ANNUAL REPORT 2014
FEIKE AG

COMPANY VISION

We are the second largest manufacturer of children's footwear in China.[1]
Our vision is to become the largest supplier
of children's footwear in China.

COMPANY PROFILE

Feike AG is the second largest manufacturer of children's footwear in China[1]. The Company sells its wide range of products comprising children's footwear and apparel under the three well-known brands "Feike", "Atongmu" and "Lanmao". The sales network currently includes 2,393 retail outlets in 27 provinces of China. In 2014, Feike employed 1,082 people at its production sites in the Fujian Province.

KEY FINANCIALS[2]

TEUR	2014	2013	Change in %
Revenue	123,320	108,178	14.0
Gross profit	38,976	32,982	18.2
Gross profit margin (%)	31.6%	30.5%	1.1 pp
EBIT	32,103	29,037	10.6
EBIT margin (%)	26.0%	26.8%	- 0.8 pp
Net profit	23,133	20,312	13.9
Net profit margin (%)	18.8%	18.8%	-
Net cash flow from operations	25,939	19,080	35.9
Sales volume (‘000 unit)	14,689	13,248	10.9
Headcount (person)	1,082	1,084	- 0.2
Equity to asset ratio (%)	70.6%	64.0%	6.6 pp

[1] By retail sales volume in 2012 according to the “Report on Children’s Apparel and Footwear Markets in China” prepared by the Smart Cube (the “Smart Cube Report”).

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LETTER TO THE SHAREHOLDERS

Dear Shareholders,

With the successful listing and the admission of the shares for trading on the Frankfurt Stock Exchange, we have achieved an important milestone in our Company's history. We are the first Chinese manufacturer of children's footwear listed on a stock exchange in Germany. This not only reflects our leading position in the Chinese market but also enables us to further enhance our brand name as well as the visibility and recognition of Feike among business partners, investors and consumers. We believe that this step has also laid the foundation for the successful implementation of our growth strategy, i.e. to increase the sales volume of apparel products and penetrate the highly fragmented children's apparel market. As a result, we were able to significantly increase the number of retail outlets in China and we are confident that we will be able to continue our expansion in 2015.

As a result of our expansion we have been able to realise growth of all relevant financial figures and maintain our high level of profitability, even despite a general slowdown of the Chinese economy in 2014. The increase in revenue was mainly attributable to the increased sales volumes resulting from the higher number of authorized retail outlets. As at 31 December 2014, our products were distributed via 2,393 retail outlets, a plus of 120 retail outlets as compared to 31 December 2013. Therefore, we were able to increase the number of units of footwear and apparel sold by 10.9% to approximately 14.7 million units. Furthermore, all of our brands recorded double-digit growth in 2014. In particular the apparel product recorded a growth rate of more than 25%. On top of that, we were able to increase the general price range across our products by about 1.1%, thereby also improving our gross profit margin.

In particular, revenue increased to EUR 123.3 million, exceeding last year's revenue by 14.0%. Our gross profit amounted to EUR 39.0 million, representing an increase of 18.2% as compared to the previous year. With respect to our profitability we have been able to maintain at a strong level. We achieved an operating profit (EBIT) of EUR 32.1 million. This represented a relatively stable EBIT margin of 26.0% as compared to the previous year's result. By excluding the non-recurring IPO listing expenses our EBIT margin would have even increased to 27.0%.

While we intend to continue our growth path in 2015, we also expect the competition to rise in the children's footwear and apparel market due to a rising number of competitors that are often huge in size. Research and development will therefore become more and more important in the future. Year-on-year, we have therefore increased our spending by about 17%. As a result of our efforts, we have designed and developed more than 4,028 product design samples in 2014, of which 1,473 were finally translated into mass production. In the future, we plan to continue to invest more into our existing design and development capabilities, as this will become an increasingly important aspect in order to keep and ultimately enhance our market position.

For the financial year 2015, we are expecting relatively stable gross and net profit margins and double-digit growth in our revenue as compared to financial year 2014. Nevertheless, the growth of our revenue in 2015 is forecast based on the assumption of RMB's appreciation against the EUR. Measured in RMB, the growth of our revenue in 2015 is expected to be in the range of 4% to 6%.

Last but not least, I would like to take this opportunity to express my gratitude to all of our new shareholders for supporting our Company. Furthermore, special thanks go to our employees. I believe that our staff’s commitment and hard work form the foundation of our Company’s success.

Sincerely yours,

Mr. Jiafa LI

Chairman of the Management Board

MEMBERS OF THE MANAGEMENT BOARD

Jiafa LI
CEO

Mr. Jiafa Li (38) is the Feike AG's CEO and Chairman of the Management Board. He is with the Feike group since 2003. Mr. Li has approximately 20 years of experience in the footwear and apparel industries as well as in sales and marketing. From 2000 to 2003, he worked as a vice sales director in Gelin Group. From 1995 to 2000, he worked as a manager in Fuguiniao Group.

Andy Hock Sim LIEW
CFO

Mr. Andy Hock Sim Liew (35) is the Feike AG's CFO and a member of the Management Board. He is with the Feike group since 2012. From 2008 to 2012, he worked as an Audit Manager at KPMG in Beijing. From 2006 to 2008, he worked as an Audit Assistant Manager in KPMG in Kuala Lumpur. He is a member to Certified Practicing Accountant and Malaysian Institute of Accountant.

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

The financial year 2014 was successful year for Feike AG and the group companies (the "**Feike Group**"). Despite the challenging environment triggered by the slowdown of the China's economy, the Feike Group was able to further grow as a leader in the children's footwear and apparel market.

In the financial year 2014, the Supervisory Board provided advice and monitoring to the Management Board and discharged all duties and obligations imposed on it by the applicable statutory provisions, Company‘s Articles of Association and internal rules of procedure. It is the Supervisory Board‘s responsibility to monitor and oversee the Management Board and advise the Management Board on the interest of Feike Group and its shareholders.

Active and open communication between the Management Board and the Supervisory Board has contributed to mutual understanding and trust. The Management Board provided the Supervisory Board with regular information on the development of the overall performance, operating results and business activities of Feike Group and responded to the questions raised up by the Supervisory Board. In contrast, the Supervisory Board continuously cooperated with the Management Board by requesting and receiving information on corporate planning and strategic development. In addition, the Supervisory Board members have met regularly with the Management Board outside of formal meetings to discuss and agree on significant issues and questions.

Composition of the Supervisory Board

By resolution adopted by the General Shareholders' Meeting on 24 January 2014, Michael Schatzschneider, Chaw Kiat Chuah and Mircle Ching Chai Yap were appointed to compose the Supervisory Board. The appointment shall be in effect until the end of the General Shareholders' Meeting that decides on the discharge from liability for the financial year ending 31 December 2018. Mr. Mircle Yap was reappointed on 24 February 2015 by the court of Berlin after he had resigned on 30 November 2014 for personal reasons.

Meetings of the Supervisory Board

In 2014 the Supervisory Board held eight meetings and adopted resolutions by written procedure. As the Supervisory Board only consists of three members, no additional committees were formed. The Supervisory Board deals with relevant issues in full session. The resolutions approved and adopted by the Supervisory Board in 2014 are as follows:

24 January 2014:

By way of a written resolution, Michael Schatzschneider was appointed Chairman of the Supervisory Board and Chaw Kiat Chuah and Mircle Ching Chai Yap were appointed members of the Supervisory Board by the Berlin court. In addition, Crowe Kleeberg Audit GmbH Wirtschaftsprüfungsgesellschaft was elected as the independent auditor for the financial statements of the financial year 2014.

11 April 2014: By way of a written resolution, the Supervisory Board approved the change of Section 9 of the Articles of Association.

4 June 2014: By way of a written resolution, the Supervisory Board approved to increase Feike AG's share capital through a capital increase against contribution in kind: shareholders arranged for the contribution of all shares of Feike International (Hong Kong) Limited against the issuance of EUR 9,950,000 no-par value ordinary bearer shares each with a nominal value of EUR 1.00.

7 July 2014: By way of a written resolution, the Supervisory Board approved the amendment and clarification of the resolution regarding the capital increase by contribution in kind dated 4 June 2014.

17 July 2014: By way of a written resolution, the Supervisory Board approved the creation of authorised share capital for the exclusion of subscription rights, issuance of warrant bonds, convertible bonds, profit-participation bonds or profit participation rights with option or conversion rights for exclusion of subscription rights and authorisation to acquire treasury shares.

23 July 2014: By way of a written resolution, the Supervisory Board approved the capital increase of the nominal shares up to EUR 11,000,000 by contribution in cash by up to EUR 1,000,000.

12 August 2014: By way of a meeting held via telephone conference, the Supervisory Board approved the adoption of rules of procedure for the Management Board and Supervisory Board.

26 September 2014: By way of a written resolution, the Supervisory Board adopted the monthly financial and risk overview reporting.

Dependency Company Report

Given that there is no control agreement with the majority shareholder, the Management Board of Feike AG is required under Section 312 of the German Stock Corporation Act (*Aktiengesetz* - **AktG**) to file a report on relationships with affiliated companies. This report contains information on the relationships with the majority shareholder and the companies in the Feike Group.

Pursuant to Section 312, Paragraph 3 of the AktG the Management Board declares:

“For all legal transactions and the measures disclosed in the dependency report in the year from 1 January 2014 to 31 December 2014, in the circumstances known to the members of the Management Board at the time these legal transactions or measures were concluded or omitted, Feike AG received an adequate consideration.”

The Supervisory Board examined the report drawn up by the management of Feike AG pursuant to Section 312 of the AktG on the disclosure of related-party transactions in the financial year 2014 (dependency report). No objections were raised following this examination. The Management Board explained the advantages and possible risks associated with the transactions specified in the dependency report to the members of the Supervisory Board, who then examined and weighed them against each other.

The auditor also examined the dependency report and issued the following opinion:

"Following our statutory audit, it is our considered judgment that:

1. the factual information contained in the report is accurate;
2. in terms of the legal transactions shown in the report that were conducted under the circumstances known at the time, the consideration paid by the Company was not inappropriately high."

The auditor submitted the audit report to the Supervisory Board. The Supervisory Board, for its part, examined the Management Board's dependency report and the audit report produced by the statutory auditor. The Supervisory Board agreed with the audit findings and approved the report based on the concluding results of its own examination. Following the concluding result of the audit, there are no objections from the Supervisory Board to the declaration of the Management Board at the end of the dependency report.

Corporate Governance

The Supervisory Board focused on corporate governance issues and considered the recommendations and suggestions of the German Corporate Governance Code. The Management Board and the Supervisory Board adopted a joint declaration of conformity in accordance with Section 161 of the AktG. The recommendations set forth in the German Corporate Governance Code have been implemented with the exception of the points listed in the mentioned declaration. The Supervisory Board is not aware of any conflicts of interest on the part of the Supervisory Board.

For further information, please refer to the "**Corporate Governance Report**" section in this report and Feike AG's website at www.feike-ag.com.

Audit of the financial statements 2014

Crowe Kleeberg Audit GmbH Wirtschaftsprüfungsgesellschaft ("**Crowe Kleeberg**") was elected by the General Shareholders' Meeting of 24 January 2014 as the independent auditor for the financial statements of the financial year 2014.

Before the commencement of the audit, the independent auditor presented the detailed information about the scope and focus of the audit to the Supervisory Board and the Management Board. During the audit, the Supervisory Board and the Management Board obtained information on the progress of the audit from the independent auditor on a regular basis.

The following documents have been audited by the independent auditor and an unqualified audit opinion has been issued,

1. The individual financial statements of Feike AG as at 31 December 2014 prepared in accordance with the German Commercial Code (*Handelsgesetzbuch* - **HGB**);

2. The consolidated financial statements of Feike Group as at 31 December 2014 prepared in accordance with the International Financial Reporting Standards ("**IFRS**") as adopted by the European Union ("**EU IFRS**"); and

3. The combined management report of Feike AG and Feike Group, including the accounting records.

In addition, Crowe Kleeberg reported orally and in writing that the internal control system of Feike Group does not exhibit any major weaknesses, except the risk management system with focus on the risk early warning system as well as the liquidity situation of Feike AG, which show major weaknesses.

The individual financial statements, the consolidated financial statements, the combined management report and the audit reports of the independent auditor were made available to all members of the Supervisory Board and were thoroughly assessed at the accounts review meeting on 29 April 2015 in the presence of the Management Board and the independent auditor. The audit report, which includes an amendment describing the financing and liquidity situation of Feike AG, together with the other main findings of the audit, was noted with approval by the Supervisory Board. With the resolution of 29 April 2015, the annual and consolidated financial statements submitted by the Management Board were approved.

29. April 2015

On behalf of the Supervisory Board

Michael Schatzschneider
Chairman of the Supervisory Board

MEMBERS OF THE SUPERVISORY BOARD

Michael SCHATZSCHNEIDER
Chairman of the Supervisory Board

Mr. Michael Schatzschneider (47) is an independent investment banking professional, active as a financial advisor, as Head of Capital Markets for ACON Actienbank AG in Germany and as a Partner for Corporate Finance with EHCOR Consult GmbH in Switzerland. Mr. Michael Schatzschneider has gained wide experience in Financial Markets and Equity Research while working in investment banking with BHF BANK and Commerzbank among others. He also has extensive transactional experience in corporate finance, financial restructuring and merger and acquisition. He was CFO at a bioscience company and was Head of Financial Markets at Kirch Gruppe in Munich, a leading European media group by then. Mr. Michael Schatzschneider holds a university diploma in Business Administration (Dipl. Kfm.) and is a Chartered European Financial Analyst (CEFA).

Mr. Michael Schatzschneider also is a member of the Supervisory Board of Olcha AG.

Chaw Kiat CHUAH

Mr. Chaw Kiat Chuah (59) is a Malaysian national. He graduated with a Master of Business Administration in Product and Quality Management in 2006 from University Tun Abdul Razak. He has more than 35 years of experience in manufacturing, consulting, services and corporate management. This vast exposure has led him to specialize in operations management and to master the art in leveraging on information technology to analyze the “Big Data” for sales revenue expansion, optimize operation and management risk.

Mr. Chuah started his career in 1976 with a Japanese multi-national company in textile industry. He then moved to a senior position in a prestigious German multi-national company in pharmaceutical industry. He then joined Sony and held various senior management positions in Sony Malaysia. He is experienced in managing complex multi-culture projects and people at various levels to deliver project on time, within budget and meet the objectives. He has initiated a joint venture between a Malaysia listed company and a Chinese company to build an environmentally friendly recycling plant in China.

Throughout his working life, he has integrated the best practices into corporate planning, enterprise risk management, involving in restructuring the organization, performing merging exercises, executing projects, realigning people to meet the challenging technology and market changes.

Mr. Chuah is the Vice-President of the Business & Professional Development department of Malaysian Institute of Purchasing & Materials Management.

Mircle Ching Chai YAP

Mr. Mircle Ching Chai Yap (37) is a Malaysian national. He graduated with a Bachelor of Business Administration in Strategic Operations Management and a Bachelor of Business Administration in Human Resources Management from Georgia Southern University in the US in 1998. He graduated with a Master degree in Business Management from Phoenix International University in New Zealand in 2003 and received a Certificate of Management from New Zealand Institute of Management in 2003.

Mr. Yap has over ten years' experience in the finance industry, primarily in South East Asia as a director and investment adviser. Mr. Yap currently works as a strategic investment adviser for One Capital Group Investment Ltd. ("**One Capital**") where he is responsible for developing strategies and implementing the organization's financial plans. Prior to working at One Capital, Mr. Yap was a strategic investment adviser at Quarto Capital LLC from 2007 to 2011. He was an executive director at Exalt Global Investment & Co. Mr. Yap is a non-executive director of Camkids Group PLC (UK), JQW PLC (UK) and Aquatic Foods Group PLC (UK).

Mr. Yap also is a member of the Supervisory Board of Fenghua Soletech AG.

THE SHARE

Market environment

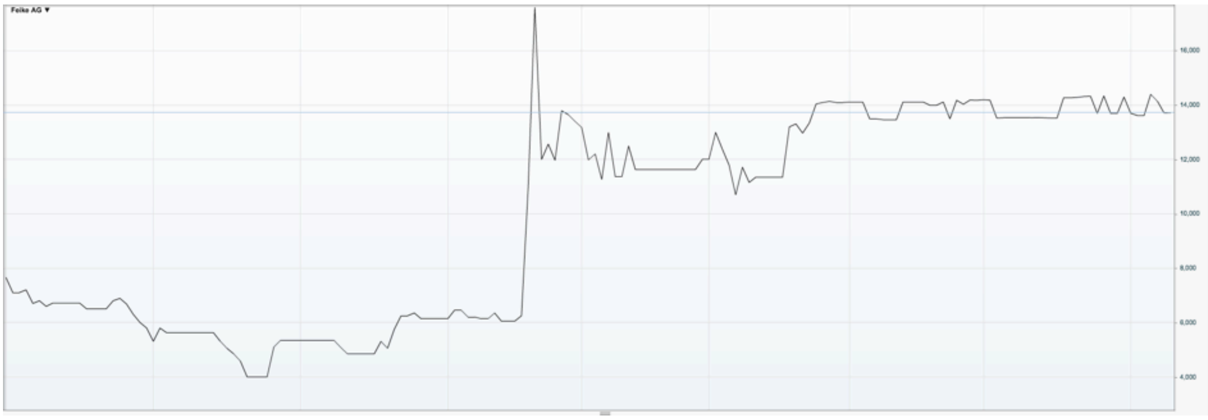
Despite a generally positive mood in the first half of the financial year 2014, especially due to the on-going low interest rate policy and a favourable economic development in the second half of the financial year 2013, the German stock market including the major German indices showed a highly volatile development over the course of the financial year 2014. This was amplified especially during the second half of the year due to the increasing uncertainties on the capital markets. In particular, these uncertainties include the financial crisis in Greece, the mounting geopolitical conflicts in Syria, Iraq and the Ukraine as well as weaker global economic prospects and the falling oil price especially in the fourth quarter of 2014. Against this background, the DAX still reached an-all time high in 2014 and at several points passed the significant 10,000-point-mark. Nevertheless, it also fell below the mark of 8,600 points in October 2014. However, after a period of growth towards the end of 2014, the key German stock index ended the financial year 2014 at 9,806 points, a plus of 2.7% compared to the previous year.

The SDAX, which is the benchmark index for the Feike AG's shares, showed a similar volatile trend but still closed the financial year stronger than the DAX. It reached its highest level at 7,571 points on 9 June 2014 before it fell to its lowest level of 6,181 points on 16 October 2014. Subsequently, however, the SDAX performed stronger and closed on 30 December 2014 at 7,186 points. The SDAX closed the financial year up by 5.9%.

Share development

The shares of Feike AG have been admitted for trading on the regulated market (General Standard) of the Frankfurt Stock Exchange. 31 July 2014 was the first trading day of 10,000,000 shares with a nominal value of EUR 1.00 each. The initial trading price was EUR 7.50.

After the Company's Initial Public Offering (IPO), on 31 July 2014, the shares closed its first day of trading at a price of EUR 7.65. Shortly after, the share price declined until the third quarter of the financial year and reached its lowest price of EUR 4.00 on 19 September 2014. This development was followed by a phase of low growth of the share price and then a sharp increase on 18 November 2014, immediately after the publication of the Feike Group's results for the first nine months of the financial year 2014. Shortly after, on 20 November 2014, Feike AG's share price reached its highest level of EUR 17.60. Despite a sharp decline subsequently, the share price of Feike AG remained relatively stable between a range of EUR 11.26 and EUR 13.79 throughout the rest of the year. The share closed the financial year at a price of EUR 12.00. As a result, the shares of Feike AG realized a value increase of 60% compared to the initial trading price during its first five months of trading and therefore, clearly outperformed the DAX and its relevant benchmark index, the SDAX.



Dividend policy

As described in the notes to the financial statements, due to withholding taxes in China on dividends distributed, Feike AG does not intend to pay dividends on the already accumulated retained earnings of the Chinese subsidiaries. Dividends on future profits will be based on our operational results and the general economic conditions.

Shareholder structure

Major shareholders with a shareholding of more than 3% as at 31 December 2014 is as follows,

Name of Shareholder	Shareholdings following completion of Offering (percentage and number of shares)
Crystal Excel Limited	73.15%
Surmount Ventures (Malta) Limited	4.99%
Righton Investments Limited	4.99%
One Capital Group Investment (Malta) Limited	4.90%
Hoon Teng Tan	4.00%
Free Float (no shareholder holds more than 3% of the share capital)	7.97%

Investor Relations

Feike AG is determined to conduct a transparent communication with its shareholders. Therefore, in its first half year as a listed company Feike AG has attended the investor conference named German Equity Forum of the Deutsche Börse AG in November 2014 in Frankfurt am Main. In future, Feike AG will continue its transparent Investor Relations activities through further institutionalization and a continuous flow of information. Regular individual talks, as well as attendance at investors' and analysts' conferences follow our ambition to satisfy our investors' needs for comprehensive information on the Feike Group. All of these activities are geared towards an objective and fair assessment of the Company. All information can be found on the Company's Investor Relations website at: http://www.feike-ag.com/investor-relations/investment-highlights.html.

CORPORATE GOVERNANCE REPORT

Good corporate governance is globally accepted as being fundamental to an organization's competitiveness, growth and enhances shareholders' value through a sustainable business and therefore, good corporate governance is of great significance for Feike AG (the **"Company**"). The following pages contain the Company's statement on corporate governance in accordance with Section 289a of the HGB.

Declaration of conformity

The Management Board and Supervisory Board of Feike AG declare that the recommendations of the "Government Commission on the German Corporate Governance Code" as published in the official part of the Federal Gazette, have in principle been complied with since their publication with the following exceptions. The Management Board and the Supervisory Board intend to continue to observe these recommendations in the future.

This Declaration of Compliance refers to the period up until December 2014 and to the version of the Code dated 24 June 2014 as published in the official part of the Federal Gazette ("**Code 2014**"). The Company almost fully complies with the recommendations of the Code and deviates only in the following points.

1. Section 2.3.3 – Using modern communication media (e.g. Internet) for the General Meeting

   Due to the limited free float of shares of the Company, the Management Board does not see any necessity of transmitting the General Meeting via the Internet or other "on air" media.

2. Section 3.8 Paragraph 3 – Specified deductible in a Directors and Officers ("**D&O**") insurance to be taken out for the Supervisory Board members

   The D&O insurance taken out by the Company does not provide for a specified deductible percentage for the Supervisory Board members. The Management Board and Supervisory Board believe that a deductible is not necessary to strengthen the sense of responsibility of the Supervisory Board members in performing their duties. In addition, a deductible would reduce the attractiveness of Supervisory Board membership and, with regard to competition, thus reduce the Company's opportunities of recruiting qualified candidates for the Supervisory Board. In this regard, the Code's recommendation has not been and is not to be followed.

3. Section 4.1.4 – Risk Management and risk controlling

   Despite the fact that a risk management system (the "**RMS**") and risk controlling do exist on each layer of the group, the Management Board and the Supervisory Board do not consider these as sufficient. The Management Board has started to implement a RMS in line with European market standards in the fourth quarter 2014.

4. Section 4.1.5 – Diversity and consideration of women in managerial positions

   Despite the Company respects the importance of diversity, the decisions on managerial positions are solely based on the professional qualification of the candidates.

5. Section 4.2.2 Paragraph 2 Sentence 1 – Compensation of the Management Board members is determined by the full Supervisory Board

   The Management Board members received compensation for certain director positions held in subsidiaries of Feike AG whereby the compensation has not been determined by the Supervisory Board. Going forward, the total compensation of the Management Board members will be resolved and review on a regular basis by the Supervisory Board.

6. Section 4.2.3 Paragraph 2 Sentence 2 – Variable compensation elements for the remuneration package of the Management Board members

   The Management Board members only receive fixed salaries without variable components. In the opinion of the Supervisory Board, the existing fixed components of the remuneration offer a sufficient incentive for the Management Board members to be committed to the sustainable development of the Company.

7. Section 5.1.2 Paragraph 2 Sentence 4 – Age limit for the Management Board members

   The Company does not set any age limit for the Management Board members. In the opinion of the Management Board and Supervisory Board, it is not necessary or practical to establish strict age limits for the Management Board members since the ability to carry out the work of the respective corporate responsibility area does not necessarily end by a certain age, but depends solely on the respective individual skills.

8. Section 5.3 – Formation of committees

   The Supervisory Board has not established any committees so far. Due to its small size with only three members, the Supervisory Board does not consider the establishment of committees necessary and, beyond that, due to its small size the Supervisory Board is of the opinion that all items falling within the scope of responsibilities of the Supervisory Board should be discussed and decided by all members of the Supervisory Board.

9. Section 5.4.1 Paragraph 2 - Concrete objectives regarding the composition of the Supervisory Board and stipulate the appropriate degree of female representation and an age limit for the Supervisory Board members

   The Supervisory Board has not expressly stipulated specific objectives regarding its composition, and specific degree of female representation or an age limit. As recommended by the Code, the Supervisory Board naturally takes into account the specifics of the enterprise, the international activities of the enterprise, and potential conflicts of interest regarding its composition and future composition, and is also open to female representation members in the Supervisory Board. However, for the time being and taking into account its small size with only three members, the Supervisory Board considers it more appropriate to continue choosing candidates as Supervisory Board members on a case by case basis, taking the objectives mentioned above into account, instead of devising detailed written rules on the Supervisory Board's composition. The Supervisory Board believes that such stipulations would inappropriately increase the complexity of the Company's internal rules on corporate governance, and the efforts required to maintain them.

10. Section 5.4.5. Individual undertaking of appropriate training and educational measures by each Supervisory Board member

    Due to the arbitrary and unspecific formulation of that clause, the Company decided to declare deviation from this recommendation. This is in line with the prudent reporting principle of the Company.

11. Section 7.1.2 – Publication date for the consolidated financial statements

    The Company has not met the deadline of 90 days after the end of the financial year for the publication of its consolidated financial statements and the deadline of 45 days after the end of the reporting period for the publication of its interim reports. As the Company just obtained the listing status on the Frankfurt Stock Exchange, the Management Board and Supervisory Board are of the opinion that it is appropriate to prioritize on the quality of the financial statements in its first year of listing, rather than the recommended deadlines. Nevertheless, the consolidated financial statements will be made available within four months from the end of the financial year and the interim reports will be made available within the statutory deadlines.

Principles of corporate governance

The guiding principle for the Management Board and the Supervisory Board is to ensure a sustained rise in the value of the Company. As such, securing the confidence of investors and other stakeholders in effective and transparent management is a matter of prime significance. The aim of Feike AG's investor relations activities is to achieve the level of transparency expected by the capital markets and to give shareholders a true and fair view on the Company. The Management Board and the Supervisory Board therefore constantly strive to optimize communication to ensure a sustained and appropriate valuation of the Company's share.

Information on risk management

A responsible approach to corporate risk is part of good corporate governance. Feike AG is in the course of establishing a systematic risk management system which shall also operate as Feike AG's early risk detection system. The Management Board regularly notifies the Supervisory Board of existing risks, their development and the preventive actions taken.

For further information, please refer to the "**Opportunity and Risk Report**" section in this report.

Annual General Meeting ("AGM")

The AGM provides an opportunity for the management to communicate with the investors and other stakeholders, face-to-face. By participating in the AGM, the shareholders can shape the Company's profile together with the management by exercising their voting rights in person or by proxy. Feike AG believes that the AGM represents an important investor relations instrument and an excellent opportunity to communicate with all its investors.

The first AGM of Feike AG was held on 29 July 2014.

Supervisory Board

The Supervisory Board supervises and consults with the Management Board concerning its managerial activities in accordance with the applicable statutory provisions and the Company's Articles of Association. The principles relating to the cooperation within the Supervisory Board are set forth in its rules of procedure. The Supervisory Board appoints the Management Board, and is entitled to dismiss its members for justifiable reasons. It informs the Supervisory Board regularly, promptly and comprehensively, especially concerning fundamental matters relating to corporate planning and the net assets, financial position and results of operations, as well as the Company's profitability and business trends. The Supervisory Board is involved in all decisions of fundamental importance for Feike AG.

Pursuant to Section 8 of the Articles and Association, the Supervisory Board consists of three members elected by the AGM. In the financial year 2014, no conflicts of interest with members of the Management Board or the Supervisory Board occurred which would require disclosure to the Supervisory Board and would need to be reported to the AGM.

The Supervisory Board currently consists of three members as follows:

Name	Date of birth	From	Term expires in*	Function
Michael Schatzschneider	23 May 1967	2014	2019	Chairman
Chaw Kiat Chuah	5 April 1956	2014	2019	Vice-Chairman
Mircle Ching Chai Yap	12 September 1977	2014	2019	Vice-Chairman

* The respective term of office expires after the Shareholders' General Meeting that formally approves the actions of the members of the Supervisory Board of the financial year 2018.

For further information, please refer to the "**Report of the Supervisory Board**" section in this report.

Management Board

The Management Board is the legal representative of Feike AG and therefore, it manages the Company's business transactions at its own responsibility. It develops the Company's strategic orientation, coordinates it with the Supervisory Board, and ensures that it is implemented. The Management Board discusses the status of strategy implementation with the Supervisory Board at regular intervals. The Management Board of Feike AG also ensures that statutory regulations and internal guidelines are complied with across all Group companies.

The rules of business procedure for the Management Board include more specific details about the Management Board's duties to report to the Supervisory Board, as well as certain types of transactions that the Management Board may perform only with Supervisory Board's approval. The rules of business procedure also include the schedule of responsibilities of the Management Board and provide regulations about matters reserved for the full Management Board.

The Management Board currently consists of two members as follows:

- Jiafa Li and
- Andy Hock Sim Liew.

Cooperation between Management Board and Supervisory Board

The dual management system of Feike AG, comprising a Management Board and a Supervisory Board, both of which have separate competencies, is a basic principle of the AktG. Within the context of responsible corporate management, the Management Board and the Supervisory Board work together closely and trustfully in management and oversight tasks for the benefit of the Company.

The Management Board and the Supervisory Board maintain constant exchange of information and ideas. The Management Board and the Supervisory Board are jointly responsible for ensuring that the Supervisory Board receives sufficient information. The Management Board provides the Supervisory Board with full and timely information on the development of the Company, its current state, current risks and the development of those risks. The strategy worked out by the Management Board is discussed and coordinated with the Supervisory Board. Progress in implementing strategic planning and possible deviations from the plans are reported to the Supervisory Board. Major decisions by the Management Board have to be approved by the Supervisory Board. The Management Board also informs the Supervisory Board of the management of risks and opportunities within the group.

The Supervisory Board oversees the work of the Management Board and is directly involved in decisions of fundamental importance to the Group. On a regular basis, the Supervisory Board receives written reports on the Feike Group's financial position, assets and results of operations. Furthermore, the Chairman of the Supervisory Board is informed directly and on a regular basis of the current situation, important business events and significant upcoming decisions and receives written reports from the Management Board on a monthly basis.

The work of the Supervisory Board is outlined every year in the "**Report of the Supervisory Board**", which is commented on by the Chairman of the Supervisory Board at the AGM.

Director's dealings

In accordance with Section 15a of the German Securities Trading Act (*Wertpapierhandelsgesetz* - **WpHG**), the members of the Management Board and the Supervisory Board have a legal obligation to disclose the purchase and sale of securities in Feike AG, insofar as the value of the transactions undertaken by the member and related parties reaches or exceeds EUR 5,000 in a calendar year. In the financial year 2014, no transactions in shares in Feike AG subject to Section 15a of the WpHG were undertaken by members of the Management Board and Supervisory Board of Feike AG subject to these disclosure requirements. Besides this, all future directors' dealings will be published on the Company's website at www.feike-ag.com.

As of the date of publication of this report, the members of Management Board and Supervisory Boards do not hold any shares of Feike AG. In addition, the Company does not hold any treasury stock.

Accounting and auditing

The Group's financial year runs from 1 January to 31 December. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") as adopted by the European Union ("**EU IFRS**").

The financial statements have been prepared under the going concern assumption. The principal accounting policies adopted in the preparation of the consolidated financial statements are set out in the notes to the consolidated financial statements. The policies have been consistently applied to all the financial years presented, unless otherwise stated. The consolidated financial statements have been generally prepared under the historical cost principle unless otherwise stated.

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions, balances, income, expenses, profits and losses resulting from inter-group transactions are therefore eliminated in full. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for similar transactions and events in similar circumstances.

The individual financial statements of Feike AG are prepared in accordance with the provision of the HGB and supplementary provisions of the Company‘s Articles of Association.

The Company‘s Management Board is responsible for preparing the individual and consolidated financial statements pursuant to the rules of the HGB. They are audited by an independent auditor which is elected by the AGM and approved by the Supervisory Board.

Corporate compliance

Compliance with the relevant statutory provisions for its operations and internal Group’s policies is an essential part of Feike AG’s corporate governance. It’s one of the key duties of all business areas to ensure compliance with the prevailing policies in the individual area of responsibility. All business activities in China are carries out in strict compliance with Chinese laws and international conventions. Specific compliance requirements are laid out in Feike Group’s code of conduct and its employee manuals and policies.

Avoiding conflicts of interest

In the 2014 financial year, no conflicts of interest among members of the Management Board or Supervisory Board occurred that would require disclosure to the Supervisory Board and the AGM. After thorough examination, the Supervisory Board believes that the business relationships named above do not affect the judgment of the members concerned and do not interfere with the independent consultation with and monitoring of the Managing Board by the Supervisory Board. It is the Supervisory Board‘s view that it includes a sufficient number of independent members.

Transparency

Shareholders and other interested parties can obtain information about Feike AG’s financial position and business development through financial reports, press release and/or ad hoc announcements and through attending the AGM. Current information is permanently available and may be obtained from the Company’s website at www.feike-ag.com, providing all relevant information both in German and English. Apart from extensive information about the Feike Group and the Company’s shares, the webpage contains the Company’s financial calendar providing an overview about all important events.

GROUP MANAGEMENT REPORT

1. The Feike Group

Feike Group is a specialised designer and manufacturer of children's footwear and apparel products with a leading position in the children's footwear market in China. Feike Group has focused on serving the children's footwear and apparel markets and has accumulated rich industry experience and established strong brand recognition since the commencement of its business in 2000.

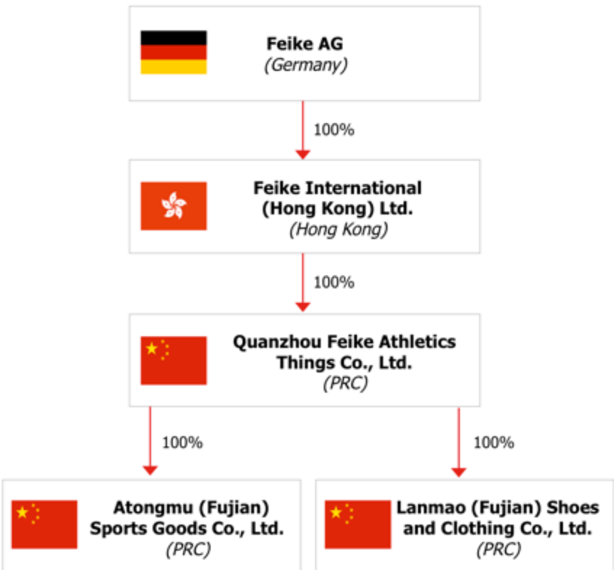
1.1. Group structure

The Feike Group comprises of five member companies, i.e. Feike AG (the "**Company**"), the holding company based in Berlin, Germany, the intermediate holding company, Feike International (Hong Kong) Limited ("**Feike HK**") based in Hong Kong and three subsidiaries based in China. The three China subsidiaries include Quanzhou Feike Athletics Things Co., Ltd. ("**Quanzhou Feike**"), Atongmu (Fujian) Sports Goods Co., Ltd. ("**ATM Fujian**") and Lanmao (Fujian) Shoes and Clothing Co., Ltd. ("**Lanmao Fujian**"), which were incorporated under the laws of the China and with its registered address in Quanzhou, Fujian province, China.

Feike AG was founded on 9 October 2013 as a shelf-company and registered in the commercial register with the local court of Charlottenburg, Germany on 15 October 2013.

On 4 June 2014 and on 7 July 2014, the extraordinary general shareholders' meeting of the Company resolved to increase the Company's share capital through a capital increase against contribution in kind: shareholders arranged for the contribution of all shares of Feike HK against the issuance of EUR 9,950,000 no-par value ordinary bearer shares each with a nominal value of EUR 1.00. The share capital increase became effective on 15 July 2014 when it was registered in the commercial register of the local court in Berlin.

The following diagram provides an overview of the current Feike Group structure as at 31 December 2014.



1.2. Business model

Feike Group is a leading manufacturer of children's footwear and apparel in China with three well-known brands, namely, "Feike", "Atongmu" and "Lanmao" brands. Footwear products comprise leather shoes, leisure shoes, beach shoes and cotton shoes while the apparel products comprise jackets, jumpers, shirts, shorts and trousers. In 2014, footwear products and apparel products accounted for 80.1% and 19.9%, respectively of the total revenue.

Feike Group has five production lines with annual capacity of 5 million unit of footwear. In 2014, the sales volume of Feike Group is approximately 14.7 million units of footwear and apparel products. Among which, approximately 68% of the sold products were outsourced to the sub-contractors in this particular year. All of the products sell to the 76 distributors in China. Feike Group's sales network currently includes 2,393 retail outlets in 27 provinces of China.

1.3. Business development in 2014

Business overview

Despite the slowdown of China economy in 2014, Feike Group's revenue increased by EUR 15.1 million or 14.0% to EUR 123.3 million. Besides that, the gross profit margin increased by 1.1% in the reporting period. The net profit margin was stable despite non-recurring IPO expenses. By excluding the IPO expenses, the net profit margin increased by 1.0% percentage points to 19.8% as compared to 2013.

All of the brands are recorded double digits growth in 2014. In particular, the apparel product was recorded a growth of more than 25%. The increase was in line with the Feike Group strategy to increase sales volume of apparel products and penetrate the highly fragmented children's apparel market.

Successful listing on the General Standard of Frankfurt Stock Exchange

On 31 July 2014, Feike AG was successfully listed and its shares are admitted for trading on the regulated market (General Standard) of the Frankfurt Stock Exchange. The initial listed price of the shares was EUR 7.50, corresponding to a market capitalization of EUR 75.0 million.

The listing is a strategic step to increase awareness of the Company and its reputation among business partners, consumers and investors. In the mid-term, the Company expects that the listing will enhance its brand image and open up new market opportunities. In addition, Feike AG considers the capital market as an additional financing option for strategic goals like the expansion of the sales network and a further increase in brand value once market sentiment brightens up again.

Shares of Feike AG are traded with the International Securities Identification Number (ISIN) DE000A1YCNB3, the Securities Identification Number (WKN) A1YCNB and the ticker symbol FKE on the General Standard of the Frankfurt Stock Exchange.

1.4. Group strategy

General

As at 31 December 2014, the sales network includes 2,393 retail outlets in 27 provinces of China and this is slightly missed our planned target of 2,400 retail outlets. The slower expansion pace is in response to the slower economy growth in 2014. Nevertheless, Feike Group, as the second largest manufacturer of children's footwear in China, is planning to penetrate the market and gain more market shares by continue to promote our brand awareness and offers astonishing products to our end consumer.

There are no major changes in the Feike Group's strategy as compared to the prior year with the exception of the establishment of flagship stores as mentioned in the "Brand awareness" session below.

Brand awareness

Feike Group intends to continue to promote its "Feike", "Atongmu" and "Lanmao" brands and to refine its brand strategy. Feike Group plans to research its end-consumers' spending patterns and product preference as well as its target markets' climatic conditions, local customs and demographics to allow it to obtain first-hand and insightful knowledge of its customer base through the expansion of its sales and distribution network as well as the collaboration with external marketing consultants. Feike Group believes that a better understanding of its customer base could help it to fine tune its product design and development programmes as well as its marketing efforts, which in turn could improve its brand loyalty, reputation and recognition.

In addition, Feike Group plans to launch one hundred flagship stores across China in 2015. These flagship stores will be established to showcase Feike Group's products and to let consumers experience the brand culture of Feike Group, thereby raising the profile of its brands. The flagship stores are planned be established in prime locations in major and fast-growing cities in China, such as Beijing, Shanghai and Guangzhou. The expected size of the flagship stores is approximately 40 to 60m^2 and a full range of Feike Group's products and accessories will be available in the flagship stores. Feike Group believes that the launch of flagship stores will enable Feike Group to have better control in driving the sales of its products and to further promote its brand image.

Sales and distribution network

Feike Group plans to continue the active expansion of its sales and distribution network and customer base, thereby seeking to enlarge its market share. To achieve this goal, Feike Group plans to continue strengthening its relationships with its existing distributors. The majority of Feike Group's 76 distributors have a business relationship of more than ten years with Feike Group. Feike Group is confident that its goodwill and track record will continue to secure orders from its existing distributors.

As part of Feike Group's geographic expansion efforts, Feike Group plans to penetrate into second- and third-tier cities in China to enable it to capture the business opportunities in these fast growing markets with less competitive pressure than in first-tier cities in China. Currently, Feike Group only appoints one distributor for each of its brands in a designated province. To drive the sales in second- and third-tier cities in China, Feike Group plans to appoint two distributors for each of its brands in provinces with relatively large population and strong market demand. The two distributors will operate in different regions as designated by Feike Group within such province and are expected to further develop retail outlets and drive the sales of Feike Group's products. Through the expansion of the distribution network, Feike Group plans to increase the number of retail outlets that sell Feike Group's products from 2,393 in 2014 to more than 2,500 by the end of 2015.

Product design and development capabilities

Feike Group believes that market research and product design and development capabilities are important factors in maintaining its core competitive advantages, and that its corporate strategies need to be guided by accurate and timely market information. Feike Group plans to invest more resources to further strengthen its existing design and development capabilities. Feike Group intends to recruit designers with long-standing industry experience, solid knowledge of children's footwear and apparel markets as well as extensive exposure to the domestic and international design trends. In addition, Feike Group plans to continue collaborating with its existing six external design firms to complement its design and development capabilities.

1.5. Design and development

Feike Group continuously strives to design and develop innovative and stylish products by relying on its internal design team and external design firms.

Feike Group has a design team of 36 employees. Its design team is headed by three design managers, who are responsible for designing and developing products under "Feike", "Atongmu" and "Lanmao" brands respectively. As of to date, we have registered 13 patents in China. In addition to its internal design force, Feike Group also works closely with six external design firms to capitalise on their product design capabilities and to diversify its product designs.

Feike Group strives to cater to the diversified tastes and preferences of consumers in different regions across China, while maintaining its unified brand images. In 2014, Feike Group has designed and developed more than 4,028 product design samples among which 1,473 product design samples were finally translated into mass production. In particular, approximately TEUR 431 (2013: TEUR 369) was spent on the design and development.

There are no major changes in the design and development activities as compared to the prior year.

2. Economic Environment

2.1. Macroeconomic environment

All sales revenue of Feike Group is generated by the sale of its products in the Chinese market and therefore, the business growth of the Feike Group is directly associated with the economic development of China. The economy of China has continued to expand rapidly over the last three decades and recently emerged as the world's second largest economy next to the United States. Now, by leveraging on its vast domestic demand and investment spending, the China economy managed to show signs of stabilization and steady improvement.

In 2014 the Chinese economy grew at 7.4%, which is 0.3% lower than 2013. The slowdown was mainly attributable to the slowdown in fixed asset investment and domestic consumption. Besides, the slowdown also represents the challenging economy outlook in China now whereby the sentiment is relatively weak and consumers are becoming more cautious in their spending. In addition, despite the China's economy was mainly driven by its domestic consumption, it would be affected by the headwinds from the world's economy, to a certain extent. The recent incidents, for example, political unrest in Ukraine, slowing European economy, in particular, the economic crisis in Russia and Greece, plummeting crude oil price and etc. will certainly have an impact on the China's economy.

2.2. Industry development

The rising disposable income and improved living standards in China have driven the rapid development of the children's footwear and apparel market in recent years. In addition, the relaxation of one-child policy in 2013 is expected to further boost the children's footwear and apparel market in China to the next new level. Nowadays in China, the children's footwear and apparel market is a sunrise industry that fills with positive factors.

Nevertheless, the booming industry has also attracted new players to the market and therefore, increased the competition in the industry. Among which, there are entry of international players and adult-wear players that are huge in size. International players, for example, Umi Shoes, a US-based children's footwear brand catering to the high-end segment and Kappa, an Italian sports clothing, footwear and accessories company, launched a sub-brand Kappa Kids entered the Chinese market in 2013 and 2012, respectively. On the other hand, adult-wear players, for example, Li-Ning introduced a sub-brand, Li-Ning Kids, to offer sports and leisure clothing for age group from five to ten in 2012.

The combined market size of the children's footwear and apparel market in China is estimated to reach EUR 29.2 billion in 2017, with the CAGR of approximately 11%. In particular, The children's apparel market in China is expected to increase from EUR 14.8 billion in 2013 to EUR 22.6 billion in 2017 by retail sales value, representing a CAGR of 11.1%, while the children's footwear market in China is expected to increase from EUR 4.4 billion in 2013 to EUR 6.6 billion in 2017 by retail sales value, representing a CAGR of 10.7%.

On top of that, children's footwear and apparel market in China is a highly fragmented market whereby the top 10 players only accounted for 19.7% and 8.7% of the market shares, respectively, in 2012.

3. Earnings, Assets and Financial Position of Feike Group[3]

3.1. Results of operations

The formation of Feike Group became legally effective by registration of the implementation of the capital increase in the commercial register of the local court of Berlin on 15 July 2014.

The table below presents the consolidated income statements for the indicated financial years of 2013 and 2014,

	2014 TEUR	2013 TEUR	Change in %
Revenue	123,320	108,178	14.0
Cost of sales	(84,344)	(75,196)	12.2
Gross profit	**38,976**	**32,982**	**18.2**
Other income	578	714	- 19.0
Distribution expenses	(4,156)	(3,601)	15.4
Administrative expenses	(2,050)	(1,053)	94.7
Other operating expenses	(1,245)	(5)	> 100
Profits from operations (EBIT)	**32,103**	**29,037**	**10.6**
Finance costs	(535)	(192)	> 100
Profit before income tax	**31,568**	**28,845**	**9.4**
Income tax	(8,435)	(8,533)	- 1.1
Net profit for the year	**23,133**	**20,312**	**13.9**
Gross margin in %	31.6%	30.5%	1.1 pp
EBIT margin in %	26.0%	26.8%	- 0.8 pp
Net profit margin in %	18.8%	18.8%	

Revenue

Revenue, defined as a financial key performance indicator, increased from TEUR 108,178 in the financial year 2013 by TEUR 15,142 or 14.0% to TEUR 123,320 in the financial year 2014. Measured in RMB revenue increased by 12.0% during the financial year. The increase was mainly attributable to the increased sales volumes resulting from increased number of authorized retail outlets (2,273 as at 31 December 2013 and 2,393 as at 31 December 2014). During the year, the number of units of footwear and apparel sold increased by 11.1% to 14,725 million while the average unit selling price increased by 1.1%.

Feike Group's revenue is derived solely from its subsidiaries in China. The Group generates revenue from the sale of its Feike, Lanmao and Atongmu brands' footwear and apparel.

Cost of sales

Cost of sales primarily consists of internal production costs and outsourced production costs.

Internal production costs include raw materials costs, labor costs and manufacturing costs incurred in the self-production of footwear. Outsourced production cost refers to the costs of procuring finished footwear and apparel, which represent amounts paid to contract manufacturers.

Cost of sales increased from TEUR 75,196 in the financial year 2013 by TEUR 9,148 or 12.2% to TEUR 84,344 in the financial year 2014. The increase was mainly attributable to the increased outsourced production costs and this is in line with the Feike Group's strategy to

[3] The reporting currency is the euro; figures are shown in TEUR. In some cases, this can give rise to rounding differences.

focus on building strong and leading brands in China and leave the production to the selected sub-contractors.

The following table presents a breakdown of cost of sales for the the financial year of 2013 and 2014,

	2014 TEUR	%	2013 TEUR	%
Internal production costs				
- Direct materials	22,756	27.0	22,232	29.6
- Direct labour	4,325	5.1	4,321	5.7
- Manufacturing overheads	1,731	2.1	2,000	2.7
Sub-total	28,812	34.2	28,553	38.0
Outsourced production costs				
- Footwear	38,658	45.8	33,477	44.5
- Apparel	16,874	20.0	13,166	17.5
Sub-total	55,532	65.8	46,643	62.0
Total	**84,344**	**100.0**	**75,196**	**100.0**

Gross profit and gross profit margin

Gross profit, defined as a financial key performance indicator, increased from TEUR 32,982 in the financial year 2013 by TEUR 5,994 or 18.2% to TEUR 38,976 in the financial year 2014. The gross profit margin was recorded at 31.6% for the financial year 2014 as compared to 30.5% of the financial year 2013. The increase in gross profit margin was mainly attributable to the general increased in the price range across the products.

Other income

Other income decreased from TEUR 714 in the financial year 2013 by TEUR 136 or 19.0% to TEUR 578 in the financial year 2014. The decrease in 2014 was mainly attributable to the initial measurement gain of TEUR 552 in 2013 derived from the amount owing to a shareholder, Mr. Fu Weijin which is interest free and repayable in three years (2014–2016) and partially offset by the government grant of TEUR 370 received from the local authority for the listing status obtained in the Frankfurt Stock Exchange.

Distribution expenses

Distribution expenses increased from TEUR 3,601 in the financial year 2013 by TEUR 555 or 15.4% to TEUR 4,156 in the financial year 2014. The increase was mainly attributable to the increase in sales incentives to the distributors and retailers in the financial year 2014. In term of percentage to revenue, distribution expenses remained stable as compared to the financial year 2013.

Administrative expenses

Administrative expenses increased from TEUR 1,053 in the financial year 2013 by TEUR 997 or 94.7% to TEUR 2,050 in the financial year 2014. The increase was mainly attributable to the increase in salaries and expenses incurred after listing in the Frankfurt Stock Exchange, for example, supervisory board fees, audit fees and etc. In term of percentage to revenue, administrative expenses increased from 1.0% to 1.7% from the financial year 2013 to 2014.

Other operating expenses

Other operating expenses increased from TEUR 5 in the financial year 2013 to TEUR 1,245 in the financial year 2014. The increase was mainly attributable to the recognition of the non-recurring IPO listing expenses in the financial year 2014.

Profits from operations (EBIT)

EBIT increased from TEUR 29,037 in the financial year 2013 by TEUR 3,066 or 10.6% to TEUR 32,103 in the financial year 2014. This represented EBIT margin of 26.0% (2013: 26.8%). The decrease in EBIT margin was mainly attributable to the non-recurring IPO listing expenses as mentioned above. By excluding the IPO expenses, EBIT amounted to TEUR 33,348 and EBIT margin increased by 1.0% to 27.0% and this is approximately 0.2% as compared to the financial year 2013.

Finance costs

Finance costs increased from TEUR 192 in the financial year 2013 by TEUR 343 to TEUR 535 in the financial year 2014. The increase was mainly attributable to the finance cost applying the effective interest method on the amount owing to a director, Mr. Fu Weijin which is interest free and repayable in three years. Followed by the initial recognition the measurement gain amounted to TEUR 552 as other income in the financial year 2013. TEUR 299 was recorded as finance costs in the financial year 2014 applying the effective interest method.

Income tax

Income tax decreased from TEUR 8,533 in the financial year 2013 by TEUR 98 or 1.1% to TEUR 8,435 in the financial year 2014. The relatively high income tax expense in the financial year 2013 was mainly attributable to the withholding income tax expense amounted to TEUR 1,820 incurred by the interim dividend distribution in the financial year 2013.

Net profit

Net profit, defined as a financial key performance indicator, increased from TEUR 20,312 in the financial year 2013 by TEUR 2,821 or 13.9% to TEUR 23,133 in the financial year 2014. This represented net profit margin of 18.8% in the financial year 2014 (2013: 18.8%).

Business performance by product type

The following table presents business performance by product type for the year ended 31 December 2013 and 2014,

TEUR	2014	2013	Change in %
Footwear products			
Revenue	98,722	88,860	11.1
% of total revenue	80.1%	82.1%	-2.0pp
Gross profit margin %	31.7%	30.2%	1.5pp
Apparel products			
Revenue	24,598	19,318	27.3
% of total revenue	19.9%	17.9%	2.0pp
Gross profit margin %	31.4%	31.8%	-0.4pp

Footwear products

In the financial year 2014, revenue for footwear products accounted for 80.1% of the total revenue. The revenue for the financial year 2013 increased from TEUR 88,860 by TEUR 9,862 or 11.1% to TEUR 98,722 in the financial year 2014. The increase in gross profit margin was mainly attributable to the increased sales volume from the beach shoes with higher gross profit margin.

Apparel products

In the financial year 2014, revenue for apparel products accounted for 19.9% of the total revenue. The revenue for the financial year 2013 increased from TEUR 19,318 by TEUR 5,280 or 27.3% to TEUR 24,598 in the financial year 2014. The increase in revenue ratio was in line with the Company's strategy to increase sales volume of apparel products and penetrate the highly fragmented children's apparel market.

3.2. Assets and financial position

Net assets

The following table presents the consolidated statements of financial position as at 31 December 2013 and 2014,

TEUR	31 Dec 2014	31 Dec 2013
Non-current assets	2,336	2,061
Current assets	105,657	68,470
Total assets	**107,993**	**70,531**
Total equity	76,221	45,136
Non-current liabilities	4,631	5,415
Current liabilities	27,141	19,980
Total liabilities and equity	**107,993**	**70,531**

Non-current assets:

Property, plant and equipment

Property, plant and equipment comprise mainly leasehold buildings, plant and machinery, IT equipment, motor vehicles and office equipment. Property, plant and equipment decreased from TEUR 1,183 as at 31 December 2013 by TEUR 18 or 1.5% to TEUR 1,165 as at 31 December 2014. The decrease was resulted by its annual depreciation and partially offset by the unrealized foreign exchange gain.

Land Use Rights

Land use rights represent the prepayments for land use rights. The balance increased from TEUR 617 as at 31 December 2013 by TEUR 64 or 10.4% to TEUR 681 as at 31 December 2014. The increase was resulted by the unrealized foreign exchange gain and its annual amortization.

Prepaid Lease Rental (Non-current and Current)

Prepaid lease rental represented the prepayments for lease of buildings. The balance increased from TEUR 190 as at 31 December 2013 by TEUR 247 to TEUR 437 as at 31 December 2014. The increase was mainly attributable to the prepayment for the office building that newly leases from a director in January 2014 and partially offset by its annual amortization.

Intangible Asset

Intangible asset comprises the two Lanmao related trademarks acquired from third party. The balance as at 31 December 2014 remained unchanged as compared to 31 December 2013 and this was the combined effect of the unrealized foreign exchange gain and its annual amortization.

Current assets:

Inventories

The balance increased from TEUR 2,198 as at 31 December 2013 by TEUR 209 or 9.5% to TEUR 2,407 as at 31 December 2014. The increase was attributable to the unrealized foreign exchange gain. Measured in RMB the inventories decreased slightly by 3.0% during the financial year. The decrease is in response to the slowdown in the China economy whereby the distributors are becoming more cautious in purchase and the Group also tends to reduce the inventories level.

Trade Receivables and Prepayments

The balance increased from TEUR 25,389 as at 31 December 2013 by TEUR 3,824 or 15.1% to TEUR 29,213 as at 31 December 2014. The increase was mainly attributable to the unrealized foreign exchange gain. Measured in RMB trade receivables increased slightly by 2.7% during the financial year. Followed by the challenging outlook in China, the Group tends to contain the trade receivables at a manageable level.

Trade receivables relate to the selling of footwear and apparel to the authorized distributors and prepayments represented the listing expenses prepaid for the IPO.

Total Equity

Equity increased from TEUR 45,136 as at 31 December 2013 by TEUR 31,085 or 68.9% to TEUR 76,221 as at 31 December 2014. The increase was mainly attributable to the strong profit after tax.

Equity comprises share capital, statutory reserve in China, capital reserve, foreign currency translation reserve and retained earnings.

Current liabilities:

Trade Payables and Other Payables

The balance increased from TEUR 12,459 as at 31 December 2013 by TEUR 6,012 or 48.3% to TEUR 18,471 as at 31 December 2014. The increase was mainly attributable to the increase in the outstanding balance from trade payables and the unrealized foreign exchange loss.

Trade payables primarily relate to the purchase of raw materials from raw material suppliers and outsourced products from contract manufacturers and other payables mainly comprise salary payables, miscellaneous taxes payables and miscellaneous payables.

Amount Owing to a Director (Non-current and Current)

The balance decreased from TEUR 7,816 as at 31 December 2013 by TEUR 502 or 6.4% to TEUR 7,314 as at 31 December 2014. The decrease was mainly attributable to a repayment to the director but partially offset by the unrealized foreign exchange loss and finance costs applying the effective interest method.

The balance was mainly attributable to the interest-free loan from director, which is repayable in three years (2014–2016).

Liquidity

The following table presents a summary of the cash flow data of Feike Group for the years ended 31 December 2013 and 2014,

TEUR	2014	2013	Change in %
Cash at the beginning of the year	40,829	30,785	32.6
Cash flows from operating activities	25,939	19,080	35.9
Cash (for) / from investing activities	(87)	116	> 100.0
Cash for financing activities	(380)	(8,588)	- 95.6
Cash at the end of the year	73,965	40,829	81.2

Cash generated from operating activities

Net cash flow generated from operating activities increased from TEUR 19,080 in the financial year 2013 by TEUR 6,859 or 35.9% to TEUR 25,939 in the financial year 2014. The increase was mainly attributable to the increased profit before tax and the increased trade receivables in smaller scale as compared to the previous year.

Cash flow used in investing activities

Net cash flow generated from investing activities decreased from TEUR 116 in the financial year 2013 by TEUR 203 to net cash flow used in investing activities of TEUR 87 in the financial year 2014. The decrease was mainly attributable to the prepayment for the office building that newly leases from a shareholder in January 2014 and partially offset by the interest received.

Cash flow used in financing activities

Net cash used in financing activities decreased significantly from TEUR 8,588 in the financial year 2013 by TEUR 8,208 to TEUR 380 in the financial year 2014. The relatively high net cash used in financing activities in the financial year 2013 was mainly attributable to the interim dividend distribution amounted to EUR 16,262 in that particular year.

Cash and cash equivalents at end of year

The balance increased from TEUR 40,829 as at 31 December 2013 by TEUR 33,136 or 81.2% to TEUR 73,965 as at 31 December 2014. The increase was mainly attributable to the cash generated from operations resulted by the increased profit before tax and the unrealized foreign exchange gain.

Regarding the liquidity of Feike AG, please refer to risks specific to Feike AG in the "**Opportunity and Risk Report**" section in this report.

4. Earnings, Asset and Financial Position of Feike AG

4.1. Results of operations

The table below presents the income statements for the indicated financial years of 2013 and 2014,

EUR	2014	2013	Change in %
Revenue	302,732	-	
Cost of sales	-	-	
Gross profit	**302,732**	**-**	
Other income	-	-	
Distribution expenses	-	-	
Administrative expenses	(562,992)	-	
Other operating expenses	(12,280)	(4,750)	
Loss from operations (EBIT)	**(272,540)**	**(4,750)**	
Finance costs	-	-	
Loss before income tax	**(272,540)**	**(4,750)**	
Income tax	-	-	
Net loss for the year	**(272,540)**	**(4,750)**	

Revenue

Revenue of the Company in financial year 2014 generated from the monthly management fees charged to its subsidiary, Quanzhou Feike and certain listing expenses charged back to its subsidiaries.

Administrative expenses

Administrative expenses primarily include audit expenses, supervisory board member remuneration, expenses for general meeting, stock exchange admission fees, legal and consulting expenses and accounting and tax advisory fees. The relatively high administrative expenses in the financial year 2014 were mainly attributable to the listing expenses amounted to EUR 248,732 which the Company charged back to its subsidiaries after initial recognition.

4.2. Assets and financial position

Net assets

The following table presents the consolidated statements of financial position as at 31 December 2013 and 2014,

EUR	31 Dec 2014	31 Dec 2013
Non-current assets	9,950,000	-
Current assets	321,420	12,500
Total assets	**10,271,420**	**12,500**
Total equity	9,722,710	7,750
Non-current liabilities	-	-
Current liabilities	548,710	4,750
Total liabilities and equity	**10,271,420**	**12,500**

Non-current assets

On 4 June 2014 and on 7 July 2014, the extraordinary general shareholders' meeting of the Company resolved to increase the Company's share capital through a capital increase against contribution in kind: shareholders arranged for the contribution of all shares of Feike HK against the issuance of EUR 9,950,000 no-par value ordinary bearer shares each with a nominal value of EUR 1.00. The share capital increase became effective on 15 July 2014 when it was registered in the commercial register of the local court in Berlin.

Current assets

The balance mainly represented the amount due from the Company's subsidiaries.

Current liabilities

The balance mainly represented the amounts due to other payables and the Company's subsidiaries.

Liquidity

Cash and cash equivalents amounted to EUR 11,573 as of 31 December 2014 (31 December 2013: EUR 12,500). Regarding the liquidity of Feike AG, please refer to risks specific to Feike AG in the "**Opportunity and Risk Report**" section in this report.

5. Financial and Non-Financial Key Performance Indicators

5.1. Financial Key Performance Indicators

As described in the chapter Earnings, Assets and Financial Position of Feike Group, the main financial key-performance-indicators are defined as revenue, gross profit and net profit. Please refer to the aforementioned chapter for further details and the development of the financial key performance indicators in the reporting period.

5.2. Supply and sourcing

Raw materials procured by Feike Group for the production of its products mainly include leather, synthetic leather, fabrics, rubber, soles and plastics. Feike Group has maintained several raw material suppliers for each type of raw materials in order to ensure a stable supply of quality raw materials. Most of our suppliers are located near our production facility, which allow us to minimise logistics costs.

In addition, Feike Group outsources the production of all of the apparel products and some of the footwear products to the selected contract manufacturers. The contract manufacturers are experienced and competent manufacturers in the industry and are capable of producing high quality products that satisfy Feike Group's stringent quality requirements. Feike Group generally provides the contract manufacturers with the designs and specifications of its products and the contract manufacturers purchase raw materials for production from suppliers as specified by Feike Group. Feike Group outsourced approximately 68% or 9.9 million units of footwear and apparel of our total production volume to the selected contract manufacturers in 2014. The number of outsourced units of footwear and apparel is considered as non-financial key performance indicator by the Group's management.

5.3. Customer relationships

All of Feike Group's sales are made on a wholesale basis to its distributors. The distributors then further sell our products through their self-owned retail outlets or on a wholesale basis to their authorised retail outlets. Feike Group's products are sold to end-consumers through an extensive network of retail outlets either owned or authorised by our distributors.

There are two types of retail outlets, including boutique outlets and points of sales. Boutique outlets are standalone retail outlets which exclusively sell Feike Group's products. Points of sales are primarily shop-in-shop outlets and dedicated shelf spaces in sports stores and department stores.

The number of authorised retail outlets increased from 2,273 as at 31 December 2013 by 120 or 5.3% to 2,393 as at 31 December 2014. The number of authorised retail outlets is considered as non-financial key performance indicator by the Group's management.

5.4. Human resources

As at 31 December 2014, Feike Group had 1,082 full-time employees as compared to 1,084 full-time employees of the corresponding period in 2013. The number of employees decreased slightly despite the growth of the revenue due to the increase in demand for the products was primarily resolved with increased outsourcing to the selected contract manufacturers.

The following table presents a breakdown of Feike Group's employees by function,

Number of employees	31 Dec 2014	31 Dec 2013
Production	907	904
Sales and marketing	31	31
Quality Control	30	31
Design and development	36	37
Administration and management	40	41
Finance and accounting	31	33
Procurement	7	7
Total	**1,082**	**1,084**

5.5. Environmental aspects

The China government has formulated and implemented various environmental protection laws and regulations. Under the environmental laws and relevant regulations, the construction, expansion and operation of production facilities are subject to certain government evaluation process, inspection procedures and approvals. Feike Group was accredited with the "Environmental Management System Certification (ISO14001:2004)" by China United Certification Centre in 2011.

6. Declaration of Conformity on Corporate Management

On 26 March 2015, the Management Board and Supervisory Board issued the statement pursuant to Section 289a of the HGB. The declaration, along with the corporate governance report, is permanently available on the Company's website at www.feike-ag.com.

7. Other Information

The following sections presents the information under takeover law required within the meaning of Section 315 Paragraph 4 of the HGB.

7.1. Composition of the share capital

The share capital of Feike AG was EUR 10,000,000 as of 31 December 2014 and was divided into 10,000,000 no-par value ordinary bearer shares each with a nominal value of EUR 1.00 per share.

The Company was established with registered share capital of EUR 50,000 divided into 50,000 no-par value ordinary bearer shares. On 4 June 2014 and on 7 July 2014, the extraordinary general shareholders' meeting of the Company resolved to increase the Company's share capital through a capital increase against contribution in kind: shareholders arranged for the contribution of all shares of Feike HK against the issuance of EUR 9,950,000 no-par value ordinary bearer shares each with a nominal value of EUR 1.00. The share capital increase became effective on 15 July 2014 when it was registered in the commercial register of the local court in Berlin.

7.2. Restrictions on voting rights and the transfer of shares

Restrictions on the voting rights of shares could result from Section 71b and Section 136 of the AktG. The Management Board is not aware of any other restrictions on the exercise of voting rights or the transfer of shares.

7.3. Shareholdings exceeding 10% of the voting rights

In accordance with Section 21 Clause 1a of the WpHG, every investor whose proportion of the voting rights in the Company reaches, exceeds or falls below certain thresholds as a result of the purchase or sale of shares or in any other way must notify the Company and the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* - **Bafin**) thereof. The lowest threshold for such disclosures is 3%.

At the time of publication of the Annual Report, only Mr. Weijin Fu, with a share of 73.15% indirect held interests in the Company that exceed 10% of Feike AG's voting rights. These shares are held through Crystal Exel Limited.

7.4. Shares with special rights according rights of control

There are no shares in the Company with special rights according rights of control.

7.5. Methods of controlling voting rights where employees hold shares in the Company and do not directly exercise their right of control

The Company currently does not have any employee stock programs.

7.6. Appointment and dismissal Management Board members

Management Board members are generally nominated and recalled from office pursuant to Section 84 of the AktG. The Supervisory Board determines the size of the Management Board which, under the Company‘s Articles of Association, consists of one or more members. If the Management Board consists of more than one member, the Supervisory Board may appoint one Management Board member as chairman or spokesman and another member as deputy chairman or spokesman. Furthermore, the Supervisory Board may appoint further members of the Management Board.

Members of the Management Board are appointed by the Supervisory Board for a maximum term of five years. Reappointment or extension of the term, for a maximum of five years in each case, is permissible upon a resolution of the Supervisory Board that may be adopted not earlier than one year prior to the expiration of the current term of office. The Supervisory Board may revoke the appointment of a Management Board member prior to the expiration of its term for good cause, such as for gross breach of fiduciary duties or if the General Shareholders‘ Meeting adopts a no-confidence resolution in relation to the Management Board member in question.

7.7. Amendments to the Company’s Articles of Association

Implementing amendments to the Articles of Association is governed by Section 133 and Section 179 of the AktG. In general, amendments require a resolution passed by the AGM of shareholders. However, pursuant to Section 14 of the Company‘s Articles of Association, the Supervisory Board is authorized to make amendments only concerning their wording.

7.8. Authorization of the Management Board to issue or buy back shares

Under Section 4 Paragraph 5 of the Articles of Association, the Management Board was authorized, until 16 July 2019, to increase the Company’s share capital, with the consent of the Supervisory Board, by up to EUR 5,000,000.00 by issuing new shares for cash or contributions in kind in one or more tranches.

By resolution of the Extraordinary General Shareholder’s Meeting on 17 July 2014, the Management Board is authorized to acquire own shares up to 10% of the share capital. The authorization will expire on the date on which the treasury stock exceeds the limit of 10% or on 16 July 2019.

The acquisition of own shares can take place via the stock exchange or by an offer to all shareholders. In financial year 2014, the Company did not make use of the authorization.

7.9. Principal agreements entered into by the Company that are governed by provisions on a change of control resulting from a takeover bid

There are no agreements which give the contractual partner a right of termination in the event of a change in the Company’s shareholder or ownership structure such that the shareholders or owners relinquish control over the Company.

8. Developments after the Reporting Period

No material events between the end of the reporting period and the date of the approval and authorization for issuance of the financial statements have occurred.

9. Dependency Company Report

Because there is no control agreement with the majority shareholder, the Management Board of Feike AG is required under Section 312 of the AktG to file a report on relationships with affiliated companies. This report contains information on the relationships with the majority shareholder and the companies in the Feike Group.

Pursuant to Section 312, Paragraph 3 of the AktG the Management Board declares:

"For all legal transactions and the measures disclosed in the dependency report in the year from 1 January 2014 to 31 December 2014, in the circumstances known to the members of the Management Board at the time these legal transactions or measures were concluded or omitted, Feike AG received an adequate consideration."

10. Outlook 2015

10.1. General strategy

Brand recognition and consumer acceptance are the determining factors for consumers in making purchasing decisions for children's footwear and apparel products. Feike Group's ability to maintain and enhance the market reputation of its brands is critical to its success. As such, Feike Group is continuing to invest in raising brand awareness. The principal measures include advertisements geared to the target group and the opening of flagship stores at strategic locations in cooperation with the respective distributor. The number of its retail outlets as non-financial key performance indicator is expected to reach approximately 2,500 by the end of 2015. The number of outsourced units of footwear and apparel as further non-financial key performance indicator is expected to reach 10.5 million units in 2015.

10.2. Macroeconomic environment

Feike Group derives its entire turnover substantially from sales of its products in China. The success of Feike Group's business depends on the condition and growth of the China consumer market, which in turn depends on macro-economic conditions and individual income levels in China. In 2015, the economy of China is expected to be grew at 7.0%, which is 0.4% lower than 2014. Despite the slowdown in the growth, the estimated growth rate of 7.0% in 2015 is still ahead of most of the countries in the world. With such growth rate, the accompanying increasing in disposal income, ongoing urbanization, higher productivity and the growth of added value are continuing and expected to lead to the further increase in retail sales of consumer goods in China. However, the mentioned positive factors are expected to be partially offset by the relatively weak consumer sentiment resulted by the slowdown. Given the tougher market and economic conditions moving forward, 2015 is expected to be an even more challenging year for Feike Group.

Last but not least, China, as the world's second largest economic entity, is vitality to be affected by the headwinds from the world's economy, to a certain extent. The recent incidents, for example, political unrest Ukraine, slowing European economy, in particular, the economic crisis in Russia and Greece, plummeting crude oil price and etc. will certainly are having an impact on the China's economy.

On top of that, the average rate of RMB for the first three months of 2015 has appreciated for more than 15% against EUR as compared to the average rate of 2014. In addition, the Euro is expected to depreciate further with the quantitative easing proposed of the European Central Bank. Despite the fact that Feike Group is not influenced by the fluctuation of foreign currency risks due to its operational activities are denominated mainly in RMB, but the appreciation of RMB against EUR will definitely have a favorable effect on Feike Group's consolidated financial statements that present in EUR.

10.3. Industry development

The children's footwear and apparel industry in China is characterized by intense competition from both international and domestic brands, and Feike Group expects competition to grow in this industry in the future. Moreover, due to the ever increasing significance of the Chinese market for multinational companies, Feike Group expects more of its international competitors to increase their business activities in China. As such, we will channel more resources to the design and development capabilities to further enhance our competitive edge and leading position in the industry.

On the other hand, the relaxation of one-child policy is expected to have a positive impact on Feike Group's business. According to the authority, there would be additional 1 to 2 million of newborn each year after the relaxation of one-child policy. In particular, such addition is expected to be on top of the existing base of 16 million newborn per year. In addition, with the rising disposable income, there is increasing brand awareness among consumers. Nowadays in China, the non-branded products are either being eliminated or struggling with the extremely low profit margin.

10.4. Feike Group's future business development

We expect our business will be continued to benefit from the growth of the China's economy and foresee that consumer spending will be the main growth driver in the future. The consumers in China are becoming increasingly quality-conscious and fashion trends and therefore, brand awareness are becoming more significant for purchasing decisions. Feike Group therefore sees good prospects of raising its share of the market for high-quality fashionable children's footwear and apparel in the coming years. In view of its present distribution network, the expected rise in the number of authorized retail outlets, its proven strength in product development and its stable financial position, we believe that it is well-positioned to derive benefit from the developments outlined here in 2015.

In 2015, we are expecting relatively stable gross and net profit margin and double digit growth in our revenue as compared to 2014. Nevertheless, the growth of our revenue in 2015 is forecasted based on the assumption of RMB's appreciation against EUR as mentioned in Section 10.2. Measured in RMB, the growth of our revenue in 2015 is forecasted range from 4% to 6%, after taken into the consideration of the factors from Section 10.2 to 10.4. We expect the growth of gross profit and net profit in the same range as the growth of revenue.

10.5. Future development of Feike AG

As Feike AG is a holding company for Feike Group with its main operations and business in China, the future development of the Company is highly dependent on the Chinese economy and expectations and perspectives of the operations in China as discussed above. Without considering potential dividend payments from its subsidiary, Feike AG expects to incur expenses comparable to the prior year, resulting mainly from administrative expenses incurred as a listed entity. Nevertheless, Feike AG is expecting a balanced to positive operating cash flow in 2015 and beyond which is provided by the monthly management fees charged to its subsidiary in China. The Company is going to reach this positive cash flow only after receiving the payment of the liabilities 2014 and implementing a sustainable financing structure including also monthly payments of the management fees on the accounts of Feike AG in Germany in order to face liquidity risks.

11. Opportunity and Risk Report

Feike Group is exposed to various types of risks which result from its own business activities and external factors. In view of this, the Management Board considers a responsible approach to these risks to be the basic precondition for long-term business success and therefore, Feike Group has made the risk management a central part of its corporate governance activities, with the goal to ensure the continued existence of the Group.

Feike Group views on risks and opportunities from an integrated management perspective. By continuously monitoring developments in the relevant target markets, regulatory conditions and economic environment, Feike Group is able to identify opportunities at an early stage. Current opportunities are the subject of regular meetings of the Management Board and the Supervisory Board. It thoroughly evaluates any identified opportunities and makes decisions regarding possible investments based on the results of the evaluation.

11.1. Risk management system (“RMS”)

Feike Group is in the process of establishing a risk management and detection system. The logic is to identify risks, evaluate the impact, mitigate the identified risks with appropriate actions and monitors the risks systematised in the framework of a risk management system. Risks are defined as internal and external that can impact to the operation of Feike Group. The identification of risks is on-going for the management of each field of responsibility. The ways to identify risks are from analysis of market situation and through collaboration and discussion with the sales and marketing team, distributors and suppliers. Information will be digested and evaluated as to the level of impact to Feike Group, whether the possibilities of occurrence are likely or unlikely. Yet, it is reasonable to expect that no absolute guarantee can be given that all uncertainties and risks will be detected.

By the end of 2014, Feike Group has engaged an external third party to design and develop a comprehensive RMS for Feike AG on a group-wide basis. The RMS is expected to be installed and implemented by end of April 2015.

11.2. Internal control system

Feike Group has an internal control system in place. The system is designed to ensure timely, uniform and accurate accounting for all business processes and transactions. It ensures compliance with statutory regulations and accounting and financial reporting standards. The relevance and consequences for the consolidated financial statements of any amendments to laws, accounting or financial reporting standards or other pronouncements are continually analysed. These measures serve to identify and evaluate risks, and to limit and monitor any risks that may be identified.

The accounting and financial process is managed by the accounting and finance department and controlled and supervised by the Management Board. Functions and responsibilities in these areas are clearly assigned and there are mutual control processes to ensure a continuous exchange of information. Feike Group’s subsidiaries prepare their financial statements locally and transmit them with the aid of a data model that is standardized throughout Feike Group. The subsidiaries are responsible for compliance with the directives and procedures applicable throughout Feike Group and for the proper and timely operation of their accounting-related processes and systems. The consolidation, certain reconciliation operations to Feike Group policies and monitoring of the related time schedules and procedures are performed by the accounting and finance department.

The internal control system for financial accounting is based on defined preventive and supervisory control mechanisms such as systematic and manual checking, predefined approval procedures, the separation of functions and compliance with guidelines. Appropriate IT precautions are in place to protect the financial systems used from unauthorised access. Financial accounting systems only use standard software. External consultants such as auditors and lawyers are consulted on changes and complex accounting issues, if any.

On top of that, we have developed an internal control system, which combines strategic planning with value-based management geared towards sustainable profitable growth in the medium to long term. Our key performance indicators are of financial and quantitative nature and support the management decision-making processes. We define revenue, gross profit and net profit as our main performance indicators. The Management Board is informed on a monthly basis as to the development of key financial ratios and early operating indicators for Feike Group.

Nevertheless, despite the measures taken above, there can never be any absolute certainty that material accounting misstatements are avoided.

11.3. Overall risk situation

Overall, the Group's risks are limited and quantifiable. Based on the information currently available, the Management Board is of the opinion that with regard to present and in the foreseeable future, there are no significant individual risks that could represent a threat to the survival of the Group despite the liquidity situation of the holding company Feike AG. In order to ensure the on-going continuation of its activity, the implementation of an adequate financing structure is required. The sustainable financing can only be ensured by its China subsidiaries. The service agreement Feike AG entered with a subsidiary in China might not be sufficient to ensure an on-going financing of Feike AG's activities if the payment is not made by the subsidiary promptly on a monthly basis.

11.4. Risk factors

Through its risk management activities, Feike Group has identified the following main risks:

Business model risks:

Market risk

Feike Group derives its entire turnover from sales of its products in China. The success of Feike Group's business depends on the condition and growth of the China consumer market, which in turn depends on macro-economic conditions and individual income levels in China. Consumer spending patterns may be adversely affected by, among other factors, business conditions, interest rates, taxation, local economic conditions, uncertainties about future economic prospects and shifts in discretionary spending toward other goods and services. Consumer tastes and preferences and economic conditions may differ or change from time to time in the market in which Feike Group operates.

There can be no assurance that the projected growth rates of the China economy and the China consumer market will be realised. Feike Group may not be able to maintain its historical rates of growth in net sales and net income, or remain profitable, particularly, if the retail environment is stagnant or declines. Further, a recession in the general economy or uncertainties regarding future economic prospects could affect consumer spending habits and may have a material adverse impact on the business, financial condition, results of operations, i.e. revenue, gross profit and net profit, and business prospects of Feike Group.

The probability for an occurrence of the aspects of market risk is considered as high, the potential effect on achieving forecasts or Feike Group's objectives is expected as medium.

Market competitive risk

Due to the ever increasing significance of the Chinese market for multinational companies, the Feike Group expects more of its international competitors to increase their business activities in the Chinese market. This could lead to intensified competition in the children's footwear and apparel industry as well as to increased competition for the recruitment of qualified personnel in China. There could also be new entrants in this market, and the new and existing competitors may have greater financial resources, greater scales of production, superior technology, better brand recognition and a wider, more diverse and established distribution network. Increased and intensified competition could result in lower margins or a loss of market share, either of which could have material adverse effects on the business, financial condition, results of operations, i.e. revenue, gross profit and net profit, and business prospects of Feike Group.

The children's footwear and apparel industry in China is characterised by intense competition from both international and domestic brands, and Feike Group expects competition to grow in this industry in the future. To mitigate these risks, Feike Group will continue to invest significant resources in the on-going development of new products and the improvement of existing products. The probability for an occurrence of the aspects of market competitive risk is considered as high, the potential effect on achieving forecasts or Feike Group's objectives is expected as medium.

Strategic risks:

Brand risk

Feike Group's success depends on the popularity of its brands and the market perception and consumer acceptance of its products, which are, in large part, dependent on its ability to predict, identify and interpret the market trends as well as the habits and tastes of consumers and to provide products that appeal to consumer preferences. Feike Group's failure to identify or adequately respond to shifts in consumer preferences may negatively affect its sales and market shares which in turn may lead to material adverse effects on the business, financial condition, results of operations and business prospects of Feike Group.

To mitigate these risks, Feike Group strives to anticipate the latest fashion trends by intensifying its design and development efforts as well as by pursuing strategic alliances with reputable fashion designers. The probability for an occurrence of the aspects of brand risk is considered as high, the potential effect on achieving forecasts or Feike Group's objectives is expected as medium.

Operational risks:

Marketing risk

Brand recognition and consumer acceptance are the determining factors for consumers in making purchasing decisions for children's footwear and apparel products. The Company's ability to maintain and enhance the market reputation of its brands is critical to its success. Should any of the above named risks materialise, this could have material adverse effects on Feike Group's business, financial condition, results of operations, i.e. revenue, gross profit and net profit, and business prospects.

To mitigate these risks, Feike Group is continuing to invest in raising brand awareness. The principal measures include advertisements geared to the target group and the opening of flagship stores at strategic locations in cooperation with the respective distributor. The probability for an occurrence of the aspects of marketing risk is considered as high, the potential effect on achieving forecasts or Feike Group’s objectives is expected as high.

Counterfeit product risk

Feike Group believes that its trademarks and other intellectual property rights are crucial to its success. Feike Group’s principal intellectual property rights include its various patents and trademarks as well as certain domain names. Feike Group depends, to a significant extent, on China law to protect its rights to intellectual properties, in particular patents, trademarks and domain names. Although Feike Group is not aware of any infringements upon any of its patents, trademarks and domain names, assurances cannot be made that third parties will not infringe upon such intellectual property rights in the future.

The legal proceedings may be time consuming and Feike Group may be required to devote substantial management time and resources in its attempts to achieve a favourable outcome. If Feike Group fails to timely identify any illicit use of its patents, trademarks, domain names and other intellectual properties, or if Feike Group is unsuccessful in legal proceedings against any misappropriation of and infringements on its intellectual property rights, this could damage the reputation of Feike Group’s brand and products and lead to a loss of profits, which would materially and adversely affect Feike Group’s business, financial condition, results of operations, i.e. revenue, gross profit and net profit, and business prospects.

To mitigate these risks, effective enforcement of intellectual property rights is important to maintain brand value and protect the Feike Group’s interests. Therefore, all products are marketed under the brand name of “Feike”, “ATM” and “Lanmao”, which are registered as trademarks in China. Due to the cost and difficulty of monitoring, however, unauthorised use or abuse of the brand cannot be ruled out. The probability for an occurrence of the aspects of counterfeit product risk is considered as high, the potential effect on achieving forecasts or Feike Group’s objectives is expected as low.

Outsourcing risk

Feike Group relies on contract manufacturers for the production of all of its children’s apparel products and some of its footwear products and its reliance on contract manufacturers may grow as a result of increased demand for its products. Contract manufacturers may not always be able to provide Feike Group with products of sufficiently high quality, sufficient quantity, in a timely manner and at a competitive price. In addition, as some of Feike Group’s contract manufacturers also manufacture products for other companies, Feike Group’s contract manufacturers may not treat Feike Group’s purchase orders as a priority when allocating their production capacity to their various customers. Difficulties or delays in the production process of Feike Group’s contract manufacturers could also result in delays or failures in the delivery of contracted products to Feike Group. If any of the above risks were to materialise, Feike might not be able to deliver products to its distributors on a timely basis or at all, which could materially and adversely affect its business, financial condition, results, i.e. revenue, gross profit and net profit, of operations and business prospects.

To mitigate these risks, Feike Group diversifies its business relations to a broad range of business partners. Besides, the management adopted quality control measures, including onsite inspections on the factory premises of its partners it engages. Therefore the management currently regards the probability that the risk occurs as low but the potential effect on achieving forecasts or Feike Group’s objectives as low.

Human resources risk

Feike Group's production process and technological progress is dependent on qualified personnel. Such personnel could be unavailable or its cost could increase. Key executive management personnel could leave Feike Group and join Feike Group's competitors, with a resultant transfer of know-how.

To mitigate these risks, Feike Group provides a safe working environment and continues to invest in and train its employees. Besides, Feike Group pays its staff salary above the average in the city of Quanzhou. Furthermore, Feike Group has established a very strong second management line within Feike Group. Therefore the management does currently regard this risk as low in probability of occurrence and potential effects on achieving forecasts or objectives.

Risk of increasing labour costs

Feike Group relies on a significant number of designers, technicians and skilled workers to support Feike Group's product development and manufacturing processes. Feike Group had 1,082 employees as at 31 December 2014. In recent years, average labour costs in China have increased due to higher living standards and the China Government's recent policies to raise the minimum wage for workers. Moreover, as the competition for skilled workers is increasingly intense, Feike Group may need to enhance Feike Group's remuneration packages and welfare benefits to Feike Group's employees in order to recruit and retain staff. Any significant increase in labour costs could adversely affect Feike Group's margins and profitability to the extent Feike Group is not able to pass on such cost increases to Feike Group's customers. Feike Group's ability to pass on such increased costs may be limited by competitive pressure in the market.

However, taken into consideration that the staff costs accounted for approximately 5% of the total manufacturing costs in the financial year 2014 and therefore, the management does currently regard this risk as low in probability of occurrence and potential effects on achieving forecasts or objectives.

Risk of higher raw materials prices

Feike Group purchases all of its raw materials, in particular fabrics, components and finished products from domestic suppliers and contract manufacturers. China is recently suffering from rising inflation rates, and Feike Group expects the upward trend of inflation to continue in the near future. Any further increase in the price of raw materials, components and finished products sourced by Feike Group may decrease its operating profits if it will be unable to pass on all or part of the increased costs to its customers, which could materially and adversely affect its business, financial condition, results of operations, i.e. revenue, gross profit and net profit, and business prospects.

To mitigate these risks, the management has implemented a cost plus pricing policy which enables Feike Group to pass on the inflation of raw materials to customers. Furthermore, the Feike Group does not retain any redundant inventory, but instead sources raw materials from suppliers only after the sales order is secured. Therefore the management does currently regard this risk as low in probability of occurrence and potential effects on achieving forecasts or objectives.

Insurance risk

The operations of Feike Group are subject to hazards and risks normally associated with manufacturing operations in China, which may cause damage to persons or property. Feike Group may therefore be subject to product liability claims in the event that any of its products is alleged to have a defect which causes harm or damage to a consumer, and Feike Group may, as a result, have to dedicate significant financial and managerial resources to defending itself against such claims. Currently, Feike Group does not maintain product liability insurance coverage. Although Feike Group has not been subject to any material product recalls, major complaints against its products or any material amount of sales returns, there can be no assurance that Feike Group's business, financial condition, results of operations, i.e. revenue, gross profit and net profit, and business prospects will not be negatively affected by a successful product liability claim that may be brought against it in the future.

In addition, Feike Group does not maintain third-party liability insurance against claims for property damage or personal injury. Regardless of the ultimate merits of a claim or dispute, Feike Group may face significant costs and expenses incurred in defending itself against such claims or in entering into settlement agreements and Feike Group may suffer serious damage to its reputation, be subject to material monetary damages and be subject to government investigations as a result. Such cases may lead to fines and sanctions against Feike Group and furthermore may result in a negative public perception of its brands.

Feike Group has insurance coverage for its fixed assets and production facilities in connection with basic risks such as integrated property risks including fire, explosion and other natural disasters. However, such insurances are not sufficient to cover all potential liability or losses of Feike Group. Additionally, unexpected events outside the control of Feike Group, such as power loss, fire, flood or other acts of God or war, could result in substantial losses and the inability to repair damages in a timely manner or at all, causing significant harm to Feike Group's operations and profitability. Furthermore, Feike Group does not maintain business interruption insurance. Feike Group may also become subject to liabilities for other events that cannot be insured against or against which it may elect not to be insured because of the cost associated with high premiums or any other reasons. Feike Group does not separately set aside reserves or make provisions for any uninsured or not sufficiently insured events. The probability for an occurrence of the aspects of insurance risks is considered as medium, the potential effect on achieving forecasts or Feike Group's objectives is expected as low.

Environmental risks

Feike Group's manufacturing operations generate different emissions and wastes, and it is subject to various regulations in China relating to the use, storage, discharge and disposal of such emissions and wastes. While the Feike Group believes that Feike Group has adopted anti-pollution measures for the effective maintenance of environmental protection standards consistent with the practice of the children's footwear and apparel industry in China, there is no guarantee that Feike Group will not be subject to environmental, health or safety liabilities or litigation that could result in an assessment of damages, imposition of fines, suspension of production or cessation of operations. In addition, changes in environmental, health or safety regulations could require Feike Group to acquire costly equipment, modify its operations or to incur other significant compliance expenses. All of the above could have material adverse effects on Feike Group's business, financial condition, results of operations, i.e. revenue, gross profit and net profit, and business prospects.

Under the applicable environmental laws and regulations, the construction, expansion and operation of Feike Group's production facilities are subject to certain government evaluation processes, inspection procedures and approvals. Should Feike Group fail to go through such government processes or procedures or to obtain such government approvals, it may be subject to fines and penalties imposed by the relevant China environmental authorities. The probability for an occurrence of the aspects of environmental risks is considered as low, the potential effect on achieving forecasts or Feike Group's objectives is expected as low.

Social insurance risk

Under China laws, employers are required to pay social insurance contributions, including basic pension insurance, basic medical insurance, employment injury insurance, unemployment insurance and maternity insurance for their employees, which are calculated

- on the basis of the employee's actual income (however, the salary amount to be used as a calculation basis may not exceed three times the official average salary in the previous year),
- unless the employee's salary is lower than the official minimum amount ("MA") released by the respective local authority, in which case the said MA will form the basis for the calculation.

If an employer fails to fully pay the social insurance contributions, it may be (i) ordered to pay the outstanding amount within a required timeline and a late payment fine of 0.05% of the deficiency per day (the fine is only applicable for the outstanding amount incurred after 1 July 2011); as well as (ii) sanctioned with a penalty ranging from one to three times the outstanding amount, if the employer fails to pay the outstanding amount within the set timeline.

Please refer to Note 24 "Contingent Liabilities" in the "**Notes to the Consolidated Financial Statements**" section in this report. The probability for an occurrence of the aspects of social insurance risk is considered as low, the potential effect on achieving forecasts or the Group's objectives is expected as low.

Legal risks:

Litigations

Litigation 1

On 3 June 2013, a Japanese company, Tezuka Productions Co., Ltd. ("Tezuka"), brought a law suit in Quanzhou Intermediate People's Court against ATM Fujian for the alleged copyright infringement of ATM Fujian.

Tezuka alleged that "Atongmu" is the Chinese spelling for the name of a cartoon figure originally designed and created by Mr. Tezuka Osamu in the 1950s. Tezuka alleged that ATM Fujian has infringed the copyright of Tezuka by using the Chinese name "Atongmu" as a part of its company name and hence requested that the court award the following judgment:

i) ATM Fujian to cease using the Chinese name "Atongmu" as a part of its company name;

ii) All the litigation fees are to be borne by ATM Fujian.

Quanzhou Intermediate People's Court has on 6 December 2013 given its award. According to the award, the company name of ATM Fujian has been legally registered. ATM Fujian shall be entitled to use "Atongmu" a part of its company name and shall be protected by the laws. Hence the claims of Tezuka were rejected. Tezuka did not accept the award of Quanzhou Intermediate People's Court and has appealed to the Fujian High People's Court. At the date of this report, the award of Fujian High People's Court is still pending. The China legal counsel expects the award of the Fujian High People's Court be upheld during the second trial.

Litigation 2

On 21 October 2013, Tezuka has also brought another law suit in the Beijing Second Intermediate People's Court against ATM Fujian and Beijing Shoushang Group Co., Ltd. Xidan Market, ("Xidan Market") for the alleged infringement by ATM Fujian and Xidan Market of the copyright of Tezuka. According to Tezuka's allegations, ATM Fujian used some cartoon figures in the company's websites, marketing materials, children's shoes packing boxes and tags. These cartoon figures are similar to the cartoon figures originally designed and created by Mr. Tezuka Osamu. The copyright of the infringed cartoon figures have been registered with the National Copyright Administration of the People's Republic of China and have been legally patented to Tezuka. The children's shoes with the alleged similar cartoon figures were found being sold in Xidan Market, hence, Tezuka requested that the court award the following judgment:

i) ATM Fujian shall stop the use of the infringed cartoon figures in the websites, products and any advertising materials of the proprietary works owned by Tezuka;

ii) ATM Fujian is to publish an apology to Tezuka in the Economic Daily;

iii) ATM Fujian is to pay a compensation of RMB 500,000 (approximately EUR 59,500) to Tezuka;

iv) ATM Fujian is to bear the costs of RMB 153,416 (approximately EUR 18,257) incurred by Tezuka in relation to the prevention of the alleged copyright infringement;

v) Xidan Market is to stop the sales of the products that would infringe the copyright of Tezuka; and

vi) The litigation fees are to be borne by ATM Fujian and Xidan Market.

ATM Fujian made a provision of RMB 210,000 (approximately EUR 25,000) in the financial statements. The legal counsel is of the view that the total costs required to be borne by ATM Fujian approximated RMB 200,000 (approximately EUR 23,800) only since ATM Fujian had removed the cartoon figures that infringed the copyright of Tezuka in its company websites, marketing materials, children's shoes packing boxes and tags. Accordingly, the amount provided for in the financial statements is considered to be adequate.

The probability for an occurrence of the aspects of litigation risks is considered as high, the potential effect on achieving forecasts or Feike Group's objectives is expected as low.

Financial risks:

Liquidity risk

The Company Feike AG as well as the Feike Group depends on cash generated from its subsidiaries in China to operate and expand its business. Any failure by the Company or the Feike Group to obtain sufficient funding may adversely impact its going concern. Due to the high cash flow from operating activities, the funding of the operating activities in China can be considered as solidly based.

In order to mitigate the risks from a Feike AG point of view, the Company charges management fees to its China subsidiaries on monthly basis to sustain its operation in Germany. Considering further potential liquidity requirements for the Company, it may face the restrictions described as follows. Dividends to be paid by the operating PRC subsidiaries are subject to the approval of the relevant Chinese government authorities. In addition, dividends are payable only if the Chinese statutory reserve satisfies the legal requirements. Transfer of cash out of China requires approval from the State Administration of Foreign Exchange (“SAFE”). Please refer to the paragraph on risks specific to Feike AG for further descriptions and details.

The probability for an occurrence of the aspects of liquidity risk is considered as low from a perspective of the China subsidiaries and high from Feike AG’s point of view. The potential effect on achieving forecasts or the group’s objectives is expected as medium for the Feike Group and the holding company, since the potential risks regarding the parent company may also affect the continuance of the Feike Group.

Foreign exchange rate risk

The consolidated financial statements of the Feike Group were prepared in EUR, while its functional currency is RMB, which is currently not a freely convertible currency. A devaluation of the RMB versus the EUR would therefore have an adverse currency translation effect on Feike Group’s consolidated financial statements. As the value of the RMB is controlled by China authorities, it is also possible that foreign exchange policies of the China government could have a significant impact on currency exchange rates. Therefore, fluctuations in currency exchange rates could have material adverse effects on the business, financial condition and results of operations, i.e. revenue, gross profit and net profit.

However, the operational activities of Feike Group are denominated mainly in RMB and are not influenced by the fluctuations in foreign exchange rates, except for certain transactions carried out by Feike AG, and the translation of the financial statements from RMB to EUR. Therefore, the management considers the probability for an occurrence of the aspects of foreign exchange risk as medium. The potential effect on achieving forecasts or the group’s objectives is also expected as low. However, the potential effects on the consolidated financial statements of the Group, which are presented in EUR, are expected as medium.

Interest rate risk

Feike Group relies on loans taken from banks located in China. The on-going growth of the Feike Group will not allow it to significantly reduce this reliance within the near future. Feike Group will therefore be exposed to changes in market interest rates through the bank borrowings being renewed at interest rates different to those currently in place. In addition, those banks located in China are subject to China rules and regulations applicable to such financial institutions. The introduction of changes or new rules and regulations might reduce the total volume of loans offered by those banks to its customers in China leading to a tightened loan market. Therefore, a tightened China loan market and/or fluctuations in interest rates could have material adverse effects on the business, financial condition and finance results. However, the exposure to interest rates for the Group's funds deposited with banks is considered as being immaterial.

Credit risk

The general credit tightening in China may affect suppliers and also customers in China. With respect to Group suppliers, this could lead to an increased need for working capital within the Feike Group and also possible supply disruption caused by suppliers with insufficient capital to support their own activities. For its Chinese customers, this could lead to extended debtor days, increasing bad debt provisions and therefore additional refinancing needs for the Group. The same issue, however, would also affect Feike Group's competitors on the Chinese market, which may lead to less liquid competitors being forced into bankruptcy or becoming target of acquisition or consolidation. Feike Group believes that this may have beneficial consequences, and allow it, due to its superior financial structure, to take additional market share in the market as a whole. The probability for an occurrence of the aspects of credit risk is considered as medium, the potential effect on achieving forecasts or Feike Group's objectives is expected as low.

Corporate governance risk – majority shareholder

The majority shareholder, as described in the notes to the financial statements, holds indirectly 73.15% of the shares of Feike AG and is also the leading and only manager authorized to represent individually the operating subsidiaries in China and Feike HK. As a consequence, the Management Board of Feike AG is not able to govern the group of companies independently.

Risks specific to Feike AG:

Feike AG is a holding company without any operating business of its own. Since the Company only holds the shares in the subsidiary Feike HK as relevant asset, the risks related to the carrying amount of this investment in the financial statements of Feike AG is to be considered. A decrease in the revenue situation of the subsidiary can also result in a potential impairment of the carrying amount of the shareholding. However, based on the economic situation and outlook of the group companies located in China and held by Feike HK, no such impairment is expected in a mid-term future.

Regarding potential risks arising from the environment for the assets held indirectly by Feike AG please refer to the following explanations. These assets are largely located in China. Accordingly, Feike AG is facing risks related to the political, social and legal environment of China. Those risks include inherent uncertainties and inconsistencies in the country's legal system including national taxation laws, a potential destabilisation of the political and/or economic system and China regulations pertaining to loans and capital investments by offshore parent companies.

As Feike AG is a holding company for Feike Group, Feike AG relies on management fees or dividend payments from its subsidiaries to finance its expenses as a listed entity. The cash and cash equivalents of Feike AG as of 31 December 2014 are low and not sufficient to meet the expected payment obligations. Please refer also to the explanations provided with regards in the section dedicated to the liquidity risk above.

Current China regulations permit the payment of dividends only out of accumulated profits determined in accordance with Chinese accounting standards and regulations. In addition, a subsidiary of the company, is required to set aside at least 10% of its after-tax profits each year to fund a statutory reserve fund until such reserves in aggregate reach 50% of its registered capital. Furthermore, foreign-invested entities may be required to set aside a portion of their after-tax profits to fund an employee welfare fund in an amount which lies within the discretion of the subsidiary's board. These reserves are not distributable as cash dividends.

Under China foreign exchange rules and regulations, payments of current account items, including profit distributions and operating-related expenditures, may be made in foreign currencies without prior approval but are subject to procedural requirements. Strict foreign exchange controls continue to apply to capital account transactions. These transactions must be approved by and/or registered with the State Administration of Foreign Exchange ("**SAFE**") or its local counterparts, and repayment of loan principal, distribution of return on direct capital investment and investments in negotiable instruments are also subject to restrictions.

Should any of the China subsidiaries of Feike AG be, or become, restricted and/or legally prohibited from and/or unable to pay dividends or other distributions outside of China, this could have material adverse effects on Feike AG's financial condition.

However, although the economic environment appears fine, the economic development of China might lead to new challenges and risks for the operating China entities which could have a material adverse effect on business, financial condition and results of operations limiting the operating China entities' ability to paying dividends to Feike AG.

The majority shareholding in Feike AG as described above in the paragraph about the corporate governance risk could result in an inability for the executive board to mitigate the risks specific to Feike AG, which are described in this chapter.

The liquidity risks for the holding company show a medium probability of occurrence and a high potential effect on the Company. The risks associated to the assets of the Company show a low probability of occurrence and the potential effect on the holding company is expected as medium.

11.5. Opportunity Report

Leading position in children's footwear market

Feike Group is a specialized designer and manufacturer of children's footwear and apparel products with a leading position in the children's footwear market in China. Feike's "Lanmao" and "Feike" brands ranked 6th and 10th respectively among children's footwear brands in China by retail sales value in 2012, representing 1.5% and 1.3%, respectively, of the total market share by their retail sales values. Particular focus on the children's footwear and apparel markets enables Feike Group to gain substantial industry experience and to respond to the trend and development in the markets rapidly, which in turn has contributed to Feike Group's exponential growth and has earned Feike various recognitions, such as a "Star Enterprise" and an "Advanced Enterprise in Establishing Top Brand".

Feike Group is mainly competing with children's footwear and apparel market industry players in China and its strategies are to introduce high quality products to suit the customers' need and extend the market coverage to further reinforce the brand image. The design and development team is working closely with sales department and distributors to introduce new products to the market; while the operating team is working with a view to introducing more capable distributors that is to avoid the risks on relying too much on single product, or a single distributor.

In addition, the specialized industry focus has gained Feike Group a strong foothold in the fast-growing children's footwear and apparel markets. Driven by the increasing income level, elevating living standards and accelerating urbanization process in China, the children's footwear and apparel markets have grown rapidly in the past years. The Group believes that it is well-positioned to benefit from the rapid growth of the children's footwear and apparel markets in China and can secure stable and recurring orders from its existing and potential customers.

Well-known brands

Feike Group currently sells its products under three self-owned brands, namely "Feike", "Atongmu" and "Lanmao" brands. Feike Group believes that there is significant market potential for children's products based on popular cartoon characters. The "Atongmu" brand is designed based on a popular cartoon character in Japan and the "Lanmao" brand is designed based on a popular cartoon character in China. Both cartoon characters possess a high level of recognition, popularity and appeal among children in China, who are end-consumers of Feike Group's products.

Feike Group's brands have received numerous awards and recognitions, owing to its great brand promotion efforts and strong brand recognition. The "Feike" brand was recognized as a "Fujian Province Famous Brand" in 2007 and as the "Fujian Province Famous Products" in 2008. The "Atongmu" brand was recognized as the "Top Ten Brands of Chinese Children's Shoes" in 2010. The "Lanmao" brand was recognized as the "Haixi Top Ten Leading Brands of Children's Shoes", a "Fujian Province Famous Brand" and the "Top Ten Children's Shoes Brands" in 2010, 2011 and 2012 respectively. Feike Group believes that it can continue enhancing its brand recognition and reputation.

Multi-brand strategy

Feike Group adopts a multi-brand strategy by operating three self-owned brands, namely "Feike", "Atongmu" and "Lanmao" brands. The multi-brand strategy distinguishes Feike Group from its competitors who normally only operate one brand. Generally speaking, for each of its "Feike", "Atongmu" and "Lanmao" brands, Feike Group only appoints one distributor exclusively for each designated province. Therefore, the multi-brand strategy enables Feike Group to develop an extensive distribution network, to manage the sales effectively and to lower the risks of reliance on its major distributors. In addition, the multi-brand strategy allows Feike Group to diversify the risks of relying on a single brand, to adjust its development strategy flexibly according to market conditions and to expand its overall market share in the children's footwear market rapidly. Feike Group deploys different brand positioning for its brands, so as to cater to varying consumer needs and to attract various consumer bases. Feike Group offers footwear products only under "Feike" and "Atongmu" brands while offering footwear and apparel products under "Lanmao" brand.

In line with its multi-brand strategy, Feike Group launches multi-faceted advertising and promotional activities. Among other things, Feike Group has sponsored a spokesperson campaign since 2009. The spokesperson campaign is a nationwide annual talent search event to identify suitable candidates to be Feike Group's spokesperson. Themed at "Red Dream", the spokesperson campaign has attracted huge public attention. Feike Group aims to convey the idea that it cares for the children and its goal is to improve the living quality and standard of the children in China.

Extensive nationwide sales and distribution network

Feike Group has an integrated and mature business model. Feike Group focuses on the key stages of the product life cycle, such as product design and development, brand promotion and management as well as sales and marketing. Based on Feike Group's own assessment, such business model enables it to allocate its management and production resources efficiently, to expand its sales and distribution network rapidly, to avoid direct exposure to operational and financial risks such as accumulation of inventory and to respond to market needs and trends promptly.

Feike Group has an extensive, well-established sales and distribution network with wide geographic coverage. Feike Group makes its sales exclusively to its distributors on a wholesale basis, who further sell Feike Group's products through their self-owned retail outlets or on a wholesale basis to their authorized retail outlets. Feike Group's products are sold to end-consumers through an extensive network of retail outlets either owned or authorized by Feike Group's distributors. As at 31 December 2014, Feike Group sold its products to 76 distributors, who further sell the products through 2,393 self-owned or authorized retail outlets, reaching 27 provinces across China. All of Feike Group's distributors are independent third parties. Feike Group has built strong relationships with its distributors. The majority of its distributors have an established business relationship of more than ten years with Feike Group. The distributors are required to comply with and implement certain operational guidelines set by Feike Group, including the adoption of unified pricing policy and the implementation of uniform design and layout in the retail outlets.

Feike Group believes that its well-established sales and distribution network with extensive geographic penetration enables it to capture the business opportunities in the fast-growing children's footwear and apparel markets.

Strong product design and development capabilities

Feike Group continuously strives to design and develop innovative and stylish products. Feike Group conducts product design and development through its internal design team as well as its external design firms. Feike Group has a design team comprising 36 employees. Feike Group's design team is headed by three design managers, who are responsible for designing and developing products under "Feike", "Atongmu" and "Lanmao" brands, respectively. The design managers have served Feike Group for over seven years and have on average ten years of design-related work experience, including experience working in professional design firms. In addition, Feike Group also works closely with approximately six external design firms to capitalize on their product design capabilities. The Feike Group believes that by leveraging on its profound understanding of market trends and consumers' needs and its close collaboration with the external design firms, Feike Group is able to transform product concepts into commercially viable and popular products in an efficient and effectively manner.

Propelled by its strong product design and development capabilities, Feike Group is able to offer a diversified product portfolio encompassing a wide range of children's footwear and apparel products. Feike Group's footwear products comprise leather shoes; leisure shoes including sports shoes, fashion shoes and outdoor shoes; beach shoes as well as cotton shoes. Its apparel products mainly comprise jackets, jumpers, shirts, shorts and trousers. Footwear products are Feike Group's main product line. As at 31 December 2014, Feike Group had a product portfolio of approximately 1,473 types of products, which offers extensive coverage of products for children from newborn to sixteen years of age. With well-known brands and diversified product portfolio, the Company believes it can continue to attract different consumer groups and provide the consumers with a one-stop shopping experience.

Berlin, 29 April 2015,

Feike AG

The Management Board

Mr. Jiafa LI (CEO) Mr. Andy Hock Sim LIEW (CFO)

Consolidated Financial Statements
For The Financial Year Ended 31 December 2014

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Consolidated Statements Of Financial Position
At 31 December 2014

	Note	2014 EUR'000	2013 EUR'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,165	1,183
Land use rights	5	681	617
Prepaid lease rental	6	365	136
Intangible assets	7	125	125
		2,336	2,061
CURRENT ASSETS			
Prepaid lease rental	6	72	54
Inventories	8	2,407	2,198
Trade and other receivables	9	29,213	25,389
Cash and cash equivalents	10	73,965	40,829
		105,657	68,470
TOTAL ASSETS		**107,993**	**70,531**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	10,000	12
Retained earnings	12	63,249	40,208
Other reserves	12	2,972	4,916
		66,221	45,124
TOTAL EQUITY		**76,221**	**45,136**
NON-CURRENT LIABILITY			
Amount owing to a director	13	4,631	5,415
CURRENT LIABILITIES			
Trade and other payables	14	18,471	12,459
Interest-bearing bank borrowings	15	3,353	2,970
Amount owing to a director	13	2,683	2,401
Income tax payable	16	2,634	2,150
		27,141	19,980
TOTAL LIABILITIES		**31,772**	**25,395**
TOTAL EQUITY AND LIABILITIES		**107,993**	**70,531**

Consolidated Statements Of Comprehensive Income
For The Financial Year Ended 31 December 2014

	Note	2014 EUR'000	2013 EUR'000
REVENUE	17	123,320	108,178
COST OF SALES	18	(84,344)	(75,196)
GROSS PROFIT		38,976	32,982
OTHER INCOME		578	714
		39,554	33,696
DISTRIBUTION AND MARKETING EXPENSES		(4,156)	(3,601)
ADMINISTRATIVE EXPENSES		(2,050)	(1,053)
OTHER OPERATING EXPENSES		(1,245)	(5)
FINANCE COSTS		(535)	(192)
PROFIT BEFORE TAXATION	19	31,568	28,845
INCOME TAX EXPENSE	20	(8,435)	(8,533)
PROFIT AFTER TAXATION		23,133	20,312
OTHER COMPREHENSIVE INCOME/(EXPENSE) NET OF TAX			
Items that may not be reclassified subsequently to profit or loss			
- Exchange differences on translating foreign controlled entities		7,914	(588)
TOTAL COMPREHENSIVE INCOME		**31,047**	**19,724**
PROFIT AFTER TAXATION ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		23,133	20,312
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		31,047	19,724
EARNINGS PER SHARE	**21**	**2.31**	**2.03**

Consolidated Statements Of Changes In Equity
For The Financial Year Ended 31 December 2014

The Feike Group	Note	Share Capital EUR'000	Statutory Reserve EUR'000	Foreign Currency Translation Reserve EUR'000	Retained Earnings EUR'000	Merger Deficit EUR'000	Total EUR'000
Balance at 1.1.2013		-	2,368	1,299	37,995	-	**41,662**
Profit after taxation		-	-	-	20,312	-	**20,312**
Other comprehensive expense, net of tax:				(588)			
- Foreign currency translation		-	-	(588)	-	--	**(588)**
Total comprehensive income for the financial year		-	-	(588)	20,312	-	**19,724**
Transfer to statutory reserve		-	1,837	-	(1,837)	-	**-**
Contribution from owner of the Company:							
- Called share capital (at founding)		12	-	-	-	-	**12**
Distribution to owners of the subsidiary:							
- Dividend	22	-	-	-	(16,262)	-	**(16,262)**
Balance at 31.12.2013/1.1.2014		12	4,205	711	40,208	-	**45,136**
Profit after taxation		-	-	-	23,133	-	**23,133**
Other comprehensive expense, net of tax:							
- Foreign currency translation		-	-	7,914	-	-	**7,914**
Total comprehensive income for the financial year		-	-	7,914	23,133	-	**31,047**
Transfer to statutory reserve		-	92	-	(92)	-	-
Contribution from owner of the Company:							
- Increase in paid-in capital:							
(a) called share capital		38	-	-	-	-	38
(b) contribution in kind		9,950	-	-	-	(9,950)	-
Balance at 31.12.2014		**10,000**	**4,297**	**8,625**	**63,249**	**(9,950)**	**76,221**

* The comparative period 2013 comprises the equity of Feike AG and the former Feike HK-Group as described under Notes 3c (Merger accounting for common control business combinations)

Consolidated Statements Of Cash Flows
For The Financial Year Ended 31 December 2014

	Note	2014 EUR'000	2013 EUR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		31,568	28,845
Adjustments for:			
Amortisation of intangible assets	7	15	14
Amortization of land use rights	5	15	15
Amortization of prepaid lease rental	6	67	39
Depreciation of property, plant and equipment	4	155	221
Costs/(Gain) – effective interest method	13	299	(552)
Interest expense		226	190
Interest income		(208)	(116)
Operating profit before working capital changes		32,137	28,656
(Increase)/Decrease in inventories		(209)	972
Increase in trade and other receivables		(3,824)	(6,906)
Increase in trade and other payables		6,012	4,870
CASH FROM OPERATIONS		**34,116**	**27,592**
Income tax paid		(7,951)	(8,322)
Interest paid		(226)	(190)
NET CASH FROM OPERATING ACTIVITIES		**25,939**	**19,080**
Addition of prepaid lease payment	6	(295)	-
Interest received		208	116
NET CASH (FOR)/FROM INVESTING ACTIVITIES		**(87)**	**116**
BALANCE CARRIED FORWARD		**25,852**	**19,196**

Consolidated Statements Of Cash Flows
For The Financial Year Ended 31 December 2014 (Cont'd)

	Note	2014 EUR'000	2013 EUR'000
BALANCE BROUGHT FORWARD		25,852	19,196
CASH FLOWS FOR FINANCING ACTIVITIES			
(Repayment to)/Advances from a director		(801)	7,097
Dividend paid to owner of a subsidiary	22	-	(16,262)
Net drawdown of term loan		383	565
Proceeds from share capital		38	12
NET CASH FOR FINANCING ACTIVITIES		**(380)**	**(8,588)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		25,472	10,608
Foreign exchange translation		7,664	(564)
CASH AND CASH EQUIVALENTS AT			
BEGINNING OF THE FINANCIAL YEAR		40,829	30,785
CASH AND CASH EQUIVALENTS AT			
END OF THE FINANCIAL YEAR	**10**	**73,965**	**40,829**

1. General Information

Feike AG (the "Company") is a German stock corporation (Aktiengesellschaft) operating under German law. The registered office of the Company is located at Friedrichstraße 90, 10117 Berlin, Germany.

The Company was founded on 9 October 2013 as a shelf-company and registered in the commercial register with the local court of Charlottenburg on 15 October 2013.

The Company's principal business is to act as a holding company of its Chinese operating subsidiaries which design and manufacture children's footwear and apparel products.

The Company was listed on 31 July 2014 and its shares are admitted for trading on the Regulated Market (General Standard) of the Frankfurt Stock Exchange. A total of 10,000,000 shares were listed; the first price was EUR 7.50.

On 4 June 2014 and on 7 July 2014, the extraordinary general shareholders' meeting of the Company resolved to increase the Company's share capital through a capital increase against contribution in kind: shareholders arranged for the contribution of all shares of Feike International (Hong Kong) Limited against the issuance of EUR 9,950,000 no-par value ordinary bearer shares each with a nominal value of EUR 1.00. The share capital increase became effective on 15 July 2014 when it was registered in the commercial register of the local court in Berlin.

The Feike group of companies ("Feike Group") comprises five member companies, The Company which acts as the ultimate holding company and holds 100% of the equity interest in Feike International (Hong Kong) Limited ("Feike HK"), a company incorporated under the laws of Hong Kong which assumes the role of an intermediate holding company and holds 100% of the equity interest in Quanzhou Feike Athletics Things Co., Ltd. ("Quanzhou Feike"), a company incorporated under the laws of the People's Republic of China ("PRC") which assumes the role of a manufacturing and trading company as well as holds 100% of the equity interest in ATM (Fujian) Athletics Things Co., Ltd. ("ATM Fujian") and 100% of the equity interest in Lanmao (Fujian) Shoes and Clothing Co., Ltd. ("Lanmao Fujian"). ATM Fujian and Lanmao Fujian were incorporated under the laws of the PRC and are located in Nan'an, Fujian province, China.

In July 2014, the Company acquired 100% of the shares in Feike HK by a contribution in kind. Due to the facts, that the structure of the shareholding of the Feike Group did not change by the transaction and the shareholders kept the same relative percentage of ownership of the Feike Group companies before and after the transaction, the transaction is considered to be a transaction under common control within the meaning of IFRS 3.B1, for which IFRS 3 is not applicable. The accounting as a reverse acquisition in terms of IFRS 3.B19 is also not applicable, because the presence of a business in the Company prior to the transaction would have been a precondition. Such business did not exist.

The contribution of shares of the Feike HK into the Company has been recognized, considering the economic substance of the transaction analogous to a reverse acquisition. No goodwill arose in respect of the acquisition.

Details on the comparative figures regarding this merger accounting for common control business combinations are described in the section "Basis of Consolidation".

The principal activities of the entities under the Feike Group are as follows:

	Name of Company	Country of Incorporation	Principal Activities
i)	Feike AG	Germany	Investment holding.
ii)	Feike HK	Hong Kong	Investment holding.
iii)	Quanzhou Feike	PRC	Manufacturing and trading of children footwear and apparel.
iv)	ATM Fujian	PRC	Receiving brand loyalty income and rental income.
v)	Lanmao Fujian	PRC	Receiving brand loyalty income.

There have been no significant changes in the nature of these activities during the financial year.

The figures presented in the financial statements have been rounded to the nearest Euro ("EUR") thousand.

Dividends to be paid by the operating PRC subsidiaries are subject to the approval of the relevant chinese government authorities. In addition, dividends are payable only if the chinese statutory reserve satisfies the legal requirements. Transfer of cash out of China requires approval from the State Administration of Foreign Exchange ("SAFE").

2. Basis Of Preparation

The financial year of the Feike Group is between 1 January and 31 December. For reasons of comparison, the Feike Group presents financial statements for the preceding year 2013.

The financial statements of the Feike Group are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the EU, so as to give a true and fair view of the financial position as of 31 December 2014 and of their financial performance and cash flows for the financial years then ended. The requirements of section 315a of the HGB regarding the preparation of consolidated financial statements in accordance with IFRS, as endorsed by the EU, are met.

The preparation of consolidated financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgment in the process of applying the accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates. Thus, the Directors of the Company are responsible for preparing the consolidated financial statements.

The operating subsidiaries located in the PRC (the "**PRC subsidiary**") maintain their accounting records in RMB and prepare their statutory financial statements in accordance with the PRC generally accepted accounting practice. The financial information is based on the statutory records, with adjustments and reclassifications recorded for the purpose of the fair presentation in accordance with EU IFRS.

The financial statements of the Feike Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with IFRS.

(a) During the current financial year, the Feike Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):

IFRSs and IC Interpretations (Including The Consequential Amendments)
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IAS 27 Separate Financial Statements – Revised (2011)
IAS 28 Investments in Associates and Joint Venture – Revised (2011)
Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests In Other Entities Transition Guidance
Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities
Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting
Amendments to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Feike Group's financial statements.

(b) The Feike Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the International Accounting Standards Board ("**IASB**") but are not yet mandatory for the current financial year:

IFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date	Endorsed by EU until 31 December 2014
IFRS 9 Financial Instruments (Issued on 12 November 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7: Mandatory Effective Date and Transition Disclosures issued on 16 December 2011; Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 issued on 19 November 2014)	-	No
IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2015)	1 January 2016	No
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization (issued on 12 May 2014)	1 January 2016	No
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014)	1 January 2016	No
Defined Benefit Plans: Employee Contributions (Amendments to IAS19)	1 July 2015	Yes
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2015	Yes
Annual Improvements to IFRSs 2011-2014 Cycle	1 July 2015	No
IFRIC Interpretation 21 Levies	1 January 2015	Yes

The directors anticipate that the adoption of the above IFRSs and interpretations do not have a material financial impact on the financial statements. It will only impact the content of disclosures presented in the financial statements.

3. Significant Accounting Policies

(a) Critical Accounting Estimates and Judgments

Estimates and judgments are currently evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Apart from information disclosed elsewhere in these consolidated financial statements, the following summarizes estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and significant judgments made in the process of applying the Feike Group's accounting policies:

(i) Impairment of Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(ii) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation could be revised.

(iii) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(iv) Income Taxes

The Feike Group is subject to income taxes in the PRC. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Feike Group recognizes liabilities for anticipated tax issues based on estimation of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the year in which such determination is made.

(v) Withholding Tax on Dividend

The Feike Group is subject to income tax in the jurisdiction in the PRC. According to the Enterprise Income Tax Law and the Detailed Implementation Regulation, dividends distributed to a foreign investor by Foreign Invested Enterprise in the PRC would be subject to a withholding tax. For the Feike Group, the applicable rate for withholding rate is 10%. The Chinese tax authorities have granted a special tax concession which state that dividends distributed out of earnings from 1 January 2008 onwards, shall be subject to withholding tax. The management has considered the above tax exposure and has not provided for any deferred tax liabilities as at 31 December 2014 in respect of its retained earnings as they are of the opinion that the profits accumulated will not be distributed as future dividends will depend upon the Feike Group's operating results, financial conditions, other cash requirements and other factors in the near future.

(vi) Impairment of Intangible Assets

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset is reviewed at least at each financial year end.

(vii) Impairment of Non-Financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(b) Functional and Foreign Currencies

(i) Functional and Presentation Currency

The functional currency of the Feike Group is the currency of the primary economic environment in which the Feike Group operates, which is RMB .

The financial statements are presented in EUR which is the Feike Group's presentation currency with respect to the German domiciled legal parent and holding company. Therefore the financial information from Feike HK has been translated first from HKD to the functional currency RMB and then from the functional currency RMB to the presentation currency EUR.
The results and financial positions in functional currency are translated into the presentation currency as follows:
Monetary items are translated at the closing rate. Non-monetary items are

translated at the historical rate. Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). All resulting exchange differences are recognized in a translation reserve as a separate component of equity.

(ii) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognized in profit or loss.

(iii) Foreign Translation Exchange Rates

The principal closing and average rates used in the translation are as follows:-

	Year end rates	Average rates
31 December 2014	EUR 1.00 = RMB 7.4556	EUR 1.00 = RMB 8.1189
31 December 2013	EUR 1.00 = RMB 8.4189	EUR 1.00 = RMB 8.2399
	Year end rates	**Average rates**
31 December 2014	USD 1.00 = RMB 6.1190	USD 1.00 = RMB 6.1448
31 December 2013	USD 1.00 = RMB 6.1122	USD 1.00 = RMB 6.1943
	Year end rates	**Average rates**
31 December 2014	HKD 1.00 = RMB 0.7888	HKD 1.00 = RMB 0.7923
31 December 2013	HKD 1.00 = RMB 0.7882	HKD 1.00 = RMB 0.7986

(c) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting year.

Subsidiaries are entities (including structured entities) controlled by the Feike Group. The Feike Group controls an entity when the Feike Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from date on which control is transferred to the Feike Group up to the effective date on which control ceases, as appropriate.

Acquisition of businesses are accounted for using the acquisition method other than those resulting in a business combination involving common control entities is outside the scope of IFRS 3. The merger accounting is used by the Feike Group to account for such common control business combinations. The Company has been included in the group (former "**Feike HK-Group**") as described under "General Information" using the following method.

(i) *Merger accounting for common control business combinations*

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been in effect throughout the current financial year. Since Feike AG and the former Feike HK-Group had been under common control during the financial year 2013, the comparative information in the consolidated financial statements and notes 2014 include Feike AG and the former Feike HK-Group.

The assets and liabilities consolidated are accounted for based on the carrying amounts from the perspective of the common control director at the date of transfer. No amount is recognized in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of the shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

(ii) *Acquisition method of accounting for non-common control business combinations*

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Feike Group as of the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognized in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Feike Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, which cannot exceed one year from the acquisition date, in order to reflect facts and circumstances that existed at the acquisition date and which, if known, would have affected the amounts recognized as of that date.

Intragroup transactions, balances and unrealized gains on transactions are eliminated; unrealized losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of the subsidiary to ensure consistency of accounting policies with those of the Feike Group.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets as of the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(d) Subsidiaries

A subsidiary is an entity in which the Feike Group, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Feike Group. They are deconsolidated from the date on which control ceases. In preparing the consolidated financial statements of the Feike Group, transactions, balances and unrealized gains on transactions between group companies are eliminated.

(e) Property, Plant and Equipment

(a) Owned Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use.

(b) Depreciation

Depreciation is calculated under the straight-line basis to write off the depreciable amount of the assets net of the estimated residual values over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

	Estimated Useful Lives	Estimated Residual Value as a Percentage of Cost
Leasehold buildings	20 years	5%
Plant and machinery	8 - 10 years	5%
Office equipment	5 - 10 years	5%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting year to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

(c) Cost

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Feike Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced are derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Feike Group is obligated to incur when the asset is acquired, if applicable

Fully depreciated assets are retained in the consolidated financial statements until they are no longer in use. The gain or loss on disposal or retirement of an item of property, plant and equipment recognized in profit or loss is the difference between the net sale proceeds and the carrying amount of the relevant asset.

(f) Land Use Rights

All land in China is owned by the State or collectives. Individuals and companies are permitted to acquire land use rights for general or specific purposes. In the case when land is used for industrial purposes, the land use rights are granted for a period of 50 years. The rights may be renewed at the expiration of the initial and any subsequent terms according to the relevant Chinese laws. Granted land use rights are transferable and may be used as security for borrowings and other obligations.

The cost of acquisition of land use rights is capitalized and amortized on a straight-line basis over the lease term of the land of 50 years. The amortization expense is recognized in the profit and loss.

(g) Prepaid Lease Rental

(i) Lease of Buildings

Lease of buildings under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases. Lease prepayment for buildings is stated at cost less accumulated amortization and impairment losses, if any. The portion of the prepaid lease rental to be amortized over the next 12 months is reflected as current assets. Amortization is recognized in profit or loss on a straight-line basis over the unexpired term of the lease.

(h) Intangible assets

An intangible asset shall be recognized if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An entity shall assess the probability of the expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. An intangible asset shall be measured initially at cost.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

The principal amortization rate used for this purpose is:

Trademark	20 years

Intangible assets with the indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

(i) Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined on the weighted average formula and comprises all cost of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized in the consolidated income statements in the period in which the reversal occurs.

(j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances with financial institutions, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

(k) Financial Instruments

(i) Financial Assets

Financial instruments are recognized in the statements of financial position when the Feike Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Feike Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

A financial instrument is recognized initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

  Financial assets are classified at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

  Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Dividend income from this category of financial assets is recognized in profit or loss when the Feike Group's right to receive payment is established.

- *Financial Assets at Fair Value Through Profit or Loss (Cont'd)*

  Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposed are presented as current whereas financial assets that are not held primarily for trading purposed are presented as current or non-current based on the settlement date.

  As of the end of the reporting period, there were no financial assets classified under this category.

- *Held-to-maturity Investments*

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment loss, with revenue recognized on an effective yield basis

  Held- to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

  As of the end of the reporting period, there were no financial assets classified under this category.

- *Loans and Receivables*

  Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortized cost using the effective interest method, less any impairment loss. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

  Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

- *Available-for-sale Financial Assets*

  Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

  After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

  Dividends on available-for-sale equity instruments are recognized in profit or loss when the Feike Group’s right to receive payments is established.

  Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realized within 12 months after the reporting date.

As at the end of the reporting period, there were no financial assets classified under this category.

(ii) *Financial Liabilities*

All financial liabilities are initially at fair value plus directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method other than those categorized at fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial liabilities are classified as current liabilities unless the Feike Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(iii) *Equity Instruments*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognized as liabilities when approved for appropriation.

(iv) *Statutory Reserve*

In accordance with relevant PRC regulations, the Feike Group is required to maintain certain statutory reserve by appropriating from profit, after taxation in accordance with the relevant laws and regulations in the PRC and Articles of Association of the Company before declaration or payment of dividends. The reserves form part of the equity of the Feike Group.

The appropriation to the statutory common surplus reserve represents 10% of the profit after taxation of the Feike Group. In accordance with the laws and regulations in the PRC, the appropriations to statutory common reserve cease when the balances of the reserve reach 50% of the registered capital of the Feike Group. The statutory reserve is not distributable by ways of dividends.

(iv) *Statutory Reserve (Cont'd)*

The statutory reserve funds can be used to increase the registered capital and eliminate future losses of the subsidiaries, but it cannot be distributed except in the event of a solvent liquidation of the Company and the subsidiaries. However such balance of statutory reserve must be maintained at a minimum of 25% of the capital of the Feike Group after such usages. The Feike Group can continue to transfer to statutory reserve on voluntarily basis upon it reaches 50 percent of the registered capital.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in equity is recognized in profit or loss.

A financial liability or a part of it is derecognized when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(l) Impairment

(i) Impairment of Financial Assets

All financial assets (other than those categorized at fair value through profit or loss) are assessed at the end of each reporting period for any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect to held-to-maturity investments and loans and receivables financial assets is recognized in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

(i) Impairment of Financial Assets (Cont'd)

An impairment loss in respect to available-for-sale financial assets is recognized in profit or loss and is measured as the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the fair value reserve. In addition, the cumulative loss recognized in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(ii) *Impairment of Non-Financial Assets*

The carrying values of assets, other than those to which IAS 36 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognized in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as revaluation decrease to the extent of a previously recognized revaluation surplus of the same asset.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognized to the extent of the carrying amount of the asset that would have been determined (net of amortization and depreciation) had no impairment loss been recognized. The reversal is recognized in profit or loss immediately.

(m) Income Tax

Income tax for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(m) Income Tax (Cont'd)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the profit or loss. Deferred tax is, however, not recognized on temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(n) Value Added Tax ("VAT")

The Feike Group's sale of goods in the PRC are subjected to Value Added Tax ("**VAT**") at the applicable tax rate of 17% for PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "other receivables" or "other payables" in the statements of financial position as applicable.

Revenues, expenses and assets are recognised net of the amount of VAT except where:

(i) VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables include with the amount of VAT due.

(o) Employee Benefits

The Feike Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to national pension schemes are recognized as an expense in the period in which the related service is performed. Companies incorporated in the PRC are required to provide certain staff pension benefits for their employees under existing PRC legislation. Pension contributions are provided at rates stipulated by the PRC legislation and are contributed to a pension fund managed by government agencies, which are responsible for paying pensions to the retired employees. These benefits are accounted for on an accrual basis and charged to the profit or loss when incurred.

These national pension schemes are dealt with as payments to defined contribution plans where the Feike Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

(p) Provisions

Provisions are recognized when the Feike Group has a present obligation as a result of a past event where it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

(q) Borrowing Costs

Borrowing costs, directly attributable to the acquisition and construction of property, plant and equipment are capitalized as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalization of borrowing costs is suspended during extended periods in which active development is interrupted.

All borrowing costs are recognized in profit or loss as expenses in the period in which they are incurred.

(r) Operating Segments

An operating segment is a component of the Feike Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Feike Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Feike Group manages only one operating segment. Therefore no separate segment information is recorded.

(s) Related Parties

A party is related to an entity (referred to as the "reporting entity") if:

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Revenue Recognition

(i) Sale of Goods

Revenue is recognized when goods are delivered to the customers' premises or collected by the customers at the Feike Group's premises, which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

(ii) *Interest Income*

Interest income is recognized on a time proportion basis using the effective interest method.

(iii) *Dividend income*

Dividend income is recognized when the right to receive dividend payment is established.

4. Property, Plant and Equipment

The Feike Group	Leasehold buildings EUR'000	Plant and machinery EUR'000	Office equipment EUR'000	Total EUR'000
At Cost:				
At 1 January 2013	1,330	1,050	861	3,241
Addition	-	-	-	-
Disposal	-	-	-	-
Foreign exchange difference	(16)	(12)	(11)	(39)
At 31 December 2013/ 1 January 2014	1,314	1,038	850	3,202
Addition	-	-	-	-
Disposal	-	-	-	-
Foreign exchange difference	170	133	110	413
At 31 December 2014	1,484	1,171	960	3,615
Accumulated Depreciation:				
At 1 January 2013	(485)	(682)	(658)	(1,825)
Depreciation charge	(64)	(94)	(63)	(221)
Foreign exchange difference	8	9	10	27
At 31 December 2013/1 January 2014	(541)	(767)	(711)	(2,019)
Depreciation charge	(63)	(63)	(29)	(155)
Foreign exchange difference	(78)	(104)	(94)	(276)
At 31 December 2014	(682)	(934)	(834)	(2,450)
Net Book Value:				
At 31 December 2013	773	271	139	1,183
At 31 December 2014	802	237	126	1,165

(a) All property, plant and equipment held by the Feike Group are located in the PRC.

(b) The leasehold buildings have been pledged to licensed bank as security for banking facilities granted to the Feike Group as disclosed in Note 15.

5. Land Use Rights

	2014 EUR'000	2013 EUR'000
At cost:		
At 1 January	733	742
Foreign exchange difference	95	(9)
At 31 December	828	733
Accumulated amortization:		
At 1 January	(116)	(102)
Amortization charge	(15)	(15)
Foreign exchange difference	(16)	1
At 31 December	(147)	(116)
Carrying amount:		
At 31 December	681	617

Amortization is provided to write off the cost of the land use rights over the leasehold period of 50 years.

The entire land has been pledged to licensed bank as security for banking facilities granted to the Feike Group as disclosed in Note 15.

6. Prepaid Lease Rental

	2014 EUR'000	2013 EUR'000
At cost:		
At 1 January	380	385
Addition	271	-
Foreign exchange difference	73	(5)
At 31 December	724	380
Accumulated amortization:		
At 1 January	(190)	(154)
Amortization charge	(67)	(39)
Foreign exchange difference	(30)	3
At 31 December	(287)	(190)
Carrying amount:		
At 31 December	437	190
Carrying amount:		
Amortization due:		
- not later than one year	72	54
- later than one year and not later than five years	276	136
- later than five years	89	-
At 31 December	437	190

Amortization is provided to write off the cost of the lease of buildings over the leasehold period of 10 years.

7. Intangible Assets

	2014 EUR'000	2013 EUR'000
Trademark		
At cost:		
At 1 January	246	249
Foreign exchange difference	32	(3)
At 31 December	278	246
Accumulated amortisation:		
At 1 January	(121)	(108)
Amortisation during the financial year	(15)	(14)
Foreign exchange difference	(17)	1
At 31 December	(153)	(121)
Carrying amount	125	125

The trademark ("**Lanmao**") which was registered in the PRC was acquired by the Feike Group from a third party (an entity which was incorporated in Hong Kong).

8. Inventories

	2014 EUR'000	2013 EUR'000
At cost:		
Raw materials	556	438
Work in progress	1,626	1,327
Finished goods	225	433
	2,407	**2,198**

None of the inventories were stated at net realizable value.

9. Trade And Other Receivables

	2014 EUR'000	2013 EUR'000
Trade receivables	29,168	25,158
Other receivables	45	231
	29,213	**25,389**

The Feike Group's normal trade credit terms range from 60 to 90 days.

10. Cash And Cash Equivalents

	2014 EUR'000	2013 EUR'000
Cash in hand	3	2
Cash at banks	73,962	40,827
	73,965	**40,829**

The cash and cash equivalents are denominated in Chinese Renminbi and are not convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Feike Group is permitted to exchange Chinese Renminbi for foreign currencies through banks that are authorized to conduct foreign exchange business.

11. Share Capital

	Note	2014 EUR'000	2013 EUR'000
As at 1 January/9 October 2013 (at founding)		12	50
Share capital paid/(unpaid)		38	(38)
Contribution in kind	(a)	9,950	-
At 31 December		**10,000**	**12**

(a) Contribution In Kind

The following entities/persons have jointly and severally undertaken to provide to the Company as contribution in kind all newly issued shares of Feike HK:

- Crystal Excel Limited, British Virgin Islands;
- Surmount Ventures (Malta) Limited, Malta;
- One Ventures (Malta) Limited, Malta;
- Righton Investments Limited, Anguilla;
- Concord First Group Ltd., Labuan, Malaysia;
- One Capital Group Investment (Malta) Limited, Malta;
- Mr. Choh Lim Lee; and
- Mr. Hoon Teng Tan

The Company granted these entities/persons in return for their contribution a total of 9,950,000 of the non-par value bearer shares of the Company at an issue amount of EUR 1.00 per share.

12. Reserves

	Note	2014 EUR'000	2013 EUR'000
Statutory reserve	(a)	4,297	4,205
Merger deficit	(b)	(9,950)	-
Foreign exchange translation reserve	(c)	8,625	711
Retained earnings	(d)	63,249	40,208
		66,221	**45,124**

(a) Statutory Reserve

The statutory reserve represents amounts transferred from profit after taxation of the Feike Group established in the PRC in accordance with the PRC laws and regulations as explained in Note 3(k)(iv) to the financial statements.

(b) Merger Deficit

The merger deficit relates to the difference between the nominal value of shares issued through contribution in kind for the purchase of a subsidiary, Feike HK amounted to EUR 9,950,000 and the nominal value of the shares acquired of HKD1.

(c) Foreign Exchange Translation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of the Company and is not distributable by way of dividends.

(d) Retained Earnings

The retained earnings reserve comprises the cumulative net gains recognized in the Feike Group's profit or loss.

13. Amount Owing To A Director

	2014 EUR'000	2013 EUR'000
Non-current	4,631	5,415
Current	2,683	2,401
	7,314	**7,816**

The amount owing is unsecured, interest free and repayable by following terms:
(a) amount of EUR 2,683,000 is repayable within one year; and
(b) the remaining balance is repayable before 2 January 2017.

The application of the effective interest method results in an increase (kEUR 299) of the carrying amount after a repayment occurred in 2014 resulting in a reduction of the total amount. The amount owing is to be settled in cash.

14. Trade And Other Payables

	2014 EUR'000	2013 EUR'000
Trade payables	12,794	7,929
Other payables	5,677	4,530
	18,471	**12,459**

The normal trade credit terms granted to the Feike Group range from 60 to 90 days.

15. Interest-Bearing Bank Borrowings

	2014 EUR'000	2013 EUR'000
Secured bank loans	3,353	2,970

The effective interest rate for the bank loans is as follows:

	2014 EUR'000	2013 EUR'000
Effective interest rate	7.20%	7.20% to 7.50%

The bank loans' repayment terms are as follows:

	2014 EUR'000	2013 EUR'000	Repayment terms upon expiry of loan term on:
Bank loan 1	-	594	15 April 2014
Bank loan 2	-	594	24 April 2014
Bank loan 3	-	594	25 April 2014
Bank loan 4	-	594	29 October 2014
Bank loan 5	-	297	22 November 2014
Bank loan 6	-	297	22 November 2014
Bank loan 7	1,341	-	21 October 2015
Bank loan 8	1,341	-	22 October 2015
Bank loan 9	671	-	23 October 2015
	3,353	**2,970**	

The bank loans are secured by way of the following:

(i) Personal guarantee from the director of the Company and a related party; and

(ii) Legal charge over the land and buildings of ATM Fujian as disclosed in Note 4 and Note 5.

16. Income Tax Payable

The income tax payable of the Feike Group mainly represents the income tax payable for its Chinese operating subsidiaries. It is calculated according to the prevailing tax law in PRC as disclosed in Note 20.

17. Revenue

	2014 EUR'000	2013 EUR'000
Children footwear	98,722	88,860
Children apparel	24,598	19,318
	123,320	**108,178**

Feike Group launches its new products at its quarterly sales fairs, which are held four times a year in March, June, September and December to sell its new products for the autumn, winter, spring and summer seasons. In general, Feike Group registers higher sales revenue in winter season, as its winter collection has a higher average sales price than the collection of other seasons.

18. Cost Of Sales

Total cost of raw materials included in the cost of sale is as follows:

	2014 EUR'000	2013 EUR'000
Cost of raw materials	78,288	68,875

19. Profit Before Taxation

	2014 EUR'000	2013 EUR'000
Profit before taxation is		
arrived at after charging/(crediting):		
Audit fee	352	-
Amortization of intangible assets	15	14
Amortization of land use rights	15	15
Amortization of prepaid lease rental	67	39
Depreciation of property, plant and equipment	155	221
Interest expense	226	190
Staff costs	5,965	5,606
Costs/(Gain) – effective interest method	299	(552)
Interest income	(208)	(116)

20. Income Tax Expense

	2014 EUR'000	2013 EUR'000
Current tax:		
- for the financial year	8,401	8,955
- under/(over)provision in previous financial years	34	(422)
‘	**8,435**	**8,533**

Feike Group is subject to income tax in the jurisdiction in the PRC. For the Feike Group, the applicable rate for withholding rate is 10%. The Chinese tax authorities have granted a special tax concession which state that dividends distributed out of earnings from 1 January 2008 onwards, shall be subject to withholding tax. The management has considered the above tax exposure and has not provided for any deferred tax liabilities as at 31 December 2014 and 2013 in respect of its retained earnings as they are of the opinion that the profits accumulated will not be distributed as future dividends will depend upon the Feike Group's operating results, financial conditions, other cash requirements and other factors in the near future. The total temporary differences from the aforementioned retained earnings of the PRC subsidiaries without consideration of a deferred tax liability are as follows:

	2014 EUR'000	2013 EUR'000
Temporary differences in respect of the withholding tax	65,693	41,234

No deferred tax assets have been recognised for unused tax losses of the German parent company and the HK subsidiary, since the requirements of a detailed tax planning are not met with regards.

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group is as follows:

	2014 EUR'000	2013 EUR'000
Profit before taxation	31,568	28,845
Tax at the applicable tax rate of 25%	7,892	7,211
Tax effects of:		
Non-deductible expenses	509	62
Non-taxable income	-	(138)
Withholding tax on dividend paid	-	1,820
Under/(Over)provision of current tax in previous financial year	34	(422)
Income tax expense for the financial year	**8,435**	**8,533**

The provision for PRC income tax is calculated based on statutory income tax at a rate of 25% for the financial years ended 31 December 2014 and 2013 in accordance with the relevant PRC income tax rules and regulations for the relevant years. Taxes are not related to other comprehensive income.

No deferred tax has been provided, as the Feike Group did not have any significant temporary differences giving rise to a deferred tax asset or liability at the end of the financial year ended.

21. Earnings Per Share

	2014	2013
Profit attributable to owners of the Company (EUR'000)	23,133	20,312
Weighted average number of ordinary shares at 31 December	10,000	10,000
Basic earnings per share (EUR)	2.31	2.03

The diluted earnings per share are not disclosed as there is no dilutive potential ordinary share.

22. Dividend

	2014 EUR'000	2013 EUR'000
Payable to owner of the subsidiary:		
Interim dividend of RMB134,000,000	-	16,262

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

23. Significant Related Party Transactions

(a) Identities of related parties

The Feike Group has related party relationships with its shareholder, director, key management personnel and entities of which the director and/or key management have significant financial interest and entities within the same group of the companies.

(b) Other than those disclosed elsewhere in the financial statements, the Feike Group also carried out the following significant transactions with the related parties as disclosed below:

	2014 EUR'000	2013 EUR'000
(i) Director of Feike HK		
Dividend paid	-	16,262
(ii) Key Management Personnel Compensation		
Management Board's remuneration:		
- short-term benefits	143	71
Supervisory Board's remuneration:		
- short-term benefits	101	-
Other key management personnel:		
- short-term benefits	56	49

	300	**120**

(iii) Office Lease

On 25 December 2013, Quanzhou Feike entered into a lease contract with ATM Fujian. Pursuant to this contract, Quanzhou Feike leased from ATM Fujian the real properties for its production, including one factory and two buildings located at Xindong Industrial Zone, Jiudu Town, Nan'an, Fujian, PRC as well as two buildings located at Dingcheng Village, Meishan Town, Nan'an, Fujian, PRC. The lease fee is RMB 2,060,000 (approximately EUR 253,729) and the lease term is from 1 January 2014 to 31 December 2014.

On 16 December 2013, Quanzhou Feike entered into a lease contract with Mr. Weijin Fu, Mr. Zhandu Chen, Mr. Jingfa Chen, Mr. Jingchen Chen and Mr. Weichang Fu. Pursuant to this contract, Quanzhou Feike leased from Mr. Weijin Fu an office with a floor area of 4,200 m^2 located at Xindong Industrial Zone, Jiudu Town, Nan'an, Fujian, China. The lease fee is RMB 2,200,000 (approximately EUR 270,973) and the lease term is from 1 January 2015 to 31 December 2023.

(iv) Trademark License

On 26 December 2013, Quanzhou Feike entered into a contract for license of registered trademarks with ATM Fujian. On 27 March 2014, Quanzhou Feike and ATM Fujian entered into a supplementary contract to the license of registered trademarks. Pursuant to the aforesaid contracts, Quanzhou Feike was licensed by ATM Fujian at a loyalty fee of RMB 3,850,000 (approximately EUR 474,203) from 1 January 2014 to 31 December 2014 to exploit the registered trademarks titled as Feike and Atongmu including the registered trademarks with the respective registration number of 3851244, 3492020, 1637472, 1938247, 232855 and 4553474, and all trademarks similar to Feike or Atongmu that ATM Fujian owns and will own in future.

On 26 December 2013, Quanzhou Feike entered into a contract for license of registered trademarks with Lanmao Fujian. On 27 March 2014, Quanzhou Feike and Lanmao Fujian entered into a supplementary contract to the license of registered trademarks. Pursuant to the aforesaid contracts, Quanzhou Feike was licensed by Lanmao Fujian at a loyalty fee of RMB 5,650,000 (approximately EUR 695,909) from 1 January 2014 to 31 December 2014 to exploit the registered trademarks titled as "Lanmao" that Lanmao Fujian owns, including the registered trademarks with the respective registration number of 384921, 3305161, 3781922, 3909451, 4135546, 4135547, and 4204982, and all trademarks similar to Lanmao that Lanamo Fujian owns and will own in future.

(v) Management Fee

On 1 October 2014, The Company entered into a management service agreement with Quanzhou Feike. Pursuant to this contract, The Company charged management fee to Quanzhou Feike on a monthly basis for the services rendered. The rendered services include group standardisation, compliance and funding including capital market activities, transfer pricing and controlling. The management fee is EUR 18,000 from October to December 2014 and EUR 48,000 from January to December 2015.

(vi) Listing Expenses Charge-back

The Company charged-back Quanzhou Feike for the listing expenses being billed to The Company. In particular, the audit fees from Crowe Kleeberg that amounted approximately kEUR 221 and accountancy fees from RGT amounted to approximately EUR 28.

(vii) Transaction with the major shareholder

Except the contribution in kind regarding the shares in Feike HK as described in Note 1 (General Information), there are no transactions made between the Feike Group with the major shareholder (Crystal Excel Limited) for the financial year ended 31 December 2014 and 2013.

(viii) Amount owing to a director

The details of the amounts owed to a director is disclosed in Note 13 to the financial statements.

24. Contingent Liabilities

(a) Additional Tax Payments In Connection With The Transfer Of Shares In Quanzhou Feike

On 23 January 2011, ATM Fujian entered into a share transfer agreement with Mr. Remy Paul Allouche and Feike HK. ATM Fujian transferred its 10.18% of the equity interest in Quanzhou Feike, equivalent to USD 34,000 in the registered capital of Quanzhou Feike to Feike HK for a purchase price of USD 34,000.

Pursuant to the applicable PRC tax laws, ATM Fujian was subject to an enterprise income tax in the amount of 25% of a transfer price (deducting costs) at arm's length in connection with the share transfer mentioned above. As ATM Fujian failed to pay its enterprise income tax on a fair value basis, the PRC tax authorities may adjust the transfer price up to a fair value and pursue the enterprise income tax from ATM Fujian as well as impose an overdue fine of 0.05% of the enterprise income tax per day. The PRC tax authorities could also sanction ATM Fujian with a penalty of up to five times the enterprise income tax amount. Should the PRC tax authorities decide to take any of the above mentioned measures against ATM Fujian, this could have a material adverse effect on the Feike Group's business, financial condition, results of operations and business prospects.

Mr Weijin Fu, director of Quanzhou Feike, has undertaken to assume the liabilities arising from the above, if any. Accordingly, no provision has been provided for in the financial statements.

(b) Social Insurance Fund Payments

Since its incorporation, Quanzhou Feike only has paid contributions to basis medical insurance, employment injury insurance and maternity insurance for partial employees. Meanwhile, it paid the social insurance contributions for its employees on the basis of the official minimum amount (“MA”) released by the respective local authority for each year although its employees’ salaries were above the MA. As a result, Quanzhou Feike could be ordered to pay up the outstanding social insurance contributions for its employees other than the aforesaid partial employees and the difference calculated from the date of its incorporation (Collectively, referred as to “Outstanding Social Insurance Fees”) and may also be ordered to pay a late payment fine for the Outstanding Social Insurance Fees incurred after 1 July 2011, equalling to an amount of 0.05% of such Outstanding Social Insurance Fees per day. Should Quanzhou Feike fail to repay all Outstanding Social Insurance Fees within the timeline set by the local authority, it could also be sanctioned with a penalty ranging from one to three times the Outstanding Social Insurance Fees.

Mr Weijin Fu, the director of Quanzhou Feike, has undertaken to assume the liabilities arising from the above, if any. Accordingly, no provision has been provided for in the financial statements.

(c) Outstanding Housing Fund Payments

The applicable PRC laws require that employers make payment registration with the local authority and pay housing fund contributions monthly for their employees, which are equal to 5%-12% of employees’ monthly average salary in the previous year (however, the salary amount to be used as a calculation basis may not exceed three times the official monthly average salary in the previous year), unless employees’ monthly average salary in the previous year is lower than the MA, in which case the MA will form the basis for the calculation. If an employer fails to make payment registration and fully pay the housing fund contributions, it may be (i) ordered to make payment registration in the timeline set by the local authority, and imposed on a penalty of RMB 10,000 to 50,000 (approximately EUR 1,190 to 5,950) in case of failing to make payment registration within the required timeline; and ii) ordered to pay all outstanding housing fund contributions within the required timeline (if employers fail to do so, the local authority may lodge a legal proceeding against employers for enforcement).

Quanzhou Feike failed to make payment registration and pay the housing fund for its employees since its incorporation. As a result, Quanzhou Feike could be ordered to make payment registration and repay all outstanding housing fund contribution. Should Quanzhou Feike fail to make payment registration within the timeline set by the local authority, it could also be sanctioned with a penalty of RMB 10,000 to 50,000 (approximately EUR 1,190 to 5,950).

Mr Weijin Fu, the director of Quanzhou Feike, has undertaken to assume the liabilities arising from the above, if any. Accordingly, no provision has been provided for in the financial statements.

(d) Copyright Infringement Litigations

On 3 June 2013, a Japanese company, Tezuka Productions Co., Ltd. ("Tezuka"), brought a law suit in Quanzhou Intermediate People's Court against ATM Fujian for the alleged copyright infringement of ATM Fujian.

Tezuka alleged that "Atongmu" is the Chinese spelling for the name of a cartoon figure originally designed and created by Mr. Tezuka Osamu in the 1950s. Tezuka alleged that ATM Fujian has infringed the copyright of Tezuka by using the Chinese name "Atongmu" as a part of its company name and hence requested that the court award the following judgment:

i) ATM Fujian to cease using the Chinese name "Atongmu" as a part of its company name;

ii) All the litigation fees are to be borne by ATM Fujian.

Quanzhou Intermediate People's Court has on 6 December 2013 given its award. According to the award, the company name of ATM Fujian has been legally registered. ATM Fujian shall be entitled to use "Atongmu" a part of its company name and shall be protected by the laws. Hence the claims of Tezuka were rejected. Tezuka did not accept the award of Quanzhou Intermediate People's Court and has appealed to the Fujian High People's Court. At the date of this report, the award of Fujian High People's Court is still pending. The legal counsel expects the award of the Fujian High People's Court be upheld during the second trial.

On 21 October 2013, Tezuka has also brought another law suit in the Beijing Second Intermediate People's Court against ATM Fujian and Beijing Shoushang Group Co., Ltd. Xidan Market, ("Xidan Market") for the alleged infringement by ATM Fujian and Xidan Market of the copyright of Tezuka. According to Tezuka's allegations, ATM Fujian used some cartoon figures in the company's websites, marketing materials, children's shoes packing boxes and tags. These cartoon figures are similar to the cartoon figures originally designed and created by Mr. Tezuka Osamu. The copyright of the infringed cartoon figures have been registered with the National Copyright Administration of the People's Republic of China and have been legally patented to Tezuka. The children's shoes with the alleged similar cartoon figures were found being sold in Xidan Market, hence, Tezuka requested that the court award the following judgment:

ii) ATM Fujian shall stop the use of the infringed cartoon figures in the websites, products and any advertising materials of the proprietary works owned by Tezuka;

ii) ATM Fujian is to publish an apology to Tezuka in the Economic Daily;

iii) ATM Fujian is to pay a compensation of RMB 500,000 (approximately EUR 59,500) to Tezuka;

iv) ATM Fujian is to bear the costs of RMB 153,416 (approximately EUR 18,257) incurred by Tezuka in relation to the prevention of the alleged copyright infringement;

v) Xidan Market is to stop the sales of the products that would infringe the copyright of Tezuka; and

vi) The litigation fees are to be borne by ATM Fujian and Xidan Market.

Beijing Second Intermediate People's Court has on 20 December 2013 given its first instance award, which concluded:

i) ATM Fujian is to stop any actions that would infringe the relevant copyright of Tezuka;

ii) ATM Fujian is to pay a compensation of RMB 200,000 (approximately EUR 23,800) and other costs of RMB 10,000 (approximately EUR 1,190) to Tezuka;

iii) Xidan Market is to stop the sales of the products that infringe the copyright of Tezuka; and

iv) The other claims of Tezuka are rejected.

ATM Fujian has appealed to Beijing High People's Court against the above award. On 12 June 2014, the Beijing High People's Court dismissed ATM Fujian's appeal and affirmed the decision of the Beijing Second Intermediate People's Court

25. Commitments

The Feike Group has financial commitment for purchase contracts, which mature as follows:

	2014 EUR'000	2013 EUR'000
Within 1 year	18,712	16,725

26. Segment Reporting

The Feike Group manages only one operating segment. Therefore no separate segment information is recorded.

27. Financial Instruments

The Feike Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Feike Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Feike Group's financial performance.

(a) Financial Risk Management Policies

The Feike Group's policies in respect of the major areas of treasury activity are as follows:

(i) Market Risk

Calculation for Note 27(a)(i) is per follows:
(a) Year 2014 = (PAT x 10%) = 23,133 x 10% = 2,313
(b) Year 2013 = (PAT x 10%) = 20,312 x 10% = 2,031

(a) Foreign Currency Risk

Currency risk arises within entities in the Feike Group when transactions are denominated in foreign currency.

The Feike Group has no significant concentration of transactional currency risk. The Feike Group operates predominantly in the PRC and transacts primarily in Renminbi. Accordingly, the Company's exposure to risk resulting from changes in foreign currency exchange rates is minimal. However, the Feike Group prepares its financial statements in EUR and therefore its results and net asset position are exposed to the retranslation risk as a result of the fluctuation in the RMB/EUR exchange rate.

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:

	2014 EUR'000	2013 EUR'000
Effects On Profit After Taxation/Equity		
RMB/EUR – strengthened by 10%	(2,313)	(2,031)
– weakened by 10%	2,313	2,031

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Feike Group's exposure to interest rate risk arises mainly from interest-bearing financial liabilities. The Feike Group's policy is to obtain the most favorable interest rates available.

Information relating to the Feike Group's exposure to the interest rate risk of the financial liabilities is disclosed in Note 27(a)(iii).

Interest rate risk sensitivity analysis

The following table details the sensitivity of interest rates at the end of the reporting years, with all other variables held constant:

	2014 Increase/ (Decrease) EUR'000	2013 Increase/ (Decrease) EUR'000
Effects on profit after tax and equity		
Increase of 100 basis points (bp)	(23)	(23)
Decrease of 100 basis points (bp)	23	23

(c) Equity Price Risk

The Feike Group does not have any quoted investments and hence is not exposed to equity price risk.

(ii) Credit Risk

The Feike Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Feike Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Feike Group minimizes credit risk by dealing exclusively with high credit rating counterparties.

The Feike Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Feike Group does not have any major concentration of credit risk related to any individual customer or counterparty.

Exposure to credit risk

As the Feike Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets at the end of the reporting period.

The Feike Group does not have exposure to international credit risk as the entire receivables are concentrated in the PRC.

The ageing analysis of the Feike Group's trade receivables at the end of the reporting years is as follows:

	2014 EUR'000	2013 EUR'000
Not past due and not impaired	29,168	25,158
Past due but not impaired:		
- less than 1 month	-	-
- between 1 to 3 months	-	-
	29,168	**25,158**

Trade receivables that are past due but not impaired

The Feike Group believes that no impairment allowance is necessary in respect of these trade receivables. They are companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Feike Group. The Feike Group uses aging analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually.

(iii) Liquidity and Cash Flow Risks

Liquidity and cash flow risks arise mainly from general funding and business activities. The Feike Group practices prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as of the end of the reporting years based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting years):

	Weighted Average Effective Rate %	Carrying Amount EUR'000	Contractual Undiscounted Cash Flows EUR'000	Within 1 Year EUR'000	1–5 Years EUR'000	Over 5 Years EUR'000
2014						
Trade payables and other payables	-	18,471	18,471	18,471	-	-
Interest-bearing bank borrowings	7.20	3,353	3,548	3,548	-	-
Amount owing to a director	-	7,314	7,599	2,683	4,916	-
		29,138	**29,618**	**24,702**	**4,916**	**-**

	Weighted Average Effective Rate %	Carrying Amount EUR'000	Contractual Undiscounted Cash Flows EUR'000	Within 1 Year EUR'000	1–5 Years EUR'000	Over 5 Years EUR'000
2013						
Trade payables and other payables	-	12,459	12,459	12,459	-	-
Interest-bearing bank borrowings	7.26	2,970	3,084	3,084	-	-
Amount owing to a director	-	7,816	8,356	2,401	5,955	-
		23,240	23,894	17,939	5,955	-

(b) Capital Risk Management

The Feike Group manages its capital by maintaining an optimal capital structure so as to support their businesses and maximize director's value. To achieve this objective, the Feike Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to directors or issuing new shares.

The Feike Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as total net borrowings from financial institutions divided by total equity.

The debt-to-equity ratios of the Feike Group during the Relevant Financial Years were as follows:

	Note	2014 EUR'000	2013 EUR'000
Net debts	(i)	3,353	2,970
Equity	(ii)	76,221	45,136
Net debt to equity ratio		0.04	0.07

(i) Debts relate to bank borrowings as disclosed in Note 15.

(ii) Equity includes all capital and reserves of the Feike Group.

(c) Classification Of Financial Instruments

	2014 EUR'000	2013 EUR'000
Financial Assets		
Loan and Receivables (measured at amortized cost)		
Trade and other receivables	29,213	25,389
Cash and cash equivalents	73,965	40,829
	103,178	**66,218**
Financial Liabilities		
Financial Liabilities (measured at amortized cost)		
Trade and other payables	18,471	12,459
Interest-bearing bank borrowings	3,353	2,970
Amount owing to a director	7,314	7,816
	29,138	**23,245**

(d) Fair Value Information

As at the end of the relevant financial year, there were no financial instruments carried at fair values.

The carrying amounts of the financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the short-term maturity of the financial instruments.

28. Headcounts & Employees Benefits

	Headcount average 2014	Headcount average 2013
Administrative Department	38	39
Design and Development Department	36	37
Director and Key Management Personnel	2	2
Finance and Accounting Department	31	33
Procurement Department	7	7
Production Department	907	904
Quality Control Department	30	31
Sales and Marketing Department	31	31
Total	**1,082**	**1,084**

	Year Ended 31 December	
	2014 EUR'000	2013 EUR'000
Salaries and related costs	5,601	5,354
Social security insurance	364	252
	5,965	**5,606**

29. Remuneration Of Management Board And Supervisory Board

The composition of the management board is as follows:

i) Mr. Jiafa Li, director of Feike AG; and
ii) Mr. Andy Liew Hock Sim, director of Feike AG

	2014 EUR'000	2013 EUR'000
Mr. Jiafa Li:		
- fixed remuneration	37	-
Mr. Andy Liew Hock Sim:		
- fixed remuneration	70	66
- variable remuneration (non-recurring)	36	5
	143	71

The composition of the supervisory board is as follows:

i) Ms. Camilla Wolff-Neukamp, Chairman of Supervisory Board
ii) Ms. Mellanie Blaschke, Vice Chairman of Supervisory Board
iii) Ms. Annette Plantade, Vice Chairman of Supervisory Board

All above-mentioned members of the supervisory board resigned from office on 24 January 2014. The shareholders' general meeting held on the same day thereafter elected the following individuals as members of the Company's supervisory board:

i) Mr. Michael Schatzschneider, Chairman of Supervisory Board
ii) Mr. Chaw Kiat Chuah, Vice Chairman of Supervisory Board
iii) Mr. Mircle Ching Chai Yap, Vice Chairman of Supervisory Board

The remuneration of the members of the Supervisory Board is as follows:

	2014 EUR'000	2013 EUR'000
Mr. Michael Schatzschneider	45	-
Mr. Chaw Kiat Chuah	28	-
Mr. Mircle Ching Chai Yap	28	-
	101	**-**

30. Subsequent Events

There are no significant events to report between 31 December 2014 and the date of preparation of these financial statements.

31. Auditor's Fees

The consolidated financial statements' auditor's fees recognized in the financial year amounted to TEUR 352 for the audit of financial statements (audit of the financial statements 2014: TEUR 131; audit of prior year financial statements: TEUR 221). No other assurance services, tax advisory services or other services were rendered in the financial year 2014.

32. Declaration of compliance with the German Corporate Governance Code

The Management Board and the Supervisory Board on 26 March 2015 separately adopted the Company's Declaration of Compliance pursuant to section 161 of the AktG. The Declaration of Compliance is made public on Feike AG's website (www.feike-ag.de).

33. Notices And Disclosures Of Changes To The Ownership Of Voting Rights In Feike AG Pursuant To The WpHG

We received the following notification from Mr. Son on Yap, Malaysia, on 30 July 2014:

"Pursuant to section 21 (1a) Securities Trading Act ("WpHG"), I hereby notify you that my percentage of voting rights in Feike AG, Berlin, Deutschland (ISIN: DE000A1YCNB3, WKN: A1YCNB), at the time of admission of the shares of Feike AG to trading on the regulated market of the Frankfurt Stock Exchange for the first time on 30 July 2014 amounted to 4.99% (498,750 voting rights).

Of these voting rights, 4.99% (498,750 voting rights) are to be attributed to me through One Capital Group Investment Malta Ltd., Malta, pursuant to section 22 (1) sentence 1 No. 1 WpHG."

We received the following notification from One Capital Group Investment (Malta) Limited on 30 July 2014:

“Pursuant to section 21 (1a) Securities Trading Act (“WpHG”), we hereby notify you that our percentage of voting rights in Feike AG, Berlin, Deutschland (ISIN: DE000A1YCNB3, WKN: A1YCNB), at the time of admission of the shares of Feike AG to trading on the regulated market of the Frankfurt Stock Exchange for the first time on 30 July 2014 amounted to 4.99% (498,750 voting rights).”

We received the following notification from Mr. Geok Tin Lim, Singapore, on 30 July 2014:

“Pursuant to section 21 (1a) Securities Trading Act (“WpHG”), I hereby notify you that my percentage of voting rights in Feike AG, Berlin, Deutschland (ISIN: DE000A1YCNB3, WKN: A1YCNB), at the time of admission of the shares of Feike AG to trading on the regulated market of the Frankfurt Stock Exchange for the first time on 30 July 2014 amounted to 4.14% (413,750 voting rights).

Of these voting rights, 4.14% (413,750 voting rights) are to be attributed to me through Righton Investments Limited, Anguilla, pursuant to section 22 (1) sentence 1 No. 1 WpHG.”

We received the following notification from Righton Investments Limited, Anguilla, on 30 July 2014:

“Pursuant to section 21 (1a) Securities Trading Act (“WpHG”), we hereby notify you that our percentage of voting rights in Feike AG, Berlin, Deutschland (ISIN: DE000A1YCNB3, WKN: A1YCNB), at the time of admission of the shares of Feike AG to trading on the regulated market of the Frankfurt Stock Exchange for the first time on 30 July 2014 amounted to 4.14% (413,750 voting rights).”

We received the following notification from Mr. Hoon Teng Tan, Malaysia, on 30 July 2014:

“Pursuant to section 21 (1a) Securities Trading Act (“WpHG”), I hereby notify you that my percentage of voting rights in Feike AG, Berlin, Deutschland (ISIN: DE000A1YCNB3, WKN: A1YCNB), at the time of admission of the shares of Feike AG to trading on the regulated market of the Frankfurt Stock Exchange for the first time on 30 July 2014 amounted to 4.00% (400,000 voting rights).”

We received the following notification from Mr. Tingting Wu, China, on 30 July 2014:

“Pursuant to section 21 (1a) Securities Trading Act (“WpHG”), I hereby notify you that my percentage of voting rights in Feike AG, Berlin, Deutschland (ISIN: DE000A1YCNB3, WKN: A1YCNB), at the time of admission of the shares of Feike AG to trading on the regulated market of the Frankfurt Stock Exchange for the first time on 30 July 2014 amounted to 4.89% (488,750 voting rights).

Of these voting rights, 4.89% (488,750 voting rights) are to be attributed to me through Surmount Ventures (Malta) Limited, Malta, pursuant to section 22 (1) sentence 1 No. 1 WpHG.”

We received the following notification from Surmount Ventures (Malta) Limited on 30 July 2014:

“Pursuant to section 21 (1a) Securities Trading Act (“WpHG”), we hereby notify you that our percentage of voting rights in Feike AG, Berlin, Deutschland (ISIN: DE000A1YCNB3, WKN: A1YCNB), at the time of admission of the shares of Feike AG to trading on the regulated market of the Frankfurt Stock Exchange for the first time on 30 July 2014 amounted to 4.89% (488,750 voting rights).”

We received the following notification from Mr. Jinzhi Wu, China, on 30 July 2014:

“Pursuant to section 21 (1a) Securities Trading Act (“WpHG”), I hereby notify you that my percentage of voting rights in Feike AG, Berlin, Deutschland (ISIN: DE000A1YCNB3, WKN: A1YCNB), at the time of admission of the shares of Feike AG to trading on the regulated market of the Frankfurt Stock Exchange for the first time on 30 July 2014 amounted to 4.99% (498,750 voting rights).

Of these voting rights, 4.99% (498,750 voting rights) are to be attributed to me through One Ventures (Malta) Limited, Malta, pursuant to section 22 (1) sentence 1 No. 1 WpHG.”

We received the following notification from One Ventures (Malta) Limited, Malta, on 30 July 2014:

“Pursuant to section 21 (1a) Securities Trading Act (“WpHG”), we hereby notify you that our percentage of voting rights in Feike AG, Berlin, Deutschland (ISIN: DE000A1YCNB3, WKN: A1YCNB), at the time of admission of the shares of Feike AG to trading on the regulated market of the Frankfurt Stock Exchange for the first time on 30 July 2014 amounted to 4.99% (498,750 voting rights).”

We received the following notification from Mr. Weijin Fu, China, on 30 July 2014:

“Pursuant to section 21 (1a) Securities Trading Act (“WpHG”), I hereby notify you that my percentage of voting rights in Feike AG, Berlin, Deutschland (ISIN: DE000A1YCNB3, WKN: A1YCNB), at the time of admission of the shares of Feike AG to trading on the regulated market of the Frankfurt Stock Exchange for the first time on 30 July 2014 amounted to 73.15% (7,315,000 voting rights).

Of these voting rights, 73.15% (7,315,000 voting rights) are to be attributed to me through Crystal Excel Limited, British Virgin Islands, pursuant to section 22 (1) sentence 1 No. 1 WpHG.”

We received the following notification from Crystal Excel Limited, British Virgin Islands, on 30 July 2014:

“Pursuant to section 21 (1a) Securities Trading Act (“WpHG”), we hereby notify you that our percentage of voting rights in Feike AG, Berlin, Deutschland (ISIN: DE000A1YCNB3, WKN: A1YCNB), at the time of admission of the shares of Feike AG to trading on the regulated market of the Frankfurt Stock Exchange for the first time on 30 July 2014 amounted to 73.15% (7,315,000 voting rights).”

34. Approval of the Consolidated Financial Statements

The financial statements were approved and authorized for issuance by the Management Board on 29 April 2015.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable accounting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Feike Group, and the Feike Group management report, which has been combined with the management report of Feike AG, includes a fair review of the development and performance of the business and position of the Feike Group, together with a description of the principal opportunities and risks associated with the expected development of the Feike Group.

Berlin, 29 April 2015

The Executive Board

Mr. Jiafa LI
(CEO)

Mr. Andy Hock Sim LIEW
(CFO)

AUDITORS' REPORT

We have audited the consolidated financial statements prepared by Feike AG, Berlin – comprising the statements of financial position, the statements of comprehensive income, the statements of changes in equity, the statements of cash flows and the notes to the consolidated financial statements - together with the group management report, which is combined with the company management report, for the financial year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the combined management report in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a, Para.1 of the HGB are the responsibility of the company's executive board of management. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Feike Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and in the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the executive board of management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a, Para. 1 of the HGB, and give a true and fair view of the net assets, financial position and results of operations of the Feike Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Without qualifying this opinion, we draw attention to the explanations of the company related to the risks in the operations and the financing of the parent company in the section „Risks" in the combined management report. The consolidated financial statements are prepared under the assumption of going-concern, which depends on the sustainable financing of the parent company through its Chinese subsidiaries in order to maintain the operations.

Munich, 29 April 2015
Crowe Kleeberg GmbH, Wirtschaftsprüfungsgesellschaft

Schmidt	Petersen
[German Public Auditor]	[German Public Auditor]