61,418
Tax receivable	7	9
Restricted cash	-	1,918
Cash and cash equivalents	347	1,770
	41,164	**65,721**
Total assets	**100,402**	**115,351**
EQUITY AND LIABILITIES		
Capital and reserves attributable to equity holders of the parent company		
Share capital	13,300	12,200
Capital reserve	4,610	3,910
Statutory reserve	6,510	6,510
Currency translation reserve	4,926	6,269
Retained earnings	46,414	54,467
Total equity	**75,760**	**83,256**
Liabilities		
Current		
Trade and other payables	4,004	11,597
Related party liabilities	1,781	1,138
Interest bearing bank borrowings	17,981	16,583
Income tax payable	876	2,777
	24,642	**32,095**
Total equity and liabilities	**100,402**	**115,351**

Condensed interim consolidated statement of changes in shareholders' equity
as of 30 June 2014

	Share capital	Capital reserve	Statutory reserve	Currency translation reserve	Retained earnings	Total equity
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Balance at 31 December 2012	**11,320**	**3,690**	**6,420**	**7,516**	**38,661**	**67,607**
Issue of new shares	**-**	**-**	**-**	**-**	**-**	**-**
Comprehensive income for the period	**-**	**-**	**-**	**2,243**	**6,989**	**9,232**
Transfer to Statutory Reserve	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2013	**11,320**	**3,690**	**6,420**	**9,759**	**45,650**	**76,839**
Issue of new shares	880	220	-	-	-	1,100
Comprehensive income for the period	-	-		(3,490)	8,807	5,317
Transfer to Statutory Reserve	-	-	90	-	(90)	-
Balance at 31 December 2013	12,200	3,910	6,510	6,269	54,367	83,256
Issue of new shares	1,100	700	-	-	-	1,800
Comprehensive loss for the period	-	-	-	(1,343)	(7,953)	(9,296)
Transfer to Statutory Reserve	-	-	-	-	-	-
Balance at 30 June 2014	**13,300**	**4,610**	**6,510**	**4,926**	**46,414**	**75,760**

Condensed interim consolidated statement of cash flows

1 January – 30 June 2014

	1. January – 30. June 2014	1. January – 30. June 2013
	kEUR	kEUR
Cash Flows from Operating Activities		
(Loss) / Profit before taxation	(6,216)	9,415
Adjustments for:		
Expenses of land use rights	56	59
Amortization of intangible assets	44	22
Depreciation of property, plant and equipment	1,188	1,336
Finance costs	304	539
Finance income	(9)	(69)
Exchange translation difference	156	(97)
Operating (loss) / profit before working capital changes	**(4,477)**	**11,205**
(Increase)/ decrease in inventories	(3,676)	(3,195)
Decrease/(increase) in trade and other receivables	13,422	1,550
Increase/ (decrease) in trade and other payables	(7,493)	4,531
(Decrease)/increase in Advances from third parties	98	-
(Increase)/ decrease in Advances to third parties	4,280	52
(Increase)/ decrease in Advances to suppliers	6,086	8,681
Cash generated from operating activities	**8,240**	**22,824**
Interest received	9	69
Income tax paid	(3,589)	(2,156)
Net cash generated from operating activities	**4,660**	**20,737**
Cash Flows from Investing Activities		
	-	-
Acquisition of property, plant and equipment	(23,371)	(2,051)
Deposit of land use rights	11,398	(17,571)
Proceeds from disposal of PPE	177	4
Net cash used in investing activities	(11,796)	**(19,618)**
Cash Flows from Financing Activities		
Bank borrowings obtained	5,676	8,255
Bank borrowings repaid	(3,980)	(7,761)
Interest paid	(304)	(539)
Amounts owing to related parties	664	(498)
Amounts owing to a director		-
Issue of shares	1,800	-
Decrease/(increase) in restricted cash	1,885	420
Exchange translation	**1**	**-**
Net cash (used in)/generated from financing activities	**5,742**	**(123)**
Net (decrease)/increase in cash and cash equivalents	(1,394)	996
Cash and cash equivalents at beginning of year	1,770	130
Exchange difference translation	(29)	20
Cash and cash equivalents at end of the period	**347**	**1,146**

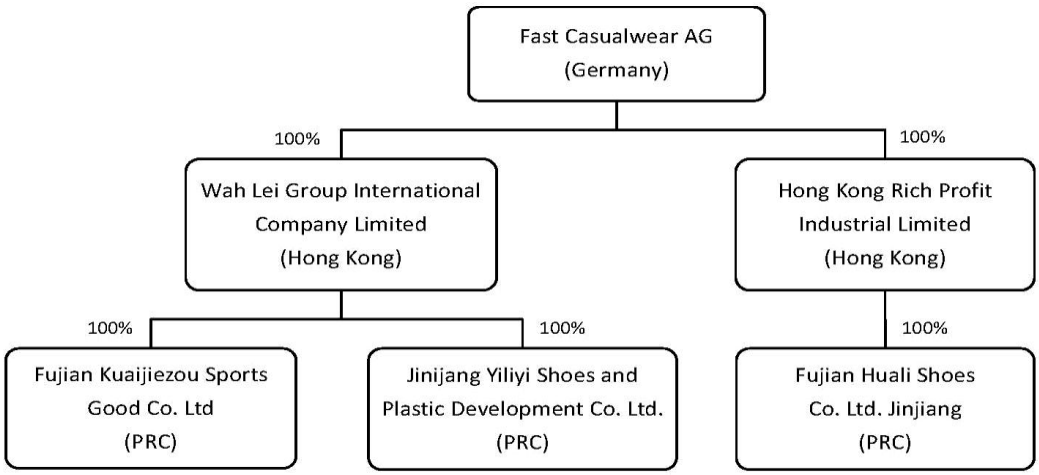
Selected Notes to the Condensed Consolidated Interim Financial Statements

1. Nature of operations

FAST Casualwear AG and its subsidiaries design, produce and sell leisure footwear and fashion apparel, targeting young customers with an age between 16 and 35 primarily in second-tier and third-tier cities in the People's Republic of China ("PRC").

The Group's operating facilities are based in Jinjiang City, Fujian Province, PRC. The Group have established a distribution network in China and distribute under their own brand through distributors who sell the products via retail outlets operated by themselves or third parties. In addition, the Group also design and manufacture sports and leisure footwear for their customers' brands on an Original Equipment Manufacturer ("OEM") or Original Design Manufacturer ("ODM") basis.

The current structure of the Group is as follows:



2. General Information and Statement of compliance with IFRS

FAST Casualwear AG ("The Company") is the Group's legal parent company. This company is a publicly traded German limited liability stock corporation, which is domiciled in Germany. The address of the company's registered office is c/o Kirchhoff Consult, Herrengraben 1, 20459 Hamburg, Germany. The company's shares are traded in the Prime Standard, a special segment of the regulated market of the Frankfurt Stock Exchange. The first day of trading of the company's shares occurred on 9 July 2012. The Group has its significant business operations including all the manufacturing operations in the PRC, held via 2 Hong Kong registered holding companies, Wah Lei Group International Company Limited and Hong Kong Rich Profit Industrial Limited.

The condensed interim consolidated financial statements have been prepared in accordance with Section 37w of the German Securities Trading Act (WpHG) and the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and its interpretations of the IFRS Interpretations Committee (IFRS IC) for interim financial information effective within the European Union. Accordingly, these condensed interim consolidated financial statements do not include all of the information required in annual consolidated financial statements by IFRS.

In the opinion of the FAST Casualwear AG's Board of Management, the condensed interim consolidated financial statements include all adjustments of a normal and recurring nature considered necessary for a fair presentation of results for interim periods. Results of the period ended 30 June, 2014 are not necessarily indicative for future results.

The preparation of condensed interim consolidated financial statements in conformity with IAS 34 "Interim Financial Reporting" requires the Board of Management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The condensed interim consolidated financial statements of the Group have been rounded to the nearest thousand Euro. Amounts are stated in thousands of Euros (kEUR) except where otherwise indicated. The condensed interim consolidated financial statements of the Group for the period from 1 January to 30 June, 2014 were authorized for issue by the Board of Management on 28 August, 2014.

The Consolidated Balance sheet together with the Consolidated income statement, Consolidated statement of Comprehensive income, Consolidated statement of Movements in Equity and Consolidated Cash flow statement for the reporting periods ending on 30 June, 2014 and 2013 as well as the Notes have been neither audited nor subjected to any other formal audit examination.

3. Significant accounting policies and changes in estimates

The accounting principles and practices as applied in the condensed interim consolidated financial statements correspond to those pertaining to the most recent annual combined financial statements for the year ended 31 December, 2013 of Wah Lei Group International Company Limited and Hong Kong Rich Profit Industrial Limited. Standards or interpretations, which have become effective since 1 January, 2014 have not had a material effect on the net assets, financial position and results of operations of the Group. These condensed interim consolidated financial statements have been prepared using accounting policies specified by those IFRSs that are in effect at the end of the reporting period (30 June, 2014). The accounting policies have been applied consistently throughout the Group for the purpose of preparation of these condensed interim consolidated financial statements.

There have been no material changes in estimates compared to the aforementioned combined financial statements for the year ended 31 December, 2013 of Wah Lei Group International Company Limited and Hong Kong Rich Profit Industrial Limited.

4. Currency translation

Items included in the condensed consolidated interim financial statements are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The Group conducts its business predominately in the PRC and hence its functional currency is the Renminbi (RMB). The presentation currency of the Group is EUR, being the presentation currency of its ultimate German domiciled legal parent and holding Group, and therefore the financial information has been translated from RMB to EUR at the following rates:

	EUR/RMB	
	Closing Rate	Average Rate
31 December 2013	EUR 1.00 = RMB 8.340	EUR 1.00 = RMB 8.171
1 January 2014 and 30 June 2014	EUR 1.00 = RMB 8.493	EUR 1.00 = RMB 8.487
	RMB/HKD	
	Closing Rate	Average Rate
31 December 2013	RMB 1.00 = HKD 1.281	RMB 1.00 = HKD 1.263
1 January 2014 and 30 June 2014	RMB 1.00 = HKD 1.249	RMB 1.00 = HKD 1.253

5. Significant events and transactions

In February, 2014 the Management Board resolved with the approval of the Supervisory Board a cash increase of share capital of EUR 500,000.00 to EUR 12,700,000.00 by issuing 500,000 new shares at a price of EUR 1.68, using authorized capital. The capital increase excludes the right of subscription of the shareholders and is subscribed solely by an unrelated individual investor. The new shares carry dividend rights for the financial year 2013. The gross proceeds amounting to EUR 840,000.00 are to be used to support overall working capital and further growth.

On 23 April, 2014 the aforesaid capital increase was registered in the commercial register.

In March 2014, the Management Board resolved with the approval of the Supervisory Board a cash increase of share capital of EUR 600,000.00 to EUR 13,300,000.00 by issuing 600,000 new shares at a price of EUR 1.60, using authorized capital. The capital increase excludes the right of subscription of the shareholders and is subscribed solely by an unrelated individual investor. The new shares carry dividend rights for the financial year 2013. The gross proceeds amounting to EUR 960,000.00 are to be used to support overall working capital and further growth.

On 16 May, 2014 the aforesaid capital increase was registered in the commercial register.

Except for the above matters, there are no other significant events subsequent to 30 June, 2014 to the date of this report.

6. Segment reporting

All operating segments are monitored and strategic decisions are made on the basis of the segmental gross margins. Items of expense and income below the gross profit margin are not analyzed by management on a segmental basis, as these are not considered relevant for the operational and strategic analysis of the business. Management considers the Group's total assets, comprising property, plant and equipment, inventory, trade and other receivables and cash and bank balances allocable to the three operating segments on a pro rata basis determined by segment revenues. During the period under review, there were no inter-segment transfers. The accounting policies the Group uses for segment reporting under IFRS 8 are the same as those used in the aforementioned combined financial statements of Wah Lei Group International Company Limited and Hong Kong Rich Profit Industrial Limited for the year ended 31 December, 2013.

The segment information provided to the management for the reportable segments for the interim financial period from 1 January, 2014 to 30 June, 2014 is as follows:

By business

	FAST brands		Others	
	Shoes	**Casual wear**	**OEM**	**Total**
	kEUR	**kEUR**	**kEUR**	**kEUR**
Revenue				
External customers	21,911	8,541	9,639	40,091
Total revenue	21,911	8,541	9,639	40,091
Results				
Segment gross profit	5,438	2,537	725	8,700
Unallocated expenses:				
Unallocated corporate expenses				(14,916)
Profit from operations				(6,216)
Profit before taxation				(6,216)
Taxation				(1,737)
Profit after taxation				(7,953)

All revenues were made in the PRC.

During the period 1 January – 30 June, 2014, no customers made sales of over 10% of the company's sales within the branded segment.

7. Analysis of selected items of the condensed interim consolidated financial statements

Condensed Interim Consolidated Statement of comprehensive income

For the 6 months period from 1 January, 2014 to 30 June, 2014, the Group achieved revenues of EUR 40.1 million and a net loss of EUR 8.0 million. The gross profit margin for this H1 2014 is 21.7%.

Condensed Interim Consolidated Statement of financial position

Please refer to section 3.3 financial position of the interim management report for comparison to the financial position of the Group's Hong Kong and PRC entities at the last audited reference date 31 December, 2013.

8. Earnings per share

The basic earnings per share have been calculated using the profit attributable to shareholders of the company (the legal parent) as the numerator and correspond directly to the profit or loss attributable to the parent entity for the period without reconciliation.

The weighted average number of outstanding shares used for basic earnings per share for the time period 1 January to 30 June, 2014 amounted to 11,964,932 shares based on the share capital of FAST Casualwear AG. There are no dilutive or potentially dilutive effects, and so diluted earnings per share and undiluted earnings per share are equivalent.

9. Commitments and contingencies

There is no material changes in commitments and contingencies have occurred between the financial statements of the Group for the year ended 31 December, 2013 and the accounting period of the interim financial statements as at 30 June, 2014.

10. Related party disclosures – Significant related party transactions

Related party disclosures are substantially the same as disclosed in the combined financial statements for the year ended 31 December, 2013 of Wah Lei Group International Company Limited and Hong Kong Rich Profit Industrial Limited published in the annual report on 29 April, 2014. The amounts comprise amounts due to Mr Chong (major shareholder) in the sum of EUR 1.6 million and the amounts due to the former holding company (FAST Group Limited) in the sum of kEUR 170. The amounts are unsecured, interest-free and repayable on demand. The amount due to FAST Group Limited was resulted from the IPO listing legal and professional fees paid on behalf of FAST Group by FAST Group Limited as it was the former holding company of the existing HK subsidiaries.

11. Events after the reporting date

By notice dated 28 July, 2014, Mr Chong Wing-Chi asked the supervisory board to release him from his management board position as CEO of Fast Casualwear AG with immediate effect due to urgent health issues. The supervisory board complied with his request. Hereafter, Mr Zhang Wenya is the sole executive board member and will conduct the company's business. A replacement for Mr Chong is to be found in the near future. Both the executive board and the supervisory board thank Mr Chong for his good services for the company and wish him a quick recovery.

Hamburg, 28 August, 2014
FAST Casualwear AG

The Board of Management

Mr Wing Chi CHONG Mr Wenya Zhang

RESPONSIBILITY STATEMENT by the MANAGEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the interim condensed consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and the Group interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining months of the fiscal year.

Hamburg, 28 August, 2014
FAST Casualwear AG

The Board of Management

Mr Wing Chi CHONG Mr Wenya Zhang

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c/o Kirchhoff Consult AG
20459 Hamburg
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Concept and Design:

Accelero AG, München

Investor Relations Contact

Accelero AG
E-Mail: info@accelero-AG.com

FINANCIAL CALENDAR

Annual General Meeting 2014	Second half of 2014
Interim Report Q2 2014	28 August 2014
Interim Report Q3 2014	20 November 2014

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENT

This document contains forward-looking statements, which are based on the current estimates and assumptions by the corporate management of FAST Casualwear AG. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations would turn out to be accurate. Future performance and the results actually achieved by FAST Casualwear AG and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside FAST Casualwear AG's control and cannot be accurately estimated in advance, such as the future economic environment or the actions of competitors and others involved in the marketplace. FAST Casualwear AG neither undertakes nor plans to update any forward-looking statements.