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GOLDROOSTER

ANNUAL REPORT

CONTENTS

GROUP FINANCIAL HIGHLIGHTS

	FY 2012	FY 2011 (Note A)	
	EUR'000	EUR'000	^ / (v) %
Profit and Loss			
Revenue	150,749	104,035	44.9
Gross profit	41,878	28,853	45.1
Gross profit margin (%)	27.8	27.7	0.1
EBIT	30,317	22,715	33.5
EBIT margin (%)	20.1	21.8	(1.7)
Net profit	22,780	17,020	33.8
Net profit margin (%)	15.1	16.4	(1.3)
Earnings per share	1.11	0.85	30.6
Balance Sheet			
Current assets	78,812	49,092	60.5
Current liabilities	20,854	16,550	26.0
Current ratio	3.8	3.0	26.7
Total assets	80,870	50,990	58.6
Equity	60,016	34,440	74.3
Equity ratio (%)	74.2	67.5	6.7
Cash Flow Statement			
Net cash generated from operating activities	18,592	19,869	(6.4)

Note A: Due to the fact that GOLDROOSTER Group was economically founded on 2 March 2012, no consolidated financial statements of GOLDROOSTER AG could be prepared for financial year 2011. In addition, as Jinjiang Goldrooster Sports Goods Co., Ltd ("**Jinjiang Goldrooster**") became a wholly owned subsidiary of Gold Rooster (Hong Kong) Holding Limited ("**Goldrooster Hong Kong**") on 25 August 2011, consolidated financial statements have been prepared at the level of the interim holding company Goldrooster Hong Kong for the financial year ended 31 December 2011.

“2012 WAS A HIGHLY SUCCESSFUL YEAR FOR GOLDROOSTER GROUP”

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

2012 was a highly successful year for GOLDROOSTER Group. The Company has continued the positive business development and has recorded a significant increase in revenue and profit. At the same time, it was possibly the most important year in the Company's history to date and very eventful as it embarked on a series of corporate activities. Be it the debut of the mini-video, successful listing on the Frankfurt Stock Exchange, winning of coveted awards/ accreditations, major sporting events sponsorships, all these initiatives were instrumental in accreting brand equity and raising the corporate profile of the Company.

Sales and earnings growth, albeit challenging market conditions, has been encouraging as we registered strong year-on-year double digit growth for both revenues and net profit. Revenues grew from EUR 104.0 million by 44.9% to EUR 150.7 million. Net profit increased year-on-year from EUR 17.0 million to EUR 22.8 million for the full year ended 31 December 2012. This translates to a growth rate of 33.8%.

Owing to the extensive marketing efforts coupled with the introduction of more premium product designs in 2012, we continued to grow our existing distribution network with our distributors. As at the close of December 2012, we have partnerships with 30 distributors and extend our reach to 18 provinces covering over 170 cities in China. In line with the strong sales growth, the number of GOLDROOSTER retail outlets has increased from 1,344 as at 31 December 2011 to 1,517 as at 31 December 2012. GOLDROOSTER Group takes pride in its key growth drivers, namely contemporary trend-setting designs, diversified product offering, unique product positioning and strategic pricing. As we continue to invest and innovate in the optimal level of advertising and promotion, we are confident that the aforementioned growth drivers will continue to fuel demand for our products.

On 18 May 2012, GOLDROOSTER AG successfully completed its IPO on the Frankfurt Stock Exchange and joined the Entry Standard. Being a public company in Germany will help in raising the profile of GOLDROOSTER and lay the foundation for its overseas expansion plans in the near future when the timing is right. As a result of strong operating profits for 2012, GOLDROOSTER Group continues to be in a strong cash flow position to further expand its profitable growth. Cash and cash equivalents went up by 70.9% from EUR 29.8 million at the close of financial year 2011 to EUR 50.9 million at the end of December 2012.

2012 was also a year of many firsts for GOLDROOSTER Group. We were the first to launch online a mini-video produced by Jinjiang Goldrooster. Titled "The Dream on the Ridge" and starring China Talent Show Champion, Zhuo Jun, as the lead role, the six and a half minute clip features a very heartwarming theme. Besides touching the hearts of many Chinese, the inspirational mini-video aims to engage our target consumers by creating a strong association with the GOLDROOSTER brand and products. Since its release, the mini-video has attracted positive reviews from netizens and garnered millions of hits on the internet, amplifying the desired publicity effects in a strategic yet cost-effective manner. To date, this marketing initiative represents GOLDROOSTER's most innovative effort yet to reach out to the public via the social media network.

In October 2012, GOLDROOSTER Group took a big step in its advertising activities by tying up with one of its designated advertising agencies to form and sponsor a yachting team ("Team Goldrooster") in the 6th China Cup International Regatta. Team Goldrooster came in first under the SOTO 27 Division. This sponsorship is aimed at giving us the first player advantage and reinforcing our existing seafaring product series – we pride ourselves as one of the very first few local players to have such a product series.

Plans are currently underway to start opening proprietary stores to capture the positive financial impact and replicate the success of the current distributorship model. Coupled with the successful conclusion of the 2013 Spring/ Summer Trade Fair themed "Sharp Change Fashion Movement" and more importantly, the highly positive response gathered from our customers on the 2013 Autumn/Winter season collection evaluation event, I am confident that the outlook for the current fiscal year 2013 remains bright and I am convinced that the positive trend will continue.

GOLDROOSTER Group is very well placed for further profitable growth. Based on the continued positive performance of its business, the Company plans to pay a dividend for the first time in 2015 based on the group results of fiscal year 2014. A continuous dividend policy will be pursued for the years after that. In doing so, we want you – our shareholders – to benefit from the sustainable business success of our Company.

But now it is not the time for us to rest on our laurels……we will forge on even harder to grow and consolidate our position as a pioneer and key player in the sports fashion scene of the Chinese market. With that said, I would like to thank all our business partners and our employees, who have contributed toward the success of GOLDROOSTER in one way or the other. We would not be what we are now if not for their continuous and unwavering support over the years. I would also like to specially thank our shareholders for placing their trust with the Company. Please be assured that we will continue to try our utmost to maintain the strong financial performance and deliver solid results, with the aim of achieving a premium valuation for our stock.

Best regards,

LI Wenwen
CEO and Chairman, Management Board
GOLDROOSTER AG

KEY EVENTS IN 2012

FEBRUARY

<u>"The Dream on the Ridge" mini-video</u>: this is a successful follow up to the apparel sponsorship of the 20th China Golden Rooster Hundred Flower Movie Festival (China's premier movie festival) and represents GOLDROOSTER's most innovative effort yet to reach out to the public via the social media network. By signing China Talent Show Champion, Zhuo Jun, to play the lead role, the positive publicity effects have been amplified in a strategic yet cost-effective manner.

APRIL

<u>Relocation of corporate office</u>: in light of expanded operations and the expiry of the lease agreement of the former office, Jinjiang Goldrooster relocated to a much bigger corporate office featuring a flagship store as a façade.

MAY

Awarded at 4th China Advertising Summit: by likening marketing to a culture, we have been able to continuously innovate in our brand building efforts. Other than being a trendsetter on the fashion landscape, we will also strive to lead and be a key player in the marketing industry with our dynamic marketing efforts. And this has landed us a prestigious award of the "2012 Most Successful Brand Breakthrough Corporation".

Successful IPO on the Frankfurt Stock Exchange: On 18 May 2012, GOLDROOSTER Group was successfully listed on the Entry Standard of the Frankfurt Stock Exchange. Besides an increase in public awareness and raising the brand profile to an enlarged group of stakeholders, the listing puts the Group in a very good position to compete on the international platform and raise funds in a cost efficient manner when the market picks up in the near future.

AUGUST

Bagging of Brand China Gold Spectral Award organized by Brand China Industry Union ("BCIU"): riding on the success of the movie festival apparel sponsorship, mini-video production and winning of the "2012 Most Successful Brand Breakthrough Corporation" award, Jinjiang Goldrooster was one of the winners of the Brand China Gold Spectral Award in the casual fashion scene segment. We attribute the winning of this award to namely our ability to move with the flow and changes in the fashion landscape and our desire to bring out the best through continuous creative innovation.

OCTOBER

Sponsorship of a yachting team ("Team Goldrooster") in the 6th China Cup International Regatta: another bold yet highly deliberated attempt by GOLDROOSTER Group in creating brand identification with the yachting sport and thus promoting particularly GOLDROOSTER's yachting series.

Exclusive apparel sponsor in the 6th South Shaolin Martial Arts Competition of China: this sponsorship demonstrates GOLDROOSTER Group's diversity in its marketing initiatives by trying to woo the many fans of Shaolin martial arts, often dubbed as a national sport that bears significant importance to Chinese nationals.

SHARE INFORMATION

Development of Share Price

GOLDROOSTER AG was traded at an initial listing price on the Xetra electronic trading system of EUR 4.10 on the first day of listing, 18th May 2012. The stock reached its high of EUR 4.20 on 25th May 2012. With thin trading till mid-July 2012, the share price maintained in the range of EUR 3.90 to EUR 4.20. From 17 July 2012 onwards, the share price started to face considerable downward pressure and reached its lowest of EUR 1.36 on 20 August 2012. The Company was not aware of any specific reason leading to the sharp drop in price despite the slight positive trending of both the DAX and small cap index SDAX. The share price was at EUR 1.715 on 28th December 2012.

Active Capital Market Communication

GOLDROOSTER AG remains committed to engage its shareholders and the financial community through regular communications of the Group's ongoing developments, key events and financial results. This is imperative to instill confidence in the shareholders and achieve an equitable share price valuation. GOLDROOSTER continuously publishes press releases on the business performance of the Company in addition to annual and half-yearly reports.

In addition, the Company presented in 2012 at two of the most important capital market conferences in Germany - the Entry & General Standard Conference in May and the Equity Forum in November 2012 - and thereby intensified the dialogue with investors, analysts and journalists. GOLDROOSTER will continue the active capital market communication in the future.

Detailed information about the company and the shares are also available online at www.goldrooster.de.

Basic Data

ISIN / WKN / Ticker	DE000A0AYYU6 / A0AYYU / GO8
Trading Segment	Fashion
Commencement of Trading	18 May 2012
Share Capital	EUR 20,720,206
Designated Sponsor	VEM Aktienbank AG
Market Capitalisation 31 December 2012	EUR 35,535,153

GOLDROOSTER AG SHARE PRICE
First day on listing on 18 May 2012 until March 2013

Source: http://finance.yahoo.com

REPORT OF SUPERVISORY BOARD

In the short financial year that began on 1 May 2012 and ended 31 December 2012, the supervisory board fulfilled the tasks incumbent upon it pursuant to the law and the company articles and advised and supervised the management board in the management of the Company. The management board informed the supervisory board on a monthly basis about the business development and the economic situation of the company with comprehensive written reports. The supervisory board voted correspondingly as regards the reports and resolutions proposed by the management board, insofar as this was required pursuant to the law or the company articles.

The Company's risk management and risk controlling system is currently being expanded and where necessary built up to meet the standards applicable to the group's German holding company. The management board is committed to implement a sufficiently documented and adequately dimensioned risk management system based on the risk management measures already existing in the Chinese subsidiaries and has employed an external consulting firm to assist in defining and effectuating necessary procedures.

Subject Matters of the Supervisory Board Meetings

In the short financial year 2012, the supervisory board convened six meetings, namely on 15 May, 16 May, 21 May, 8 June, 27 July and 3 August 2012.

In each supervisory board meeting, the current developments and any important business matters were discussed.

The subject matter of the meeting on 15 May was primarily to approve the agenda for the general meeting to be held on 16 May concerning the short financial year ended on 30 April 2012.

In the meeting held on 16 May prior to the general meeting, the company's stand-alone 2011/2012 financials were presented, discussed with the auditors and adopted. The Dependency Report was passed and the supervisory board report was adopted.

The purpose of the meeting via phone on 21 May was to resolve upon the necessary changes to the Articles of Association to reflect the completion of the IPO capital increase.

In the meeting that took place on 8 June, the supervisory board took the occasion, now that the company is Frankfurt Stock Exchange Entry Standard listed, to résumé the cooperation between the management board and the supervisory board, in particular concerning communication and reporting and made suggestions on improvements. Also, the status of the implementation of risk management documentation was discussed. Other topics were to ensure adequate and timely funding of the German holding company's expenses, consequences of IPO fundraising shortfall on the company's growth strategy and budgeting and the use of the IPO funds.

The subject matter of the 27 July meeting was to discuss the 30 June financials, the intended cash capital increase of Goldrooster Jinjiang by Goldrooster Hong Kong, dividend policy of Goldrooster

AG going forward, the share price development, implementation of risk management system and the status of the ongoing trademark issues.

The meeting held on 3 August was primarily to discuss the status of the business as well as risk management implementation.

Committees

In view of its size with only three members, the supervisory board did not form any committees.

Changes in Personnel of the Boards

There was no change in the composition of either the supervisory or the management board in the short financial year 2012.

Attendance at Meetings

No supervisory board member attended to less than one half of all supervisory board meetings in the financial year 2012.

Company and Group Consolidated Financials for FY 2012

The principal subject matter of the supervisory board meeting on 30 May 2013 was the annual financial statement of the Company for the short financial year ending 31 December 2012 according to the statutory accounting requirements of the German Commercial Code ("HGB") and the group consolidated financial statements for the financial year ended 31 December 2012 according to IFRS, all of which were prepared by the management board and subsequently audited and certified by Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. Both the management board and the auditors presented the financials and answered all questions of the supervisory board members comprehensively.

After discussing the presented financials, the supervisory board approved the result of the audit regarding both the annual financial statement and the group consolidated financial statement. The annual financial statements are thus adopted pursuant to section 172 German Stock Corporation Act ("AktG").

In the supervisory board meeting held on 30 May 2013, the supervisory board furthermore approved the report of the management board on the relation with affiliated companies (dependency report pursuant to section 312 AktG) as well as the report prepared by the auditor on the audit of the dependency report.

The dependency report prepared by the management board discloses that the Company was not put at a disadvantage within the scope of the presented legal transactions with affiliated companies and that it received appropriate arms-length consideration. The dependency report was audited by the auditor, who issued the following audit statement:

"Upon completion of our audit and assessment in accordance with our professional duties, we hereby certify that

1. *the factual statements in the report are correct,*
2. *in relation to the legal transactions listed in the report, the payments made by the company were not unduly high"*

The supervisory board approves the result of the dependency report audit.
There were no conflicts of interests concerning any activity of the members of the supervisory board in the reporting period.

The supervisory board thanks the management board and all staff members for their commitment and their excellent work in the past financial year.

Munich, 30 May 2013
For the Supervisory Board

Andreas Grosjean
Chairman of the Supervisory Board

“SOPHISTICATED IN TASTE, SIMPLICITY IN STYLE”

GROUP MANAGEMENT REPORT

FOR THE PERIOD FROM 1 JANUARY 2012 TO 31 DECEMBER 2012

GENERAL INTRODUCTION: WHO WE ARE?

Background

GOLDROOSTER AG was founded on 9 February 2011 as a shelf-company and registered in the commercial register with the local court of Munich on 3 June 2011. It is the ultimate holding company of GOLDROOSTER Group, which runs an innovative sports fashion label and specializes in apparel, footwear and accessories for the Chinese market. By placing strong emphasis on its innovative product design, high product quality, unique product positioning and intensive brand building, the Group is fast growing and continues to build a strong foothold on the sports fashion landscape in China. GOLDROOSTER Group's products are diversified to satisfy the varying needs of its target group. They are divided into various product series for different seasons. Each product series is designed with a separate theme and distinctive features to meet varying consumer preferences. GOLDROOSTER Group offers various apparel products, which include T-shirts, sweaters, coats, jackets, windbreakers, vests, trousers, pants, shorts and skirts. The product portfolio of its footwear covers casual shoes, skateboard shoes, basketball shoes and sports shoes. As a supplement to its apparel and footwear products, GOLDROOSTER Group also provides its customers with accessories products like bags, caps, belts, socks, scarves and protective gear.

Formation and Group Structure

The group restructuring exercise commenced on 2 November 2010 with the incorporation of Goldrooster Hong Kong. The Hong Kong sub-group was formed on 25 August 2011 when the entire share capital of Jinjiang Goldrooster was transferred to Goldrooster Hong Kong. Effective 2 March 2012, GOLDROOSTER AG became the ultimate holding company of the Group when all the shares in Goldrooster Hong Kong were contributed to GOLDROOSTER AG by way of a contribution in kind. The operating business of GOLDROOSTER Group is carried out solely by Jinjiang Goldrooster as GOLDROOSTER AG and Goldrooster Hong Kong are investment holding companies. The consolidated financials of Goldrooster Hong Kong Group for the financial year ended 31 December 2011 as well as the single entity financials of GOLDROOSTER AG for the year ended 30 April 2012 were audited by Warth & Klein Grant Thornton AG. In May 2012, the accounting year end of GOLDROOSTER AG was changed to 31 December to align with that of its subsidiaries. For the financial year ended 31 December 2012, the single entity and consolidated financials of GOLDROOSTER AG continue to be audited by Warth & Klein Grant Thornton AG.

Brand and Products

To actively promote the GOLDROOSTER brand as a symbol for fashion in the sports world, GOLDROOSTER Group has developed a broad product mix containing apparel, footwear and accessories, which is further subdivided into different product series. GOLDROOSTER Group offers products for all seasons each year in 9 different product series, namely the golf wear series, the flag series, the skiing series, the seafaring series, the fashion series, the classic/logo series, the couple series, the denim series and the accessories series. All new product series will be introduced at biannual trade fairs with increased promotional efforts.

Key Processes

<u>Research and Design</u>

As the Group firmly believes that distinctive and trend-setting designs for its products are crucial to its success and future growth, this core process forms the heartbeat of the Group. With such a deep-rooted belief, GOLDROOSTER Group has established an experienced in-house design team of over 100 staff and continuously seeks to strengthen its design and development capability. Market research entails the data analysis of latest global sports and fashion trends, review of sales statistics of products and customer feedback, site visits to domestic and international fashion stores as well as participation in fashion shows and domestic trade exhibitions. After a thorough analysis of the market data and taking into consideration of the market conditions and competitive landscape, the design process will follow where the overall design concept for the upcoming seasons is conceived. This robust process is aimed at addressing the dynamic needs of targeted consumers as much as possible and mitigates the risk of missing a trend. At present, the research and design team of 102 staff comprises 23 designers and 8 design assistants. It is headed by design director Mr Shen Hong Shan. GOLDROOSTER Group conducts 2 trade fairs annually where the Spring/Summer and Autumn/Winter collections will be showcased to distributors and authorized retailers in around August and March respectively. The time to market is approximately 90 days but this can be reduced to as short as 45 days if the need arises.

On 21 January 2013, GOLDROOSTER had concluded its 2013 Autumn/Winter season collection evaluation event, where selected distributors and authorized retailers are invited to attend, view the collection and provide valuable feedback. As the new collection speaks for itself, the new product offering was very well received by the attendees. The positive response demonstrated that the Research and Development function has grown from strength to strength, as it continuously strives to innovate in its product offering and consolidate its position at the forefront of the dynamic fashion scene.

<u>Advertising and Promotion</u>

Effective marketing and promotional strategy is the next key driver that needs to be properly executed for GOLDROOSTER Group to remain successful. The Group values its brand and has made substantial investments into its brand building activities. The Group has launched multiple-facets advertising campaigns within various areas in which distributors and retailers are based. Advertisements are aimed at attracting end-consumers and increasing the sales of its distributors. The Group's advertising activities include advertising on internet media, fashion website portals, billboards, style magazines and through product sponsorship and participation in major clothing and garment exhibitions. Recent efforts include:

1. GOLDROOSTER was the designated apparels sponsor of the 20th China Golden Rooster Hundred Flower Movie Festival in October 2011 (China's premier movie festival held in the province of Anhui).
2. GOLDROOSTER successfully signed with "China Talent Show "champion, Zhuo Jun to play the lead role of its first ever mini-video "Dream on the Ridge", which was released in late February 2012. The mini-video attracted positive reviews from netizens and has garnered more than 10 million hits on the internet to date.
3. GOLDROOSTER took an enormous leap in its advertising activates by forming and sponsoring a yachting team, named "Team Goldrooster", in the 6th China Cup International Regatta, the only big boat regatta initiated by Chinese. With this event entering its 6th year and building on the preceding years' success and experience, it is highly regarded by the sailing community and much watched upon by international media. Much to our delight, Team GOLDROOSTER exceled in its maiden year of participation and emerged as champion under the SOTO 27 Division.
4. GOLDROOSTER demonstrated its commitment and support towards China's national sport, "wushu", by securing its rights to be the sole apparel sponsor in the 6th South Shaolin Martial Arts Competition of China. With wushu bearing significant importance to Chinese nationals and the event receiving substantial viewership, the sponsorship is set to elevate GOLDROOSTER's brand visibility to a whole new level.

As evidenced by the above described series of marketing initiatives and a slew of other promotional activities not mentioned, GOLDROOSTER Group won the "2012 Most Successful Brand Breakthrough Corporation" award at the 4th China Advertising Summit and "Brand China Gold Spectral Award" organised by Brand China Industry Union ("BCIU"). Moving forward, GOLDROOSTER Group will continue to maintain the strong momentum to engage target consumers by investing heavily in innovative ways, especially through the strategic use of the internet and social media, to create awareness and enhance its brand image. The Sales and Marketing department of 32 personnel is currently headed by Mr Chu Zhao Fu, sales director.

Distribution Network

GOLDROOSTER Group has an extensive, established and nationwide distribution network reaching 18 provinces, autonomous regions and municipalities and over 170 cities in China. As at 31 December 2012, GOLDROOSTER Group sold all of its products to retail customers through 1,517 GOLDROOSTER retail outlets, which exclusively sell its merchandise and are operated by its 30 distributors along with their authorized retailers. GOLDROOSTER Group breaks down its distribution network into 6 geographic regions and assigns dedicated sales personnel to each sales region in charge of developing region-based strategies, and to oversee and provide training and support to regional distributors and their authorized retailers.

Employees

The number of employees at the close of 31 December 2012 stood at 694 compared to 685 (up 1.3%) of the same period last year. The marginal increase arose mainly from production department, in tandem with increase in demand for GOLDROOSTER's products.

GENERAL MACRO ENVIRONMENT: WHERE WE ARE?

General Economic Outlook

The general economic downturn contributed namely by the euro-debt crisis and the uncertainty surrounding the US economic recovery continue to cast its shadow in the second half of 2012. The territorial disputes between China and neighbouring countries like Japan and other Southeast Asian countries continue to threaten stability and worsen trade ties in the region. Notwithstanding the above impediments, China's economy, bolstered by strong domestic demand, remains relatively resilient and continues to grow as expected by the China government and within economists' predictions. Latest official data released by the National Bureau of Statistics revealed China's Gross Domestic Product ("GDP") for the full year 2012 to be RMB 51.9 trillion. This translates to a growth rate of 7.8% over the same period of 2011, which is consistent with China government's annual target of 7.5% for 2012.

The resilience of China's economy is mainly explained by strong domestic demand fueled by a general increase in disposable income and rapid urbanization. As a result, the national consumption continues to rise in tandem with an increase in overall retail spending. According to figures released by the National Bureau of Statistics, total retail sales of consumer goods climbed by 14.3% to RMB 20.7 trillion.

With urbanization advancing at a steady pace, total sales of consumer goods in urban areas reached RMB 17.9 trillion, registering a year-on-year increase of 14.3%.

Based on the general sentiment, the global economy will continue to be plagued with uncertainties that will extend beyond 2012. The Chinese economy, albeit challenging market conditions, should continue to be underpinned by strong domestic demand and expectably grow at a faster pace compared to developed economies.

Overview of Sportswear Market in China

The immense population of circa 1.34 billion itself speaks a lot about the overview and future development of the sportswear market in China. With an accelerated pace of life especially in urban areas, more consumers form the habit of regular exercising leading to an increasing demand for sportswear in China. In addition to its use for exercising, sportswear in China enjoys an enlarged consumer base, which underpins the steady market demand for sportswear in China. Based on the foregoing, the sportswear market should continue to post double-digit growth. For the period 2006 to 2010, sportswear sales grew at a strong compounded annual growth rate of 19.9%. The ongoing urbanization and steadily developing economy in China are anticipated to further support the take-off and boom of second- and third-tier cities, creating significant potentials for domestic demand, including the market demand for sportswear.

Notwithstanding a general increase in raw material prices and rising labour cost, which will inevitably lead to rising costs, domestic consumption will continue to grow with a rise in purchasing power. With this rise in affluence comes an increase in ability to purchase products of higher quality. The current market in China is flooded with traditional sports brands which makes it highly competitive. Consumers now place greater importance on aesthetics that is often associated with style and fashion. This trend is expected to favourably impact the Group as it expects the demand for sports fashion products to grow. More target consumers will be expected to shift from basic conventional sports apparels to fashion sportswear in a bid to make a fashion statement.

Future Business Development of GOLDROOSTER Group

GOLDROOSTER Group started the current financial year on a positive note due to a series of marketing initiatives as described above. Coupled with the launch of new improved product design sporting a more upmarket feel, these initiatives were instrumental in propagating brand awareness and driving demand for GOLDROOSTER's products. For the full year ended 31 December 2012, GOLDROOSTER Group's revenue amounted to EUR 150.7 million, which translated to a growth of 44.9% compared to 2011. Gross profit margin improved by 0.1% to 27.8% due to strict cost management and economies of scale enjoyed with the growth in business. However, at the net profit level, margins declined slightly to 15.1% as a result of a surge in advertising expenses of nearly EUR 3 million as well as one off IPO expenses and intangibles amortisation expenses of kEUR 489 and kEUR 125 respectively.

Based on the foregoing, the Management Board expects the positive business development to continue in the fiscal year 2013.

Outlook of the Group's Product Categories

The Group's product categories comprise apparels, footwear and accessories, which contributed to 75.7%, 18.6% and 5.7% of total revenue respectively. Apparels will continue to take the lead as the Group's core product, followed by footwear, while accessories play the role of supplementing apparels and footwear to create a complete range of GOLDROOSTER products to entice consumers. As these 3 product categories best represent the Group's current product portfolio, it will continue to focus on them by growing the respective categories organically. In this regard, there are no plans to add new product categories in the short term.

Since the close of the last financial year, there have been no material changes in the financial condition and trading and marketing position of GOLDROOSTER Group.

FINANCIAL ANALYSIS: WHAT HAVE WE ACHIEVED?

As part of the restructuring exercise in conjunction with the IPO, the Group was founded on 2 March 2012 by the contribution of the fixed asset to Goldrooster AG. In May 2012, GOLDROOSTER AG changed its accounting year end from 30 April to 31 December to align with that of its subsidiaries. GOLDROOSTER AG is an investment holding company formed for the purpose of obtaining a listing on the Entry Standard of the German Stock Exchange. As all entities within the Group are ultimately controlled by the same party both before and after the business combination, coupled by the fact that the control is not transitory, the business combination is deemed to be outside the scope of IFRS 3 and merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements. In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs are included in the consolidated financial statements of the Group as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties. There is no recognition of goodwill for this form of business combination.

Based on the above, the legal formation date of the Group on 2 March 2012 as well as the change in accounting year end of GOLDROOSTER AG need not be considered for the purpose of the group consolidation. Accordingly, the results of GOLDROOSTER AG from 1 January 2012 to 30 April 2012 are reinstated and consolidated with the results of Goldrooster Hong Kong subgroup for the period from 1 January 2012 to 31 December 2012, as if the group has come into place with effect from 1 January 2012. As Jinjiang Goldrooster became a wholly owned subsidiary of Goldrooster Hong Kong on 25 August 2011, consolidated financial statements have been prepared and audited at the level of the interim holding company Goldrooster Hong Kong for the financial year ended 31 December 2011.

To facilitate analysis and ease of comparison, comparative financial statements presented in this section relate to the audited Goldrooster Hong Kong group financials for the year ended 31 December 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY 2012 TO 31 DECEMBER 2012

	Note	2012 Consolidated	2011 GRHK group	
		EUR'000	EUR'000	^ / (v) %
Revenue	**A**	**150,749**	**104,035**	**44.9**
Cost of sales	**B**	(108,871)	(75,182)	44.8
Gross profit	**C**	**41,878**	**28,853**	**45.1**
Other income	**E**	192	148	29.7
Selling and distribution expenses	**F**	(7,718)	(3,698)	108.7
Administrative expenses	**G**	(3,843)	(2,440)	57.5
Profit before taxation		**30,509**	**22,863**	**33.4**
Income tax expense	**H**	(7,729)	(5,843)	32.3
Net profit		**22,780**	**17,020**	**33.8**
Selected Financial Data				
Gross profit margin	**C**	**27.8**	**27.7**	**0.1**
EBIT	**D**	**30,317**	**22,715**	**33.5**
EBIT margin (%)	**D**	**20.1**	**21.8**	**(1.7)**
Net profit margin (%)		**15.1**	**16.4**	**(1.3)**

44.9%
150.7 mil

A. Revenue

For the financial year 2012, all sales of GOLDROOSTER Group continue to be made on a wholesale basis to its distributors. The distributors then sell GOLDROOSTER Group's products in their own GOLDROOSTER retail outlets or on a wholesale basis to authorised retailers who then sell GOLDROOSTER Group's products at GOLDROOSTER retail outlets operated by them. Revenues increased from EUR 104.0 million for the year ended 31 December 2011 by EUR 46.7 million to EUR 150.7 million for the same period of 2012. This translates to an impressive year-on- year growth of 44.9% in EUR terms, which is partially contributed by translation gains as a result of a marked appreciation of RMB against EUR in the year under review. Accordingly, in RMB terms, the operative sales growth rate was 30.9%. The strong growth was propelled by the introduction of new products featuring contemporary designs with a more upmarket feel, which was concurrently backed by the aforedescribed intensive brand building efforts to improve its visibility and image. In tandem with the rise in sales activities, the number of outlets increased from 1,344 as at 31 December 2011 to 1,517 for the full year ended 31 December 2012.

Breakdown of Revenue

The following information is presented to facilitate understanding of the three product categories of GOLDROOSTER Group, namely:

- Apparels
- Footwear
- Accessories

The salient financial information is tabled in the following:

FY 2012	Apparels EUR'000	Footwear EUR'000	Accessories EUR'000	Total EUR'000
Revenue	114,191	28,030	8,528	150,749
Cost of sales	(83,645)	(19,281)	(5,945)	(108,871)
Gross profit	**30,546**	**8,749**	**2,583**	**41,878**
% of revenue	**75.7%**	**18.6%**	**5.7%**	**100.0%**

To facilitate a better appreciation of the trending from the preceding year, the following comparative information by product categories from 1 January 2011 to 31 December 2011 and fluctuation are presented.

FY 2011	Apparels EUR'000	Footwear EUR'000	Accessories EUR'000	Total EUR'000
Revenue	77,060	22,087	4,888	104,035
Cost of sales	(56,199)	(15,568)	(3,415)	(75,182)
Gross profit	**20,861**	**6,519**	**1,473**	**28,853**
% of revenue	**74.1%**	**21.2%**	**4.7%**	**100.0%**

^/(v)% from 2011	Apparels EUR'000	Footwear EUR'000	Accessories EUR'000	Total EUR'000
Revenue	**48.2%**	**26.9%**	**74.5%**	**44.9%**
Cost of sales	**48.8%**	**23.9%**	**74.1%**	**44.8%**
Gross profit	**46.4%**	**34.2%**	**75.4%**	**45.1%**
% of revenue	**1.6%**	**(2.6%)**	**1.0%**	**-**

Revenue by region

	31 December 2012		31 December 2011		
	EUR'000	% of revenues	EUR'000	% of revenues	^ / (v) %
North Eastern China[1]	21,302	14.1	14,429	13.9	47.6
South Central China[2]	40,038	26.6	28,336	27.2	41.3
Northern China[3]	26,498	17.6	17,595	16.9	50.6
Eastern China[4]	44,956	29.8	31,439	30.2	43.0
North Western China[5]	3,143	2.1	2,212	2.1	42.1
South Western China[6]	14,812	9.8	10,024	9.7	47.8
Total	**150,749**	**100.0**	**104,035**	**100.0**	**44.9**

1 North Eastern China includes **Liaoning**, Jilin, **Heilongjiang** (3) - **presence in 2 cities**
2 South Central China includes Henan, Hubei, **Hunan**, **Guangdong**, **Hainan**, **Guangxi** (6) - **presence in 4 cities**
3 Northern China includes **Beijing**, **Tianjin**, **Hebei**, **Shanxi**, Inner Mongolia (5) - **presence in 4 cities**
4 Eastern China includes Shanghai, **Jiangsu**, **Zhejiang**, **Anhui**, **Fujian**, Jiangxi, **Shandong** - **presence in 5 cities**
5 North Western China includes Shaanxi, Gansu, Qinghai, Ningxia, **Xinjiang** (5) - **presence in 1 city**
6 South Western China includes **Chongqing**, Sichuan, **Guizhou**, Yunnan (4) - **presence in 2 cities**

In revenue terms by product segment, apparel has continued to lead and grow in terms of contribution by a 1.6% for the financial year ended 31 December 2012 as compared to the same period last year. Year-on-year growth stood at 48.2%. Footwear grew by 26.9% year-on-year and dipped by 2.6% in terms of contribution. Accessories sales registered the strongest year-on-year growth of 74.5% and up its contribution from 4.7% by 1.0% to 5.7%. The increase is generally attributed to launch of new accessory product designs.

Revenue contribution by region remained fairly consistent when compared to prior period. The major contributors remained as Eastern China, South Central China and Northern China, accounting for 74.0% of total revenues (2011: 74.4%). In summary, distributors have continued to grow their sales network organically in their respective provinces.

Moving forward, GOLDROOSTER Group will continue to innovate and embark on new marketing initiatives to create even more brand value. With all the positive attributes in place and working hand in hand, be it its upmarket product styling, diversified product mix, high quality at mid-tier pricing and good customer services, it expects the growth trend to be sustainable.

44.8%
108.9 mil

B. Cost of Sales

Cost of sales comprises materials, labour costs for personnel employed in production, depreciation of property, plant and equipment used for production purposes, operating lease expenses, purchases of finished goods and processing services from contractors and others (mainly utilities and maintenance costs).

	31 December 2012		31 December 2011		
	EUR'000	% of revenues	EUR'000	% of revenues	^ / (v) %
Materials	15,023	10.0	11,769	11.3	27.6
Labour	3,213	2.1	2,385	2.3	34.7
Depreciation of property, plant and equipment	84	0.1	79	0.1	6.3
Operating lease expense	126	0.1	113	0.1	11.5
Purchases from subcontractors	89,128	59.1	59,782	57.5	49.1
Others	1,297	0.8	1,054	1.0	23.1
Total	**108,871**	**72.2**	**75,182**	**72.3**	**44.8**

Cost of sales increased from EUR 75.2 million for the full year ended 31 December 2011 by EUR 33.7 million or 44.8% to EUR 108.9 million in the same period of 2012, which closely matched the 44.9% increase in sales during the year under review. This increase is primarily due to an increase of purchases from subcontractors from EUR 59.8 million in 2011 by approximately 49.1% to EUR 89.1 million in 2012. In addition, the increase in direct materials from EUR 11.8 million in 2011 to EUR 15.0 million in 2012 also contributed to the increase in cost of sales.

45.1%
GROSS PROFIT
41.9 mil

C. Gross Profit and Gross Profit Margin

For the year under review, gross profit increased by 45.1% to EUR 41.9 million from EUR 28.9 million. The overall gross profit margin improved marginally from 27.7% for the full year ended 31 December 2011 to 2012's 27.8%. The maintenance of the gross profit margin at 2011's level in the face of general rise in costs represents GOLDROOSTER Group's ability to manage costs and to benefit from economies of scales as its business grew.

33.5%
EBIT 30.3 mil

D. EBIT and EBIT Margin

EBIT increased from EUR 22.7 million by 33.5% to EUR 30.3 million for the year ended 31 December 2012, in tandem with rise in operating profit. EBIT margin took a dip of 1.7% from 21.8% to 20.1% for 2012. This can be explained mainly by a surge in advertising expenses of nearly EUR 3 million as well as one off IPO expenses of EUR 0.5 million.

29.7%
192 mil

E. Other Income

Other income comprises principally finance income on bank deposits. The year-on-year increase for the year under review is mainly explained by increased cash holdings from operating activities.

108.7%
7,718 mil

F. Selling and Distribution Expenses

Selling and distribution expenses mainly comprise advertising, exhibition expenses, sales rebates and salaries.

Selling and distribution expenses increased from EUR 3.7 million for the year ended 31 December 2011 by EUR 4.0 million (108.7%) to EUR 7.7 million in the same period of 2012. The increase is mainly contributed by the surge in advertising expenses from EUR 1.4 million for the year ended 31 December 2011 by EUR 2.9 million to EUR 4.3 million in 2012. The sharp increase is explained by Jinjiang Goldrooster's aggressive marketing efforts to create brand awareness and reach out to more target consumers in the existing provinces where GOLDROOSTER has presence. To support increased advertising and promotion activities, Jinjiang Goldrooster has appointed a third advertising agency in May 2012 to service its needs. More notably, in the month of October 2012, Jinjiang Goldrooster tied up with one of its designated advertising agencies to form and sponsor a yachting team ("Team Goldrooster") in the 6th China Cup International Regatta. On top of the yachting event, Jinjiang Goldrooster participated in the 6th South Shaolin Martial Arts Competition of China by being the sole apparel sponsor in October 2012, where all event helpers and staff were required to wear the apparels provided by the company.

On top of the rise in advertising expenses, there was an increase in sales rebate of EUR 1.1 million in tandem with increase in sales.

The percentage of selling and distribution expenses to total sales was 5.1% for the year ended December 2012 (2011: 3.6%).

	31 December 2012		31 December 2011		
	EUR'000	% of revenues	EUR'000	% of revenues	^ / (v) %
Advertisements	4,319	2.9	1,466	1.4	194.6
Exhibition fees	129	0.1	53	0.1	143.4
Sales rebates	3,020	2.0	1,955	1.9	54.5
Salaries and related cost	231	0.1	208	0.2	11.1
Others	19	0.0	16	0.0	18.8
Total	**7,718**	**5.1**	**3,698**	**3.6**	**108.7**

57.5%
3,843 mil

G. Administrative Expenses

Administrative expenses mainly comprise research and development expenses, travelling expenses, entertainment, salaries, operating lease expenses, social insurance, sponsorship fees and other miscellaneous expenses.

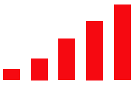
Administrative expenses increased from EUR 2.4 million for the year ended December 2011 by EUR 1.4 million (57.5%) to EUR 3.8 million in the same period of 2012. The increase is mainly contributed by the following:

1. IPO expenses of kEUR 487 (2011: kEUR 296) charged off upon conclusion of the IPO;
2. kEUR 290, being social insurance that Jinjiang Goldrooster did not pay in full previously till September 2011;
3. Rise in salary cost of kEUR 156 mainly due to increase in management staff;

4. kEUR 154, being increase in local education tax and surcharge computed at 10% of net VAT payable, which has risen as a result of increased sales activities;
5. Post listing increase in audit fees of kEUR 157;
6. kEUR 117 of fees payable to the supervisory board;
7. Listing and compliance fee of kEUR 97; and
8. Amortisation charge of intangibles of kEUR 125.

In addition, there was a general increase of kEUR 116 in other expenses (i.e. R&D, office running expenses, entertainment, transport, local stamp duty, bank charges etc.) in line with sales growth.

The percentage of administrative expenses to total sales was 2.6% for the financial year ended December 2012 (2011: 2.3%).



32.3%
7,729 mil

H. Income Tax Expense

GOLDROOSTER Group is taxed at 25%, as represented by its PRC operating company, Jinjiang Goldrooster.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Year Ended 31 December 2012 Consolidated	 31 December 2011 GRHK group	^ / (v) %
Assets				
Non-current				
Property, plant and equipment	I	776	684	13.5
Intangible assets	J	1,109	1,214	(8.6)
Deferred income tax asset	K	173	-	n/m
		2,058	1,898	8.4
Current				
Inventories	L	1,907	1,830	4.2
Trade and other receivables	M	26,009	17,473	48.9
Cash and cash equivalents	N	50,896	29,789	70.9
		78,812	49,092	60.5
Total assets		**80,870**	**50,990**	**58.6**
Equity and Liabilities				
Capital and Reserves				
Share capital		20,720	358	n/m
Share premium		2,161	-	n/m
Transaction costs of equity transations		(128)	-	n/m
Statutory reserve		4,772	4,772	0.0
Foreign currency translation reserve		3,542	3,453	2.6
Merger reserves		(229)	(229)	0.0
Retained earnings		29,178	26,086	11.9
Total Equity	O	**60,016**	**34,440**	**74.3**
Current Liabilities				
Trade and other payables	P	18,241	14,349	27.1
Amount due to related parties	Q	312	252	23.8
Provisions	R	284	184	54.3
Corporate income tax payable	S	2,017	1,765	14.3
		20,854	16,550	26.0
Total Equity and Liabilities		**80,870**	**50,990**	**58.6**

Non-Current Assets

I. Property, Plant and Equipment

13.5%
776 mil

Property, plant and equipment comprise mainly plant and machinery, motor vehicles, office equipment and leasehold improvements.

Property, plant and equipment increased from kEUR 684 as at 31 December 2011 by kEUR 92 (13.5%) to kEUR 776 as at 31 December 2012 due to addition to leasehold improvements arising from the shifting of corporate office partially offset by depreciation.

J. Intangible Assets

-8.6%
1,109 mil

These relate to the purchase of seventeen trademarks by Jinjiang Goldrooster from a then related party at a consideration of kRMB 10,160 (appr. kEUR 1,214) in 2011. The intangibles will be carried at cost and amortised over a useful life of 10 years starting this year. There has been no addition/ disposal since the last balance sheet date and the decrease is due to full year amortisation charge amounting to kEUR 125.

K. Deferred Income Tax Asset

n/m
173 mil

Under IFRS, deferred taxes are capitalized on pre-tax losses of GOLDROOSTER AG.

Current Assets

Current assets mainly comprise inventories, trade and other receivables and cash and cash equivalents.

L. Inventories

4.2%
1,907 mil

Inventories increased slightly from EUR 1.8 million as at 31 December 2011 by EUR 77,000 (4.2%) to EUR 1.9 million as at 31 December 2012. This fluctuation is normal in the ordinary course of business. To sum up, with good inventory management in place, GOLDROOSTER Group will continue to monitor inventory holdings closely and operate at optimal levels to reduce risk of obsolescence.

	Year Ended		
	31 December 2012	31 December 2011	
	EUR'000	EUR'000	^ / (v) %
Raw materials	582	855	(31.9)
Work in progress	634	236	168.6
Finished goods	691	739	(6.5)
Total	**1,907**	**1,830**	**4.2**

48.9%
26,009 mil

M. Trade and Other Receivables

Trade and other receivables increased from EUR 17.5 million by EUR 8.5 million (48.9%) to EUR 26.0 million as at 31 December 2012. The increase is partially the result of higher sales activities. More importantly, the surge in receivables is explained by the granting of a higher credit terms from the normal 45 days to circa 60 days. This discretionary act of goodwill is normal in the context of business in China and is aimed at lending support to distributors in growing their business. In addition, there is an amount of EUR 1.6 million capitalized as advertising prepayments in relation to the yacht event sponsorship.

Details of trade receivables aging are set out below:

	Year Ended		
	31 December 2012	31 December 2011	
	EUR'000	EUR'000	^ / (v) %
Within 30 days	16,102	12,293	31.0
31 – 60 days	6,615	5,102	29.7
More than 60 days	-	-	-
Total	**22,717**	**17,395**	**30.6**

70.9%
50,896 mil

N. Cash and Cash Equivalents

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

The increase in cash and cash equivalents of EUR 21.1 million (70.9%) is mainly explained by increase in operating profits partially offset by a net increase in working capital (i.e. trade and other receivables up by EUR 8.5 million and trade and other payables up by EUR 4.0 million) as well as income tax paid of EUR 7.7 million. In addition, there was a net increase of EUR 2.7 million arising from issuance of shares in conjunction with the IPO.

74.3%
TOTAL EQUITY
60,016 mil

O. Equity

Equity comprises share capital, share premium, transaction costs of equity transactions, statutory reserve, foreign currency translation reserve, merger reserves and retained earnings.

Share capital, share premium and transaction costs of equity transactions relate to the capital increase arising from the issue of 720,206 shares at EUR 4.00 per share net of selling commission and management fee.

Statutory reserve relates to the statutory reserve required under PRC law, where Jinjiang Goldrooster is required to transfer 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve. When the balance of such reserve reaches 50% of Jinjiang Goldrooster's share capital, any further transfer of its annual statutory net profit is optional. Such reserve may be used to offset accumulated losses or to increase the registered capital subject to the approval of the relevant authorities. However, except for offsetting prior years' losses, such statutory reserve must be maintained at a minimum of 25% of the share capital after such usage. The statutory reserves are not available for dividend distribution to the shareholders.

The merger reserve represents the difference between the nominal value of shares issued by Goldrooster Hong Kong in exchange for the nominal value of shares of Jinjiang Goldrooster acquired which is accounted for under “merger accounting”.

Foreign currency translation reserve represents the foreign currency translation difference arising from the translation of the financial statements of companies within the Group from their functional currencies to the Group’s presentation currency. The slight increase of kEUR 89 is attributed to the further weakening of the Euro against the RMB.

The increase in retained earnings by EUR 3.1 million is mainly explained by the effect of the contribution of the shares of Goldrooster Hong Kong into Goldrooster AG, whereas, although Goldrooster AG is the legal acquirer, Goldrooster Hong Kong is treated as the economic acquirer for IFRS purposes. Therefore, almost all of the capital increase of EUR 19.95 million is adjusted against retained earnings. This is partially offset by net profit of EUR 22.8 million for the full year ended 31 December 2012.

Current Liabilities

Current liabilities comprise trade and other payables, amount due to related parties and current income tax payable.

27.1%
18,241 mil

P. Trade and Other Payables

Trade and other payables comprise mainly trade payables, salary payables and other payables.

		Year Ended		
		31 December 2012	**31 December 2011**	
	Notes	**EUR’000**	**EUR’000**	**^ / (v) %**
Trade payables	a	16,783	13,109	28.0
Salary payables	b	286	280	2.1
Other payables	c	1,172	960	22.2
Total		**18,241**	**14,349**	**27.1**

a. Trade payables

Trade payables increased from EUR 13.1 million as at 31 December 2011 by EUR 3.7 million (28.0%) to EUR 16.8 million as at 31 December 2012, due to increase in purchases to keep up with increased sales level.

b. Salary payables

Salary payables mainly comprise accrued payroll and staff related expenses of the operative entity and Goldrooster Hong Kong.

c. Other payables

Other payables mainly comprise value added tax (“VAT”) payables, other tax payables and miscellaneous payables.

The increase in other payables from EUR 1.0 million as at 31 December 2011 by EUR 0.2 million (22.1%) to EUR 1.2 million as at 31 December 2012 is mainly contributed by VAT payables and education surcharge payable, both of which will rise in tandem with sales, coupled with accrual for directors' fees.

23.8%
312 mil

Q. Amount due to Related Parties

This relates to advances extended by related parties for settlement of expenses. There are no trade activities between GOLDROOSTER Group and related parties for the year under review.

54.3%
284 mil

R. Provisions

Provisions comprise social security insurance accrued for Jinjiang Goldrooster for prior years as well as sales commission arising from the issue of shares on IPO.

The increase of EUR 0.1 million is due to the aforementioned provision of sales commission.

14.3%
2,017 mil

S. Corporate Income Tax Payable

This relates wholly to income tax payable by Jinjiang Goldrooster. As income tax payments are made to the tax authority in the month following the end of each quarter (i.e. January, April, July and October), the year end balance of EUR 2.0 million relates to income tax accrued on Jinjiang Goldrooster's profits for the last quarter of 2012.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Transaction costs of equity transactions	Statutory reserve	Translation reserve	Merger reserve	Retained earnings	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January 2011	**103**	**-**	**-**	**3,021**	**1,436**	**-**	**10,817**	**15,377**
Issuance of share capital for GRHK	358	-	-	-	-	-	-	358
Adjustment arising from restructuring exercise	(103)	-	-	-	-	(229)	-	(332)
Total comprehensive income	-	-	-	-	2,017	-	17,020	19,037
Transfer to statutory reserve	-	-	-	1,751	-	-	(1,751)	-
At 31 December 2011	**358**	**-**	**-**	**4,772**	**3,453**	**(229)**	**26,086**	**34,440**
Adjustment arising from restructuring exercise	**19,642**	**-**	**-**	**-**	**-**	**-**	**(19,688)**	**(46)**
Issuance of shares	**720**	**2,161**	**(128)**	**-**	**-**	**-**	**-**	**2,753**
Total comprehensive income	**-**	**-**	**-**	**-**	89	-	22,780	22,869
At 31 December 2012	**20,720**	**2,161**	**(128)**	**4,772**	**3,542**	**(229)**	**29,178**	**60,016**

On 2 March 2012, as the final step of the restructuring exercise, all shares in Goldrooster Hong Kong were contributed to the Company against the issuance of new 19,950,000 no par value ordinary bearer shares with a proportionate value of EUR 1.00 each. Subsequent to this capital increase, the share capital of the Group and Company amounted to EUR 20,000,000. The acquisition of the Hong Kong sub-group on this date also resulted in a restructuring adjustment where the sub-group's closing balances of statutory reserve, translation reserve and merger reserve were assumed by the Group and a resultant amount of EUR 19.7 million was reversed against the brought forward retained earnings of the Hong Kong subgroup.

On 18 May 2012, 720,206 new shares at EUR 4.00 each were issued on IPO of the Company. This led to an increase in share capital and share premium of kEUR 720 and kEUR 2,161 respectively. In addition, the IPO led to incurrence of expenses that qualify as transaction costs of an equity transaction amounting to kEUR 128 (net of any related income tax benefit). This amount is accounted for as a deduction from equity and presented under "Transaction costs of equity transactions".

CONSOLIDATED STATEMENT OF CHANGES IN CASH FLOWS

	Year Ended		
	31 December 2012 Consolidated	31 December 2011 GRHK group	^ / (v) %
	EUR'000	EUR'000	
Cash Flows from Operating Activities			
Profit before taxation	30,509	22,863	33.4
Adjustments for:			
Interest	(192)	(148)	29.7
Depreciation of property, plant and equipment	169	118	43.2
Amortisation of intangibles	125	-	n/m
Operating profit before working capital changes	30,611	22,833	34.1
(Increase)/decrease in inventories	(76)	37	(305.4)
Increase in trade and other receivables	(8,535)	(873)	877.7
Increase in trade and other payables	3,950	3,226	22.4
Increase in provisions	100	-	n/m
Cash generated from operations	26,050	25,223	3.3
Interest received	192	79	143.0
Income tax paid	(7,650)	(5,433)	40.8
Net cash generated from operating activities	**18,592**	**19,869**	**(6.4)**
Cash flows used in investing activities			
Acquisition of trademarks and logo	-	(1,130)	(100.0)
Purchases of property, plant and equipment	(252)	-	n/m
Net cash generated used in investing activities	**(252)**	**(1,130)**	**(77.7)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	2,753	358	669.0
Adjustment arising from restructuring exercise	(46)	(332)	(86.1)
Net cash used in financing activities	**2,707**	**26**	**n/m**
Net increase in cash and cash equivalents	**21,047**	**18,765**	**12.2**
Cash and cash equivalents at beginning of financial year	**29,789**	**9,350**	**218.6**
Effect of currency translation	**60**	**1,674**	**(96.4)**
Cash and cash equivalents at end of financial period	**50,896**	**29,789**	**70.9**

REMUNERATION SYSTEMS

Remuneration of the Management Board

In accordance with the provisions of the German Stock Corporation Act, the Supervisory Board of GOLDROOSTER AG is responsible for setting the remuneration of the Management Board. The Supervisory Board has concluded service contracts with the Management Board members. No fixed remuneration is agreed in the service contract because all Management Board members received separate fixed remuneration for their work at the immediate subsidiary of GOLDROOSTER AG.

The remuneration of the Management Board is determined by a set of criteria like nature of duties, job performance, economic situation, success and future prospects of the Company and so on.

In the performance of their duties, the members of the Management Board are covered under a Directors and Officers (D&O) insurance policy with a total insured sum of EUR 3,0 mio. per year. A deductible has been agreed in compliance with the statutory provisions.

In fiscal year 2012, the members of the Management Board of GOLDROOSTER AG did not receive either fixed or variable remuneration for their role as Management Board members. All remuneration received by them was paid by the Hong Kong subsidiary for their service contribution. The total remuneration of the present members of the Management Board in 2012 was kEUR 242 (2011: kEUR 40).

Individual payments are reported in the Notes to the Consolidated Financial Statements.

Remuneration of the Supervisory Board

The Supervisory Board of GOLDROOSTER AG should receive fixed remuneration, which will be voted on by the Annual General Meeting that ratifies the actions of the Management Board and Supervisory Board for the fiscal year 2012. The Company's Articles of Association state that the General Meeting may decide on the level of remuneration. Moreover, no variable remuneration has currently been agreed for the Supervisory Board. However, the Articles of Association do not rule out this type of remuneration, so a decision on this could be taken by the General Meeting.

In the performance of their duties, the members of the Supervisory Board are covered under a Directors and Officers (D&O) insurance policy with a total insured sum of EUR 3,0 mio. per year.

The members of the Supervisory Board have received for the stub period of Goldrooster AG from 1 May until 31 December 2012 a remuneration of kEUR 54 and for the the first period ending 30 April 2012 kEUR 63.

OTHER INFORMATION (PURSUANT TO SEC. 315 PARAGRAPH 4 HGB)

Composition of the Capital Stock

The capital stock of GOLDROOSTER AG comprised EUR 20,720,206.00 as at 31 December 2012 and was divided into 20,720,206 no par value ordinary bearer shares of EUR 1.00 per share. All shares have the same voting rights and dividend claims. The rights and obligations of the shareholders are set out in detail in the German Stock Corporation Act (AktG), in particular in sec. 12, sec. 53a et seq., sec. 118 et seq. and sec. 186.

Restrictions on Voting Rights and the Transfer of Shares

Restriction on the voting rights of shares could result from statutory provisions (sec. 71b and sec. 136 AktG). The Management Board is not aware of any other restrictions on the exercise of voting rights or the transfer of shares.

Shareholdings Exceeding 10% of the Voting Rights

Under the provisions of German securities trading legislation, 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 sales of shares or in any other way must notify the Company and the Federal Financial Supervisory Authority (BaFin) thereof. The lowest threshold for such disclosures is 3%.

Shares with Special Rights According Rights of Control

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

Methods of Controlling Voting Rights Where Employees Hold Shares in the Company and Do Not Exercise Their Right of Control

GOLDROOSTER AG does not currently have any employee stock program.

Statutory Provisions and Regulations in the Articles of Association on the Appointment and Dismissal of Members of the Management Board and Changes to the Articles of Association.

The appointment and dismissal of the Management Board is governed by sec. 84 and sec. 85 of the German Stock Corporation Act (AktG). Pursuant to the statutory provisions (sec. 179 paragraph 1 AktG), any amendment to the Articles of Association requires a resolution of the General Meeting. Further regulations with respect to amendments to the Articles of Association are contained under sec. 113 and sec. 119 AktG. Under sec. 10 paragraph 2 of the Company's Articles of Association, the Supervisory Board may make amendments to the Articles of Association, provided that these are mainly editorial.

Authorization of the Management Board to Issue or Buy Back Shares

Upon registration of the amendment of the Company's Articles of Association with the commercial register, the authorised capital of the Company will amount to EUR 10,000,000. According to sec. 5 paragraph 1 of the Company's Articles of Association in its amended version, the Management Board will be authorised to increase the share capital of the Company, with the consent of the supervisory board, until 25 April 2017, once or several times, by up to EUR 10,000,000 through the issuance of up to 10,000,000 new non-par value ordinary bearer shares against contributions in cash or in kind ("Authorised Capital 2012").

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.

Compensation Agreements Entered into by the Company with Members of the Management Board or Employees in the Event of a Takeover Bid

There are no compensation agreements with either members of the Management Board or employees relating to a takeover bid.

RISK MANAGEMENT AND RISK REPORT

Risk Management

Risks constitute the potential that chosen actions or activities could negatively impact the economic situation of GOLDROOSTER Group. The Group's activities expose it to a large number of risks, the key ones being market risk, concentration risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Management Board is charged with the responsibility of risk management by creating a strong nexus with the group's goals and strategies. The Board provides guidance for overall risk management as well as policies covering specific areas. Management analyses and formulates measures to manage the Group's exposure to financial risk in accordance with the objectives and underlying principles approved by the board of directors. Generally, the Group employs a conservative strategy regarding its risk management. Liquidity is the key factor in the financial management of GOLDROOSTER Group and budgetary operational planning with a time horizon of 2 to 3 years is carried out across the group to safeguard liquidity. As the Group's exposures to market risk and financial risk are kept at a minimum level, the Group has not used any derivatives or other financial instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The key risks that the Group is potentially exposed to are discussed under the "Threats" section of the SWOT Analysis.

Risk Management System

The significance of risk management as described above meant that a good risk management system needs to be in place to protect GOLDROOSTER's interests.

GOLDROOSTER Group is in the process of developing and enhancing its risk management but has yet to establish a comprehensive risk management system. The extent of complexity of the risk management system will commensurate with the scale of GOLDROOSTER's business. Once in place, it will also function as GOLDROOSTER Group's risk early detection system as promulgated by Section 91 of the AktG (German Stock Corporation law). Consequently, the Group will commence implementation in the second quarter of 2013.

SWOT ANALYSIS: WHERE DO WE STAND?

The risk and opportunities of GOLDROOSTER Group would be best discussed using the SWOT analysis.

SWOT Analysis Matrix

	HELPFUL to achieving the objective	HARMFUL to achieving the objective
SOURCE:INTERNAL	**STRENGTHS** (i) POSITIONING (ii) DESIGN (iii) DIVERSIFIED PRODUCT PORTFOLIO (iv) BUSINESS MODEL & DISTRIBUTION NETWORK (v) MARKETING AND PROMOTION (vi) HUMAN RESOURCE	**WEAKNESSES** (i) INTELLECTUAL PROPERTY (ii) EASE OF REPLICATION (iii) SIZE
SOURCE:EXTERNAL	**OPPORTUNITIES** (i) DEMOGRAPHICS (ii) BUSINESS-TO-CONSUMER (B2C) (iii) STRATEGIC COLLABORATION (iv) OVERSEAS EXPANSION (v) PREMIUM RANGE (v) TARGET ACQUISITION	**THREATS** (i) COMPETITION (ii) FASHION TRENDS (iii) MARKET RISK (iv) INTEREST RATE RISK (v) CONCENTRATION RISK (vi) LIQUIDITY RISK (vii) CREDIT RISK

SWOT Analysis Matrix (continued)

	STRENGTHS	WEAKNESSES
OPPORTUNITIES	How does the Group use these strengths to take advantage of these opportunities?	How does the Group overcome the weaknesses that prevent it from taking advantage of these opportunities?
THREATS	How does the Group overcome the weaknesses that prevent it from taking advantage of these opportunities?	How does the Group overcome the weaknesses that will make these threats a reality?

STRENGTHS

The Group firmly believes the following to be critical success factors that have the effect of differentiating it from other competitors. In this regard, it will continue to focus on these strengths while concurrently unraveling new ones to stay ahead of the competition.

(i) Clear and unique **POSITIONING**

- GOLDROOSTER is strategically positioned as a brand for sports fashion to avoid direct head on competition with traditional sports brands.
- Products incorporate an element of fashion coupled with practicality to appeal to a unique group of target consumers.
- Care is exercised to avoid a "mass market" feel to promote loyalty of existing consumers.
- GOLDROOSTER offers upmarket products at mid-range pricing to incorporate the concept of value for money.

(ii) Strong product **DESIGN** capability

- GOLDROOSTER is armed with an experienced and full-fledged R&D department of more than 100 personnel to consistently deliver products with the "GOLDROOSTER feel".
- GOLDROOSTER's unwavering commitment toward product innovation is demonstrated by its on-going investment.
- The R&D process is market-oriented as the Group is always listening to please customers and end-consumers.

(iii) **DIVERSIFIED PRODUCT PORTFOLIO**

- GOLDROOSTER has a broad range of sports apparel, footwear and accessories that are further divided into various distinctive product series.
- Such product diversity promotes risk management and added flexibility as non-performing series can be dropped and new ones introduced.
- Consumers will just be spoilt for choice!

(iv) Established **BUSINESS MODEL** and extensive **DISTRIBUTION NETWORK**

- GOLDROOSTER currently has 1,517 retail outlets that exclusively sell GOLDROOSTER merchandise and are operated by 30 distributors/authorized retailers in 18 provinces and over 170 cities.
- Distributors are subject to stringent selection criteria and evaluated biannually.
- In-house proprietary knowledge facilitates ease of management and replication of existing sales and distribution model.
- The focus is on 2-, 3- and 4-tier cities to tap on organic growth and carve a niche in these cities to fortify barriers of entry.

(v) Consumer oriented and cost effective **MARKETING AND PROMOTION** activities

- GOLDROOSTER engages in close cooperation and consultation with distributors/authorised retailers in rolling out advertising activities.
- GOLDROOSTER invests appropriately in multi-facets advertising campaigns to raise level of awareness and drive growth.
- GOLDROOSTER's strength lies in its ability to employ innovative yet cost effective techniques to achieve maximum and effective publicity results.

(vi) Power of **HUMAN RESOURCE**

- GOLDROOSTER has an experienced and well-connected management team that stands by the "Every employee is important" philosophy.
- On-going training is provided to nurture staff and unleash their potential.

WEAKNESSES

The Group views these factors that will put it at a disadvantage relative to others. It is constantly looking for ways to overcome these weaknesses and mitigate the underlying risks.

(i) **INTELLECTUAL PROPERTY** rights susceptible to challenge

- As trademarks and other intellectual property rights are deemed crucial to GOLDROOSTER's success, any vulnerability is viewed as a major weakness for the Group.
- The brand has a certain degree of resemblance to a French brand that exposes it to potential litigations.

(ii) **EASE OF REPLICATION** of existing business model

- Current model is widely used in the context of China.
- Ease of replication indicates an absence of competitive advantage.

(iii) Relatively small **SIZE**

- Size is relative remains a reality.
- The Group enjoys lesser bargaining power compared to bigger players.

OPPORTUNITIES

These are factors which the Group can exploit to its advantage and if possible, transform them as part of its strengths.

(i) Favourable **DEMOGRAPHICS**

- Accelerating urbanization coupled with rise in disposable income pose positive impact to the Group.
- The fast-paced development in 2-, 3- and 4-tier cities where the Group has dominant presence will drive revenue growth.
- The Group's target group of the middle class ranging from 18 – 35 years of age is set to increase.
- With affluence comes the increase in need to stay healthy and look fashionable, thus raising the demand of fashion sportswear to the advantage of the Group.

(ii) **BUSINESS-TO-CONSUMER (B2C)** e-commerce

- This relatively new mode of retailing links the business directly to the end-consumers.
- By engaging our target audience directly, the Group will be able to collate first-hand information and have direct access to their needs to facilitate timely reaction.

(iii) **STRATEGIC COLLABORATION** with overseas designers

- Such partnership will further fortify the research and development core process, dubbed as the "Heartbeat" of GOLDROOSTER.
- Being up to speed with the latest fashion trends will create the first player advantage and mitigates the risk of missing a trend.

(iv) **OVERSEAS EXPANSION**

- Notwithstanding the huge domestic demand that remains untapped, overseas markets like Southeast Asia and the Middle East offer a viable avenue to accelerate the network expansion process.
- Venturing into Asian markets with closer geographical proximity and cultural practices will ease market penetration to increase the chance of success.

(v) Establishing a **PREMIUM RANGE**

- The aforementioned rising affluence coupled with a well-established brand puts the Group in a very good position to launch a premium series to capture market share in the mid to premium consumer segment.

(vi) **TARGET ACQUISITION**

- The Group can be on the lookout for target companies with businesses that complement its current operations and create synergy.
- Subject to good pricing, this is a quick way to diversify into related business sectors and facilitate possible expansion into new markets outside of China.

THREATS

Simply put, threats are risk factors which if not properly managed, will become weaknesses that will negatively affect the Group's business and impede its ability to execute its planned strategies.

The key risks, namely market risk, concentration risk, credit risk and liquidity risk, are discussed in the following.

(i) Sector and market related risks – new **COMPETITION** characterized by low barriers of entry

- The sportswear industry in China is made up by a myriad of market players where extremely stiff competition threatens to displace weaker players.
- The Group expects this trend to continue to increase and intensify moving forward, especially as international competitors seek to increase their sales activities to capture more market share in PRC.
- GOLDROOSTER Group positions itself as a fashion sportswear manufacturer to avoid what it perceives as a fiercer competition in the traditional sportswear market, and mainly competes with established international and domestic fashion sportswear brands in the PRC. In terms of product similarity and brand positioning, GOLDROOSTER Group considers "KAPPA", "Puma", "Le Coq Sportif" and "Xtep" to be its main competing brands in the PRC.
- These deemed competitors have strong established brands and financial muscle to compete aggressively by leveraging on their sheer size and resources.
- To avoid being left out of the competition, the Group must constantly deliver innovative product designs and invest heavily in new marketing initiatives to create brand awareness and enhance its brand image.
- Failure to do so will result in loss of market share and falling margins, thus posing adverse effect on the Group's business, financial condition and operating results.

(ii) Sector and market related risks – abrupt change in **FASHION TRENDS**

- The Group is in a dynamic industry where the trend of today can be a thing of the past the day after. In order to move ahead and stay at the forefront of the fashion scene, the Group understands the importance of innovation and sets out to deliver what consumers desire at any point in time.
- Even with the above being said, the Group may not be able to predict changing consumer preferences and might experience a time lag in introducing the correct trend to the market.
- When the risk of missing a trend materializes, the Group's business, financial condition and operating results will be adversely affected.
- In this regard, strategic importance is placed on the research and development process by the collation of valuable information under a structured market research process executed by a team of professionals.

(iii) **MARKET RISK**

- **Currency risk** arises within entities in the Group when transactions are denominated in foreign currency. The Group has no significant concentration of transactional currency risk. The Group operates predominantly in the PRC and transacts primarily in Renminbi. However, the Group prepares its financial statements in EURO and therefore its results and net asset position are exposed to retranslation risk as a result of fluctuation in the RMB EURO exchange rate.

- **Interest Rate Risk**: The Group is not significantly exposed to interest rate risk as it is primarily self-financing. The Group has no interest bearing loans or significant interest-bearing assets.

(iv) **CONCENTRATION RISK**

- Concentration risk arises from the sales to the Group's authorised distributors. In view of the nature of the industry and the Group's sales strategy which is the selling of their products to consumers through the authorised distributors, the management does not consider the risk to be significant. The Group's policy is to monitor the business development of the authorised distributors and to continuously source for suitable distributors who are able to promote the brand and expand the existing distribution network.

(v) **LIQUIDITY RISK**

- The Group's financial liabilities are expected to mature within 1 year from the balance sheet dates. The contractual undiscounted cash flows of the financial liabilities approximate their carrying amounts.
- Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to regularly monitor their current and expected liquidity requirements and ensure, as far as possible, that it will have sufficient cash reserve and available funding through credit facilities to meet its liabilities when due, without incurring unacceptable losses or risking damages to the Group's reputation.

(vi) **CREDIT RISK**

- Credit risk is the risk of financial loss to the Group if counterparty fails to meet its contractual obligations. Credit risk of the Group arises primarily from the Group's trade receivables.
- The Group's exposure to credit risks is restricted by credit limits that are approved by the general manager of Jinjiang Goldrooster, which typically allows the existing customer credit terms of up to two months. In deciding whether credit shall be extended, Jinjiang Goldrooster will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. In relation to new customers, the sales and marketing department will prepare credit proposals for approval by the general manager.

Overall Risk Summary

The aforedescribed risks are controllable and if well-managed by a systematic risk management system, will not affect the going concern of the Group. At the date of this report, there is no fundamental change in the risk situation. In conclusion, the Group will continue to monitor existing and new risks so as not to compromise its trading position.

DEPENDENT COMPANY REPORT (RELATED-PARTY TRANSACTIONS)

Because there is no control agreement with the majority shareholder, the Management Board of GOLDROOSTER AG was required under section 312 of the German Companies Act (AktG) to file a report on relationships with affiliated companies. This report contained information on the relationships with the majority shareholder Li Shu Hsia and the companies of GOLDROOSTER Group. Pursuant to section 312, para 3 of the AktG, the Management Board declares “GOLDROOSTER Group has received an adequate consideration for all transactions with its affiliated companies in the business year 2012. There have been no detriments for GOLDROOSTER AG caused by any transaction concluded in the interest of or instructed by affiliated companies.”

EVENTS AFTER THE REPORTING DATE

At the time of publication, there was no significant post-balance sheet date event that has come to the attention of the Management Board.

OUTLOOK

General

GOLDROOSTER Group will continue to embark aggressively on its unconventional yet innovative marketing initiatives to build on its brand image and increase its target group. For existing customers, the R&D team will continue to surprise and delight them with improved product offerings – there is something for everyone!

Earnings, Asset and Financial Position and Outlook

Barring unforeseen changes in the economic climate, the Group expects to continue to register strong double-digit growth in 2013 and 2014 by furthering its intended growth strategy while focussing on its core processes of design and development and brand building.

Preparations for own shops are in progress. The Group will probably start to open its own proprietary stores in the second half of 2013. At the moment, the Group is closely monitoring the general market situation before actual commitment. The store opening plan is devised to take advantage of the generally positive outlook of the fashion sports industry by leveraging on the success of the Group’s marketing initiatives. Once the store opening plan is rolled out, the Group expects the associated revenues and gross profit to improve substantially as compared to the existing third party distributor model. Besides the financial benefits to be reaped, this strategic initiative will speed up the network expansion process and bring the Group closer to its end-consumers. By directly engaging the target group means the Group will have direct access to their needs and be able react on a timely basis.

Based on the foregoing and internal budget planning, the Management Board expects Group revenues to register year-on-year growth of 25% to 30% for 2013 and 2014. Net profit margin is expected to maintain within the normal range of 14.0% to 16.0%.

Overall Statement of Future Business Development

Being one of the few active players in the sports fashion industry, GOLDROOSTER Group will continue to fortify its position in this relatively niche market by working on improving its brand image and product offering. Accordingly, GOLDROOSTER Group expects its profitable growth to continue in 2013 and maintain 2012's margins in this new fiscal year. Should the positive development materialise as planned, the Company intends to start paying dividends in 2015 based on 2014's consolidated net profit.

30 May 2013

LI Wenwen
Chairman, Management Board
GOLDROOSTER AG

SOH Tiong Yuen Ashley
Member, Management Board
GOLDROOSTER AG


"SOPHISTICATED
IN TASTE,
SIMPLICITY
IN STYLE"

CONSOLIDATED FINANCIAL STATEMENT

GOLDROOSTER AG AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 Consolidated	2011 GRHK group
		EUR'000	EUR'000
Revenue	**3**	**150,749**	**104,035**
Cost of sales	4	(108,871)	(75,182)
Gross profit		**41,878**	**28,853**
Selling and distribution expenses		(7,718)	(3,698)
Administrative expenses		(3,843)	(2,440)
Finance income		221	148
Finance expenses		(29)	0
Profit before taxation	**5**	**30,509**	**22,863**
Income tax expense	6	(7,729)	(5,843)
Net profit		**22,780**	**17,020**
Other comprehensive income:			
Currency translation differences		89	2,017
Total comprehensive income		**22,869**	**19,037**
Profit attributable to:			
Equity holders of the Company		22,780	17,020
Total comprehensive income attributable to:			
Equity holders of the Company		22,869	19,037
Earnings per share (basic/diluted in EUR)		1.11	0.85

The comparability is affected by movements in the relative value of the functional currency (RMB) compared to the presentation currency (EUR).

The annexed notes form an integral part of and should be read in conjunction with these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	31 December 2012 Consolidated	31 December 2011 GRHK group
Assets			
Non-current			
Property, plant and equipment	7	776	684
Intangible assets	8	1,109	1,214
Deferred income tax asset	9	173	-
		2,058	1,898
Current			
Inventories	10	1,907	1,830
Trade and other receivables	11	26,009	17,473
Cash and bank balances	12	50,896	29,789
		78,812	49,092
Total assets		**80,870**	**50,990**
Equity and Liabilities			
Capital and Reserves			
Share capital	14	20,720	358
Share premium	14	2,161	-
Transaction costs of equity transactions	14	(128)	-
Statutory reserve	14	4,772	4,772
Foreign currency translation reserve	14	3,542	3,453
Merger reserves	14	(229)	(229)
Retained earnings	14	29,178	26,086
		60,016	**34,440**
Current Liabilities			
Trade and other payables	13	18,241	14,349
Amount due to related parties	13	312	252
Provisions		284	184
Corporate income tax payable	6	2,017	1,765
		20,854	16,550
Total Equity and Liabilities		**80,870**	**50,990**

The comparability is affected by movements in the relative value of the functional currency (RMB) compared to the presentation currency (EUR).

The annexed notes form an integral part of and should be read in conjunction with these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Attributable to equity holders of Company							
	Share capital	Share premium	Transaction costs of equity transactions	Statutory reserve	Foreign currency translation Reserve (OCI)	Merger reserve	Retained earnings	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
	(Note 14)	(Note 14)	(Note 14)	(Note 14)	(Note 14)	(Note 14)	(Note 14)	
Balance at 1 January 2011	103	-	-	3,021	1,436	-	10,817	15,377
Issuance of share	358	-	-	-	-	-	-	358
Adjustment arising from restructuring exercise (see Note1)	(103)	-	-	-	-	(229)	-	(332)
Total comprehensive income	-	-	-	-	2,017	-	17,020	19,037
Transfer to statutory reserve	-	-	-	1,751	-	-	(1,751)	-
Balance at 31 December 2011	**358**	**-**	**-**	**4,772**	**3,453**	**(229)**	**26,086**	**34,440**
Adjustment arising from restructuring exercise (see Note 2)	19,642	-	-	-	-	-	(19,688)	(46)
Issuance of shares	720	2,161	(128)	-	-	-	-	2,753
Total comprehensive income	-	-	-	-	89	-	22,780	22,869

Note 1: Restructuring adjustment arising from the transfer of entire share capital of Jinjiang Goldrooster to Goldrooster Hong Kong on 25 August 2011.

Note 2: Restructuring adjustment arising from the contribution of all the shares in Goldrooster Hong Kong to the Company on 2 March 2012, where the share contribution is regarded as a transaction without substance and solely completed for the purpose of restructuring to arrive at the intended group structure.

The annexed notes form an integral part of and should be read in conjunction with these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	31 December 2012 Consolidated	31 December 2011 GRHK group
		EUR'000	EUR'000
Cash Flows from Operating Activities			
Profit before taxation		30,509	22,863
Adjustments for:			
Interest		(192)	(148)
Depreciation of property, plant and equipment	7	169	118
Amortisation of intangibles	8	125	-
Operating profit before working capital changes		30,611	22,833
(Increase)/decrease in inventories		(76)	37
Increase in trade and other receivables		(8,535)	(873)
Increase in trade and other payables		3,950	3,226
Increase in provisions		100	-
Cash generated from operations		26,050	25,223
Interest received		192	79
Income tax paid	6	(7,650)	(5,433)
Net cash generated from operating activities		*18,592*	*19,869*
Cash flows used in investing activities			
Acquisition of trademarks and logo		-	(1,130)
Purchases of property, plant and equipment		(252)	-
Net cash generated used in investing activities		*(252)*	*(1,130)*
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		2,753	358
Adjustment arising from restructuring exercise		(46)	(332)
Net cash used in financing activities		*2,707*	*26*
Net increase in cash and cash equivalents		**21,047**	**18,765**
Cash and cash equivalents at beginning of financial year		**29,789**	**9,350**
Effect of currency translation		**60**	**1,674**
Cash and bank balances at end of financial year	11	**50,896**	**29,789**

The annexed notes form an integral part of and should be read in conjunction with these financial statements

1 THE GROUP

1.1 THE COMPANY

GOLDROOSTER AG (the “Company”) is currently a public listed company and its shares are listed on the Entry Standard of the Frankfurt Stock Exchange on 18 May 2012. The Company was founded on 9 February 2011 as a shelf-company (Vorratsgesellschaft) and registered in the commercial register (Handelsregister) with the local court (Amtsgericht) of Munich on 3 June 2011.

The principal activity of the Company is investment holding and provision of management services. The registered office of the Company is in Berlin, Germany, and the Company is registered with the commercial register of the local court of Berlin-Charlottenburg under registration number HRB 137673. The registered business address of the Company is Markgrafenstraße 33, 10117 Berlin, Germany.

The Company and its subsidiaries (collectively known as “the Group”) are engaged in the manufacture and sale of unisex sports apparel, footwear and accessories.

Particulars of the Company’s subsidiaries at 31 December 2012, all of which are wholly owned, are set out below:

Name of subsidiaries	Place of incorporation	Principal activities
Gold Rooster (Hong Kong) Holding Limited (“Goldrooster Hong Kong”)	Hong Kong Suite A, 5/F., Centre Mark II, 305 - 313 Queen’s Road Central, Hong Kong	Investment holding, Shareholder of Jinjiang Goldrooster
Jinjiang Goldrooster Sports Goods Co., Ltd (“Jinjiang Goldrooster”)	The PRC Goldrooster Sports Mansion, Luoshan Town, Jingshan Development Zone, Jinjiang, Fujian Province, Postal Code: 362200	Manufacture and sale of unisex sports apparel, footwear and accessories

The figures presented in the financial statements have been rounded to the nearest EUR thousand.

The consolidated financial statements for the financial year ended 31 December 2012 were approved and authorised for issue on 30 May 2013 by the shareholders’ management and supervisory board.

1.2 THE GOLDROOSTER GROUP

The Hong Kong sub-group was formed on 25 August 2011, with the contribution of the fixed asset of Jinjiang Goldrooster to Goldrooster Hong Kong. Goldrooster Hong Kong becomes the immediate holding company of Jinjiang Goldrooster. As common control exists at the time of transaction, the acquisition is accounted for using a method of consolidation referred to as "pooling of interest". Accordingly, the consolidated financial statements of Goldrooster Hong Kong Group for the financial year from 1 January 2011 to 31 December 2011 have been prepared on a voluntary basis for the purpose of the initial public offering ("IPO").

The Group was subsequently formed on 2 March 2012 when all the shares in Goldrooster Hong Kong were contributed to the Company by way of a contribution in kind. The operating business of the Group is carried out solely by Jinjiang Goldrooster. Notwithstanding the actual legal formation date of 2 March 2012, the above described contribution in kind by way of shares is regarded as a transaction without substance and solely completed for the purpose of restructuring to arrive at the intended group structure. Accordingly, the consolidation of results will take effect from 1 January, with year 2011 being the first year that the Company presents consolidated financial statements by way of Goldrooster Hong Kong Group. For this financial year, the Company will present statutory consolidated financial statements which will include the full year results of the Company subsequent to the share contribution.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including related interpretations, in so far as these have been endorsed by the EU, and have been consistently applied throughout the financial year ended 31 December 2012.

The Group has adopted all EU IFRS that were effective on or before 1 January 2012.

2.2 BASIS OF PREPARATION

The financial year of the Group is between 1 January and 31 December. In these consolidated financial statements, all intercompany transactions and balances have been eliminated.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 BASIS OF PREPARATION (CONTINUED)

The consolidated financial statements of the Group, which comprise Goldrooster AG, Goldrooster Hong Kong and Jinjiang Goldrooster, have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively referred to as "**IFRS**") issued by the International Accounting Standards Board ("**IASB**"), including the IFRS Interpretations issued by the International Financial Reporting Interpretations Committee ("**IFRS IC**"), in so far as these have been adopted by the European Union ("**EU IFRS**").

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to the financial year presented, unless otherwise stated.

The consolidated financial information, especially with regard to 2012, has been presented as if Goldrooster AG Group already existed over the whole period in order to have comparable figures. The subsidiaries, whose shares - from a legal perspective - have been acquired in 2012, but which have to be regarded as acquirers from an economic perspective, have a full business year. The acquisitions of the sub "Business Combination" of Goldrooster AG Group — which have to be regarded as transactions under common control — have been accounted for on the basis that the former majority shareholders of the subsidiaries retain effective control of the Group, therefore according to IFRS 3 B1 the regulations of IFRS 3 "business combinations" were not applicable. Consolidation measures are essentially related to equity elements in the balance sheet and do not materially affect the equity total. No goodwill arose in respect of the acquisitions.

The consolidated financial statements have been generally prepared under the historical costs convention except as otherwise stated in the consolidated financial statements.

The classification of the balance sheet in financial and non-financial assets and debts has been disclaimed because of materiality.

The preparation of consolidated financial statements requires the management board 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 management board is also required to exercise their judgment in the process of applying the accounting policies. Although these estimates and assumptions are based on the management board's best knowledge of events and actions, actual results could differ from those estimates. Thus, the management board of the Company is responsible for preparing the consolidated financial statements.

The Company maintains its accounting records in EUR and prepares its statutory financial statements in accordance with the accounting regulations of the German Commercial Code (HGB) in the version of the German Accounting Law Modernisation Act (BilMoG) and the regulations of the German Stock Corporation Act (AktG).

Goldrooster Hong Kong maintains its accounting records in RMB and prepares its statutory financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Jinjiang Goldrooster maintains its accounting records in RMB and prepares its 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 ADOPTION OF IFRS

First Adoption of IFRS

IFRS 1, First-time Adoption of Financial Reporting Standards, has been applied in preparing these Financial Statements under IFRS. Before the financial year 2012, the Group did not prepare consolidated financial statements. An offsetting and reconciliation as proposed in IFRS 1.24 is therefore not possible.

Framework for the Presentation of Financial Statements ("Framework")

The Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It does not define standards for any particular measurement or disclosure issue.

The Group has adopted all EU IFRS that were effective before 1 January 2012 for the preparation of the financial statements for the financial year ended 31 December 2012. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The following regulations which became effective in 2012 have been applied to all periods presented:

Amendments to IFRS 7	Disclosures – Transfers of Financial Assets

The adoption of the above IFRS did not result in substantial changes to the Group's accounting policies or any significant impact on the financial statements.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted

The following new / revised IFRSs, potentially relevant to the Group's financial statements have been promulgated by the EU, but not yet effective and have not been early adopted by the Group.

Amendments to IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendments Relating to Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters(2)
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities(2)
Amendments to IAS (Revised)	Presentation of Items of Other Comprehensive Income(1)
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets(2)
Amendments to IAS 32	Presentation – Offsetting Financial Assets and Liabilities(3)
Amendments to IFRS 1	Governments Loans(2)
IFRS 10	Consolidated Financial Statements(3)
IFRS 11	Joint Arrangements(3)
IFRS 12	Disclosure of Interests in Other Entities(2)
IFRS 13	Fair Value Measurement(2)
IAS 19 (2011)	Employee Benefits(2)
IAS 27 (2011)	Separate Financial Statements(3)
IAS 28 (2011)	Investments in Associates and Joint Ventures(3)
IFRIC – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine(2)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 ADOPTION OF IFRS (CONTINUED)

Annual Improvement Project (Cycle 2009 to 2011)(2)

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities": Transitional Regulations(3)

(1) Effective date for annual periods under EU-law, beginning on or after 1 July 2012
(2) Effective date for annual periods under EU-law, beginning on or after 1 January 2013
(3) Effective date for annual periods under EU-law, beginning on or after 1 January 2014

The following standards and interpretations are not yet promulgated by the EU and therefore are not adopted by the Group.

IFRS 9 "Financial Instruments" and Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments – Disclosures": Initial Application and Transitional Regulations

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements": Investment Companies

IFRIC 21 "Fees"
Other IFRS-principles or IFRIC-interpretation rules, after the entry into force which may have an impact on the consolidated according, do not exist.

2.4 KEY SOURCES OF ESTIMATION UNCERTAINTY

Income taxes
The Group has exposure to income tax arising from its subsidiary's operations in the PRC. Significant judgment is required in determining the provision for income taxes. There are also claims for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax expense and deferred tax provisions in the period in which such determination is made.

Depreciation of property, plant and equipment
Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management determines the estimated useful lives of property, plant and equipment to be within 3 to 10 years. 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 charges could be revised. A 5% difference in the expected useful lives of the property, plant and equipment would not result in a significant change to the Group's net profit for the respective financial years.

Intangible assets
Intangible assets are amortised on a straight-line basis over their estimated useful life. Management determines the estimated useful life of intangible assets to be 10 years. The definite useful life of trademarks and logos is reviewed annually to determine whether it is justified. Changes in the expected level of usage and market developments could impact the economic useful life of these assets. Therefore, future amortisation charges could be revised. A 5% difference in the expected useful life of the intangible assets would not result in a significant change to the Group's net profit for the respective financial years.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 KEY SOURCES OF ESTIMATION UNCERTAINTY

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to raw material price changes and changes in customer behaviour which may cause selling prices to change rapidly.

2.5 JUDGMENT MADE IN APPLYING ACCOUNTING POLICIES

In the process of applying the Group's accounting policies as described below, management is of the opinion that there are no instances of application of judgments which are expected to have a significant effect on the amounts recognised in the consolidated financial statements.

Impairment of trade receivables

The Group's management assesses the collectability of trade receivables. This estimate is based on the credit history of the Group's customers and the current market condition. Management assesses the collectability of trade receivables at the balance sheet date and makes the provision, if any.

2.6 SUBSIDIARIES AND CONSOLIDATED FINANCIAL STATEMENTS

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from the date that control ceases.

For acquisition of subsidiaries under common control, the identifiable assets and liabilities were accounted for at their carrying values, applying a predecessor accounting approach as these transactions are considered as transactions under common control without substance.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between the combining entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the assets transferred.

(ii) Basis of preparation under common control business combination

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

For such common control business combination which is outside the scope of IFRS 3, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements. The application of this method does not result in accounting a good will related to this transaction.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 SUBSIDIARIES AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

A single uniform set of accounting policies is adopted by the consolidated entity. Therefore, the consolidated entity recognised the assets, liabilities and equity of the combining entities or businesses at the carrying amounts as if such consolidated financial statements had been prepared by the controlling party, including adjustments required for conforming the consolidated entity's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effect of all transactions and balances between combining entities, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the consolidated entity.

2.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, and the expenditure of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset.

Depreciation on property, plant and equipment is calculated using the straight-line method to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Plant and machinery	5 to 10 years
Motor vehicles	10 years
Office equipment	5 years
Leasehold improvements	3 years

The estimated residual values, estimated useful lives, and depreciation method of the property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date.

The gain or loss on disposal or retirement of an item of property, plant and equipment recognised in the income statement is the difference between the net disposal proceeds and the carrying amount of the relevant asset at the time of disposal.

2.8 INTANGIBLE ASSETS

Intangible assets comprising acquired trademarks and logos are reported at their acquisition price and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 10 years, whichever is the shorter of their estimated useful lives and periods of contractual rights.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal would be treated as a revaluation increase.

2.10 FINANCIAL ASSETS

The financial assets of the Group are categorised as loans and receivables. The Group does not have any other financial assets. The Group's loans and receivables comprise trade receivables and cash and cash equivalents.

Regular purchases and sales of financial assets are accounted for at trade date.

The loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally via the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue if any, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms of receivables, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivables. For trade receivables, which are reported net of impairment provisions, such provisions are recorded in a separate allowance account with the loss being recognised within administration expense in income statement. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 FINANCIAL ASSETS (CONTINUED)

Gains on loans and receivables are primarily from interest and are determined by the effective interest method. Losses are primarily from impairment and are determined by management analysis of the ageing of loans and receivables based on experience of default risk and history.

In 2012, the net gains on loans and receivables amounted to EUR 0 (2011: EUR 0).

Trade and other receivables
Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, as all mature within 12 months after the balance sheet date.

Receivables are measured on initial recognition at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method. Allowances for impairment are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition.

2.11 INVENTORIES

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprise raw materials, direct labour and other overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The carrying values of inventories are disclosed under note 10.

2.12 FINANCIAL LIABILITIES

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are recognised initially at fair value, plus in the case of financial liabilities other than derivatives, directly attributable transaction costs. Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value. All interest related charges are recognised as an expense in the income statement.

Financial liabilities are derecognised when the obligation for the liabilities is discharged or cancelled or expired. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, and through the amortisation process.

The Group's financial liabilities include trade and other payables, amounts due to related parties and tax liabilitites.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 FINANCIAL LIABILITIES (CONTINUED)

Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.13 PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in income statement net of any reimbursement.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Provisions for environmental protection are recorded if future cash outflows are likely to be necessary to ensure compliance with environmental regulations or to carry out remediation work, such costs can be reliably estimated and no future benefits are expected from such measures. Estimating the future costs of environmental protection and remediation involves many uncertainties, particularly with regard to the status of laws and regulations.

The respective legislation in the PRC requires the China operating subsidiary to commit itself to remediate any environmental damages which may have been incurred and may lead to a (constructive) obligation.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised. All provisions and contingent liabilities are reviewed at each reporting date and adjusted to reflect the current best estimate.

2.14 REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable and are presented net of goods and services taxes and trade discounts.

Revenue from the sale of manufactured products are recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, which generally coincides with the delivery and acceptance of goods; and when the Group can reliably measure the amount of revenue and the cost incurred and to be incurred in respect of the transaction; and it is probable that the collectability of the related receivables is reasonably assured. No revenue is recognised if

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 REVENUE AND OTHER INCOME (CONTINUED)

there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2.15 INTEREST INCOME

Interest income is recognised as it accrues, using the effective interest method.

2.16 EMPLOYEE BENEFITS – RETIREMENT BENEFITS SCHEME

Pursuant to the relevant regulations of the PRC government, the China operating subsidiary participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby a company located in the PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the company. The only obligation of the subsidiary with respect to the Scheme is to pay the on-going required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the income statement as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions. These plans are considered defined contribution plans. The China operating subsidiary has no legal or constructive obligations to pay further contributions after its payment of the fixed contributions into the national pension schemes. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

2.17 2.17 KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain managers are considered key management personnel of the Group.

2.18 INCOME TAX

Tax expense comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period in the respective countries in which the Group is operating.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 INCOME TAX (CONTINUED)

transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the balance sheet, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.19 FOREIGN CURRENCIES

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The Group conducts its business predominately in the PRC and hence its functional currency is the Renminbi.

The presentation currency of the Group is EURO, being the presentation currency of its ultimate German domiciled legal parent and holding company, and therefore the financial information has been translated from RMB to EURO at the following rates:

	Period end rate	**Average rate**
31 December 2012	**EUR 1.00 = RMB 8.2446**	**EUR 1.00 = RMB 8.1171**
31 December 2011	**EUR 1.00 = RMB 8.3711**	**EUR 1.00 = RMB 8.9880**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 FOREIGN CURRENCIES (CONTINUED)

The results and financial position in functional currency are translated into the presentation currency as follows:

(1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) Income and expenses for each income statement 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); and

(3) All resulting exchange differences are recognised in translation reserve, a separate component of equity.

(ii) Transactions and balances

Foreign currency transactions are measured and recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rates ruling at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.20 RELATED PARTIES

The Group has the following types of related parties:

(i) entities or individuals which directly, or indirectly through one or more intermediaries, (1) control, or are under common control with, the Group; (2) have an interest in the Group that gives them significant influence over the Group;
(ii) the key management personnel of the Group;
(iii) close members of the family of any individual referred to in (i) or (ii);

2.21 EQUITY RESERVES AND DIVIDEND PAYMENTS

Share capital represents the nominal value of shares that have been issued in the Company.

Share capital is determined using the nominal value of the shares that have been issued.

Share premium represents the excess of the amount subscribed over the par value of share capital.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 EQUITY RESERVES AND DIVIDEND PAYMENTS (CONTINUED)

Transactions costs of equity transactions are related to the capital increase with regard to the IPO.

In accordance with the relevant laws and regulations of PRC, Jinjiang Goldrooster is required to transfer 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve. When the balance of such reserve reaches 50% of the subsidiary's share capital, any further transfer of its annual statutory net profit is optional. Such reserve may be used to offset accumulated losses or to increase the registered capital of the subsidiary subject to the approval of the relevant authorities. However, in this case, reserves of at least 25 % of the capital must be maintained. The statutory reserves are not available for dividend distribution to the shareholders.

Foreign currency translation differences arising from translation of functional currency financial statements into presentation currency are included in translation reserve.

Merger reserve represents the difference between the nominal value of shares issued by Goldrooster Hong Kong in exchange for the nominal value of shares of Jinjiang Goldrooster.

Retained earnings include all current and prior period results as determined in the statement of comprehensive income.

Dividend distributions payable to equity shareholders are included in "other liabilities" when the dividends have been approved in a general meeting prior to the reporting date.

2.22 RESEARCH AND DEVELOPMENT ACTIVITIES

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

Costs that are directly attributable to the development phase of new clothes products and ranges are also expensed, as the benefits to the Group tend to be linked to the short term nature of fashion trends and so are not expected to be of benefit for substantially longer than one accounting period.

2.23 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocation resources and assessing performance of the operating segments, has been identified as the Management Board of Goldrooster AG which makes strategic decisions.

In the quarterly report Q2 2013, Goldrooster AG displayed three operative segments, apparels, footwear and accessories.

The management board reassessed this situation and came to the conclusion that the Company is actually a one segment entity, as a result of the following reasons.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 SEGMENT REPORTING (CONTINUED)

1. Product lines:

The main economic activity of the Company is the design and sales of a range of fashionable articles, comprising of apparels, footwear and accessories. To reach the best result in the market out of this activity, the designs of all three components have to be matched according to the latest fashion trends. Therefore, the Company's lines of responsibility are following the value chain of the Company like design, purchasing and sales in marketing rather than the product categories.

2. Customers:

The Company is selling its goods almost exclusively via distributors who are collaborating closely with the company. The distributors organize the sale of the goods via Goldrooster mono brand shops. Only a very small part of the goods are sold via shops owned by Goldrooster itself.

As this portion is well below 10% of the total sales, segmentation along the customer base is not appropriate.

3. Geographic:

Goldrooster sells all its product in the PRC domestic market. Due to the size of the company, there are some differences in the market and climate conditions, which in our opinion are not significant enough to constitute segmentation of the business.

Based on the foregoing, the Company is a single segment entity.

3 REVENUE

The Group's revenue is as follows:

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Sales of goods	150,749	104,035

The breakdown of revenue by the Group's product categories is as follows:

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Apparels	114,191	77,060
Footwear	28,030	22,087
Accessories	8,528	4,888
	150,749	104,035

3 REVENUE (CONTINUED)

The Group's revenues in 2012 and 2011 are derived wholly from the PRC.

There is no single customer that represents more than 10% of the Group's revenue in 2012 and 2011.

4 COST OF SALES

Cost of sales comprise of purchasing materials, labour costs for personnel employed in production, depreciation, trading goods and others (mainly utilities and maintenance costs). The following table shows a breakdown of cost of sales for the period under review for each category:

	Year ended 31 December 2012 EUR'000	**Year ended 31 December 2011 EUR'000**
Materials	15,023	11,769
Labour	3,213	2,385
Depreciation of property, plant and equipment	84	79
Operating lease expense	126	113
Purchases from subcontractors	89,128	59,782
Others	1,297	1,054
	108,871	75,182
Cost of inventories recognised in income statement	104,243	71,570

5 EXPENSES BY NATURE

The Group's profit before taxation is arrived at after charging:

	Year 31 December 2012 EUR'000	**Year ended 31 December 2011 EUR'000**
Depreciation of property, plant and equipment charged to cost of sales	84	79
Depreciation of property, plant and equipment charged to administrative expenses	84	36
Depreciation of property, plant and equipment charged to selling & distribution expenses	1	3
Advertising expenses	4,319	1,355
Sales incentives	3,020	1,955

5 EXPENSES BY NATURE (CONTINUED)

	Year 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Operating lease expense	215	170
IPO expenses written off	487	296

6 INCOME TAX EXPENSE

Tax attributable to profit is made up of:

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Profit for the financial year		
- Germany	-	-
- Foreign	7,826	5,843
	7,826	5,843
Deferred income tax (Note 9)	(97)	-
Tax expense	7,729	5,843

Reconciliation between tax expense and profit before taxation at applicable tax rates is as follows:

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Profit before tax	30,509	22,863
Tax calculated at the tax rate of 25%	7,627	5,716
Different tax rates in different countries	93	20
Income not subject to taxation	-	(17)
Deferred tax assets not recognised on tax loss	90	-
Tax effect on IFRS adjustments not adjusted for local tax purposes	(88)	119
Under provision of taxation in respect of prior year	7	5
	7,729	5,843

The income tax rate in Germany comprises domestic corporation tax of 15%, a solidarity surcharge of 5.5% and trade tax of 14.35%, giving rise to a combined tax rate of 30.175%.

The income tax rate for the Group's operations in Hong Kong is 16.5%. No provision was made for Hong Kong profits as the Group did not earn any income subject to Hong Kong profits tax for the year ended 31 December 2012.

The China operating subsidiary is subject to PRC income tax on profit arising or derived from the tax jurisdiction in which it operates and domiciles. The provision for PRC income tax on profits arising from operations in the PRC is calculated based on enterprise income tax rate of 25% for the financial year ended 31 December 2012, in accordance with the relevant PRC income tax rules and regulations.

6 INCOME TAX EXPENSE (CONTINUED)

Movement in income tax payable is as follows:

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Beginning of financial year	1,765	1,264
Tax expense on profit	7,729	5,843
Income tax paid	(7,650)	(5,433)
Translation adjustment	173	91
End of financial year	2,017	1,765

7 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery EUR'000	Motor vehicles EUR'000	Office equipment EUR'000	Leasehold improvements EUR'000	Total EUR'000
Cost					
At 1 January 2011	1,013	270	106	-	1,389
Addition	-	-	-	-	-
Translation adjustment	49	13	5	-	67
At 31 December 2011	**1,062**	**283**	**111**	**-**	**1,456**
Addition	-	-	-	252	252
Translation adjustment	17	4	1	(4)	18
At 31 December 2012	**1,079**	**287**	**112**	**248**	**1,726**
Accumulated Depreciation					
At 1 January 2011	477	67	72	-	616
Depreciation charge	82	24	12	-	118
Translation adjustment	30	4	4	-	38
At 31 December 2011	**589**	**95**	**88**	**-**	**772**
Depreciation charge	88	26	6	49	169
Translation adjustment	7	2	1	(1)	9
At 31 December 2012	**684**	**123**	**95**	**48**	**950**
Net Book Value					
At 31 December 2012	395	164	17	200	776
At 31 December 2011	473	188	23	-	684

All property, plant and equipment held by the Group are located in the PRC.

8 INTANGIBLE ASSETS

Intangible assets comprise trademarks and logos that have been specifically identified as being associated with the "GOLDROOSTER'' brand. The trademarks and logos are amortised to profit or loss using the straight-line method over 10 years.

Intangibles are denominated in Renminbi.

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Cost		
Beginning of financial year	1,214	-
Additions	-	1,158
Translation adjustment	18	56
End of financial year	1,232	1,214
Accumulated Depreciation		
Beginning of financial year	-	-
Amortisation charge	125	-
Translation adjustment	(2)	-
End of financial year	123	-
Net Book Value	**1,109**	**1,214**

9 DEFERRED INCOME TAX ASSET

Movement in deferred income tax asset is as follows:

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Beginning of financial year		
Tax credit to		
- profit or loss	118	-
- equity	55	-
End of financial year	173	-

10 INVENTORIES

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Raw materials	582	855
Work in progress	634	236
Finished goods	691	739
	1,907	1,830

11 TRADE AND OTHER RECEIVABLES

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Trade receivables	22,717	17,395
Prepayments	3,271	66
Other receivables	21	12
	26,009	17,473

Trade receivables are unsecured, non-interest bearing and generally have an average credit terms of 45 to 60 days. Management considers the carrying amounts recognised in balance sheet to be a reasonable approximation of their fair value due to the short duration. Net gains and losses on loans and receivables amounted to EUR 0 in 2012 (2011: EUR 0). There are no allowances for doubtful accounts as explained under Note 16 (iv) Credit Risk.

The aging based on invoice date is as follows:

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Within 30 days	16,102	12,293
31 to 60 days	6,615	5,102
	22,717	17,395

Save for an amount of kEUR 34 (2011: EUR 0), all trade and other receivables are denominated in Renminbi.

12 CASH AND BANK BALANCES

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Cash at bank	50,896	29,788
Cash on hand	-	1
	50,896	29,789

The cash at bank bears effective interest rate of 0.45% per annum for the year ended 31 December 2012 (2011: 0.38%).

The carrying amounts of cash and bank balances are denominated as follows:

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Renminbi	50,760	29,787
Euro	136	-
Hong Kong Dollar	-	2
	50,896	29,789

The cash and bank balances are denominated in Renminbi. The PRC government imposes control over foreign currencies. RMB, the official currency of PRC is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

13 CURRENT LIABILITIES

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Trade payables	16,783	13,109
Salary payables	286	280
Other payables	1,172	960
	18,241	14,349
Amount due to related parties	312	252

Other payables comprise mainly amounts for VAT and other taxes.

13 CURRENT LIABILITIES (CONTINUED)

Amount due to related parties relate mainly to the upfront payment of professional fees on behalf of the Group for its completed initial public offering in Germany.

Amount due to related parties are unsecured, interest-free and have no fixed terms of repayment.

The carrying amounts of trade and other payables have their fair value due to the short duration of maturity.

The carrying amounts of current payables are denominated as follows:

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Renminbi	18,016	14,208
Euro	410	287
Singapore Dollar	110	105
Hong Kong Dollar	17	1
	18,553	14,601

14 SHARE CAPITAL AND RESERVES

Share capital

	Number of ordinary shares 31 December 2012	Year ended 31 December 2011 EUR'000
Balance at beginning of the year (Note 1)	NA	358
Adjustment arising from restructuring exercise (Note 2)	20,000,000	19,642
Issuance of shares	720,206	720
Balance at end of the year	20,720,206	20,720

All issued ordinary shares are fully paid.

Note 1: prior to the actual formation of the Group, the beginning share capital comprise 4,000,000 ordinary shares of Goldrooster Hong Kong of HKD 1.00 per share, which is equivalent to EUR 358,312.

Note 2: subsequently on 2 March 2012, when all the shares in Goldrooster Hong Kong were contributed to GOLDROOSTER AG by way of a contribution in kind, the aforementioned shares in Note 1 were replaced by the aggregate registered share capital of the Company, which comprise 20,000,000 no par value ordinary bearer shares with a proportionate value of EUR 1.00. This restructuring exercise resulted in a net adjustment of EUR 19,641,688.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares will rank pari passu with respect to residual assets.

14 SHARE CAPITAL AND RESERVES (CONTINUED)

With resolution as of 26 April 2012, the shareholder meeting of Goldrooster AG approved an authorised capital of kEUR 10,000 and a conditional capital of another kEUR 10,000. The authorized and the conditional capital will expire on 25 April 2017 if not used by then.

Share premium

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Balance at beginning of the year	-	-
Issuance of shares	2,161	-
Balance at end of the year	2,161	-

The share premium fully results from the initial charge of emissions of the new shares.

Transaction costs of equity transactions

The not affecting net income allocated transactions costs of equity transactions are related to the capital increase with regard to the IPO on the Entry Standard of the Frankfurt Stock Exchange.

Statutory reserve

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Balance at beginning of the year	4,772	3,021
Transfer from retained earnings	-	1,751
Balance at end of the year	4,772	4,772

The statutory reserve relates to its PRC operating subsidiary, Jinjiang Goldrooster. In accordance with the relevant laws and regulations of PRC, the subsidiary is required to transfer 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve. When the balance of such reserve reaches 50% of the subsidiary's share capital, any further transfer of its annual statutory net profit is optional. Such reserve may be used to offset accumulated losses or to increase the registered capital of the subsidiary subject to the approval of the relevant authorities. The statutory reserves are not available for dividend distribution to the shareholders.

Foreign currency translation reserve

Foreign currency translation reserve represents the foreign currency translation difference arising from the translation of the financial statements of companies within the Group from their functional currencies to the Group's presentation currency. It is the sole component of other comprehensive income.

14 SHARE CAPITAL AND RESERVES (CONTINUED)

Merger reserve

Merger reserve represents the difference between the nominal value of shares issued by Goldrooster Hong Kong in exchange for the nominal value of shares of Jinjiang Goldrooster.

Retained earnings

The retained earnings comprise the cumulative net gains recognised in the Group's statement of comprehensive income.

15 COMMITMENTS

The total future minimum lease payments of the Group under non-cancellable operating leases are as follows:

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Not later than one year	-	4
Between one and five years	-	14
	-	18

The Group entered and contracted into non-cancellable advertising agreements with third party at the balance sheet date. The amount for services already contracted but not yet rendered is as follows:

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Not later than one year	-	2,527

16 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to market risk, concentration risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The board of directors provides guidance for overall risk management as well as policies covering specific areas. Management analyses and formulates measures to manage the Group's exposure to financial risk in accordance with the objectives and underlying principles approved by the board of directors. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposures to market risk and financial risk are kept at a minimum level, the Group has not used any derivatives or other financial instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

(i) Market risk - currency risk

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

16 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group has no significant concentration of transactional currency risk. The Group operates predominantly in the PRC and transacts primarily in Renminbi. However, the Group prepares its financial statements in EURO and therefore its results and net asset position are exposed to retranslation risk as a result of fluctuation in the RMB EURO exchange rate.

If the RMB change against the EUR by 5% (2011: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial/asset position will be as follows:

	Increase / (Decrease)					
	2012			2011		
	Profit after tax	OCI*	Equity	Profit after tax	OCI*	Equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
RMB against EUR						
-Strengthened	1,220	1,822	3,042	896	1,021	1,813
-Weakened	(1,104)	(1,648)	(2,752)	(810)	(924)	(1,640)

* : denotes Other Comprehensive Income

(ii) Market risk - interest rate risk

The Group is not exposed to interest rate risk as it is primarily self-financing. The Group has no interest bearing loans or significant interest-bearing assets.

(iii) Concentration risk

Concentration risk arises from the sales to the Group's authorised distributors. In view of the nature of the industry and the Group's sales strategy which is the selling of their products to consumers through the authorised distributors, the management does not consider the risk to be significant. The Group's policy is to monitor the business development of the authorised distributors and to continuously source for suitable distributors who are able to promote the brand and expand the existing distribution network.

(iv) Credit risk

Credit risk is the risk of financial loss to the Group if counterparty fails to meet its contractual obligations. Credit risk of the Group arises primarily in the Group's trade receivables.

The Group's exposure to credit risks is restricted by credit limits that are approved by the general manager of the subsidiary. The China operating subsidiary typically allows the existing customer credit terms of up to two months. In deciding whether credit shall be extended, the China operating subsidiary will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. In relation to new customers, the sales and marketing department will prepare credit proposals for approval by the general manager.

The Group performs on-going credit evaluation of its customers' financial position. The concentration of credit risk from the Group's trade receivables contributed 61% for the financial year ended 2012, comprising top 10 customers.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

16 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group's major classes of financial assets are trade receivables, amount due from a related party and cash and bank balances.

The Group considers 45 to 60 days to be normal collection period.

There is no impairment loss recognised in the income statements as there were no trade receivables that are past due.

(v) Liquidity risk

The Group's financial liabilities are expected to mature within 1 year from the balance sheet dates. The contractual undiscounted cash flows of the financial liabilities approximate their carrying amounts.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to regularly monitor their current and expected liquidity requirements and ensure, as far as possible, that it will have sufficient cash reserve and available funding through credit facilities to meet its liabilities when due, without incurring unacceptable losses or risking damages to the Group's reputation.

17. RELATED PARTY DISCLOSURES - SIGNIFICANT RELATED PARTY TRANSACTIONS

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: (i) it possesses the ability, directly or indirectly, to control or exercise significant influence over the operating and financial decision of the Company and its subsidiaries or vice versa; or (ii) it is subject to common control or common significant influence.

Related party information

(a) Individuals with significant influence over the Group.

Related party	Relationship to the Group
Li Shu Hsia:	Controlling shareholder of the Company by virtue of her wholly owned interest in Zhuo Wei Investments Limited Director of Goldrooster Hong Kong
Lim Geok Tin:	Substantial shareholder by virtue of her wholly owned interest in Season Market Limited
Yap Son On:	Substantial shareholder by virtue of his wholly owned interest in Xanti Investments Limited
Tan Hoon Teng:	Substantial shareholder by virtue of his controlling interest in Fortune United Investment Limited
Li Wenwen:	- Brother-in-law of Li Shu Hsia - Chairman, Management Board of the Company - Director of Goldrooster Hong Kong - General Manager of Jinjiang Goldrooster since FY2005

17 RELATED PARTY DISCLOSURES - SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management/directors of the Group

Related party	Relationship with the Group
Li Wenwen	- Chairman, Management Board of the Company - Director of Goldrooster Hong Kong - General Manager of Jinjiang Goldrooster since FY2005
Soh Tiong Yuen Ashley	- Chief Financial Officer of the Group - Member, Management Board of the Company
Andreas Grosjean	Chairman, Supervisory Board of the Company
Liao Kaizhan	Deputy Chairman, Supervisory Board of the Company
Teoh Tow Kean	Member, Supervisory Board of the Company
Yang Hua Gui	Deputy General Manager of Jinjiang Goldrooster (resigned WEF 17/10/2012)
Chu Zhaofu	Sales Director of Jinjiang Goldrooster
Shen Hongshan	Design Director of Jinjiang Goldrooster (appointed WEF 17/10/2012)
Wang Xuemei	Production and Planning Director of Jinjiang Goldrooster (appointed WEF 17/10/2012)

(c) Corporations with significant influence over the Group.

Related party	Relationship to the Group
Zhuo Wei Investments Limited	Shareholder (70.00%)
Season Market Limited	Shareholder (14.50%)
Xanti Investments Limited	Shareholder (6.00%)
Fortune United Investment Limited	Shareholder (6.00%)

Transactions and amounts due from/to related parties

In addition to the balances shown in the financial statements, the Group had the following transactions with related parties at agreed terms:

	Year ended 31 December 2012 EUR'000	**Year ended 31 December 2011 EUR'000**
Salaries and related costs	297	154
Retirement scheme contributions	-	1
Directors' fees	117	-
Total remuneration	414	155

17 RELATED PARTY DISCLOSURES - SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Included in "salaries and related costs" are director's remuneration amounting to approximately kEUR 242 for the financial year ended 31 December 2012 (2011: kEUR 40).

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Operating lease expense of factory premises paid to a related party	-	113
Trademarks and logo acquired from a related party	-	1,130
Embroidery services rendered by a related party	551	454

18 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to support the Group's stability and growth so as to maximise shareholders' returns and stakeholders' benefits.

A capital structure which does not make significant use of debt financing and seeks to establish a ratio of equity to total assets of 50% or above is considered to be advisable and achievable by the Group's management, providing the Group with a stable basis for achieving its business objectives. The Group actually achieved a ratio of equity to total assets of 74.2% as at 31 December 2012. The Group actively and regularly reviews its capital structure by taking into consideration the future capital requirements of the Group, capital efficiency, prevailing and projected profitability, projected operating cash flows, projected expenditures and projected strategic investment opportunities. As part of managing the capital structure, the Group may adjust the amount of dividend payment, obtain new borrowings or sell assets to reduce or avoid borrowings.

19 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values.

The Group does not anticipate that the carrying amounts recorded at balance sheet date would be significantly different from the values that would eventually be received or settled.

20 EMPLOYEES BENEFITS

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Management and administration	1,491	1,109
Sales	249	221
Production	3,499	2,596
	5,239	3,926

The aggregate payroll costs of these employees were as follows:

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Directors' and management boards´remuneration		
- Directors´remuneration	117	-
- Management boards' fees	242	40
Key management personnel (other than directors)		
-salaries and related costs	54	114
-retirement scheme contribution	1	1
Other than directors and key management personnel:		
-salaries and related costs	4,440	3,486
-retirement scheme contribution	385	285
	5,239	3,926
Average number of employees:	692	687

<u>Retirement benefit plans</u>

The eligible employees of the subsidiary who are citizens of the PRC are members of a state-managed retirement benefit scheme operated by the local government. Jinjiang Goldrooster is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the subsidiary with respect to the retirement benefit scheme is to make the specified contributions. The cost of retirement benefits contributions charged to profit and loss amounted to approximately kEUR 386 (2011: kEUR 286) for the financial year ended 31 December 2012.

21 REMUNERATION OF GENERAL MANAGEMENT AND SUPERVISORY BOARD ACCORDING TO ART. 314 SECTION 1 NO. 6 GERMAN COMMERCIAL CODE (HGB)

I. General Management (Vorstand)

The Composition of the management board is as follows:

(i) Mr Li Wenwen, Chief Executive Officer of Goldrooster Group, China, Fujian Province, Chairman

(ii) Mr Soh Tiong Yuen Ashley, Chief Financial Officer of Goldrooster Group, Singapore, Member

The remuneration of the members of the Management Board comprises fixed remuneration and benefits in kind.

Based on a service agreement with Goldrooster Hong Kong, Mr Li Wenwen will be entitled to an annual fixed salary of kHKD 960 (kEUR 95) starting from 18 May 2012, being the first day of trading of the Company's shares on the Frankfurt Stock Exchange.

Based on an open-ended service agreement with Goldrooster Hong Kong, Mr. Soh Tiong Yuen Ashley is entitled to an annual fixed salary of kSGD 169 (approximately kEUR 105) on a pro rata basis for the year 2012, commencing from 18 May 2012. In addition, Mr. Soh is entitled to a one-off fixed-amount bonus payment in the amount of kSGD 100 (approximately kEUR 62), which is paid by Goldrooster Hong Kong upon completion of the Offering on 18 May 2012.

Remuneration dependent on profit

There are no members of the management board for which remuneration is dependent on profit.

Remuneration not dependent on profit

The annual remuneration paid to the members of the management board is tabled below:

	Year ended 31 December 2012 EUR'000	**Year ended 31 December 2011 EUR'000**
Mr Li Wenwen	82	40
Mr Soh Tiong Yuen Ashley	160	-
	242	40

Remuneration with long term incentive

There are no members of the management board for which remuneration is based on long term incentive

II. Supervisory Board (Aufsichtsrat)

The Composition of the supervisory board is as follows:

(i) Mr Andreas Grosjean, Vorstand, Germany, Chairman (Appointed on 7 June 2011)

(ii) Mr Liao Kaizhan, Lawyer, China, Fujian Province, Deputy Chairman (Appointed on 13 October 2011)

(iii) Mr Teoh Tow Kean, Director, Malaysia, Member (Appointed on 7 June 2011)

21 REMUNERATION OF GENERAL MANAGEMENT AND SUPERVISORY BOARD ACCORDING TO ART. 314 SECTION 1 NO. 6 GERMAN COMMERCIAL CODE (HGB) (CONTINUED)

II. Supervisory Board (Aufsichtsrat)

Board memberships in other companies

Andreas Grojean	- Accelero AG, member of supervisory board since 16 September 2009; - VEM Aktienbank AG, executive board member since 3 March 2011; - China Specialty Glass AG, member of supervisory board since 28 April 2012.
Liao Kaizhan	- S&C Engine Group Limited (formerly known as China Engine Group Limited, Korea-listed public limited company), independent non-executive director since July 2009.
Teoh Tow Kean	- K-Star Sports Limited Independent (Malaysia), non-executive director and remuneration committee chairman since 31 August 2010.

Pursuant to the Articles of Association, the shareholders' general meeting resolves on the compensation for the members of the supervisory board. If a person is a member of the supervisory board for only part of a financial year, compensation is determined for a proportionate period of time. The shareholders' general meeting of the Company has determined the annual gross compensation for each member of the supervisory board to be kEUR 25 per annum.

The Company has entered into a directors' and officers' insurance in its name, covering the members of the management board and supervisory board, based on prevailing market conditions.

Every member of the supervisory board is reimbursed for expenses incurred in performing the duties of its office. Moreover, the members of the supervisory board are reimbursed for any value-added tax incurred on the reimbursement of expenses or on the supervisory board compensation, provided they are entitled to charge the Company for the value-added tax separately and if they exercise this right.

Remuneration dependent on profit
There are no members of the supervisory board for which remuneration is dependent on profit.

Remuneration not dependent on profit
The remuneration paid to the members of the supervisory board in 2012 for the year of foundation of Goldrooster AG and the stub period from 1 May to 31 December 2012 is tabled below:

	Year ended 31 December 2012 EUR'000	Year ended 31 December 2011 EUR'000
Mr Andreas Grosjean	47	-
Mr Liao Kaizhan	30	-
Mr Teoh Tow Kean	40	-
	117	-

23 CONTINGENT LIABILITY

Social insurance back payments

According to PRC law, in particular, Chinese regulations for social insurance and housing funds, the subsidiary is required to make contributions for the social insurance and housing funds to their employees. The China operating subsidiary has in the past not paid the full amount which should have been paid in respect of these contributions, but considers the risk for additional payments for prior periods to be not probable as there have been no known incidences of the relevant authorities demanding payments in respect of past years. As at 31 December 2011 and 2012, an amount of approximately RMB 4.99 million (kEUR 605) for social insurance contributions and an amount of approximately RMB 2.83 million (kEUR 343) for housing fund contributions have been identified as being outstanding. The China operating subsidiary's indirect controlling shareholder, Madam Li Shu Hsia, has agreed to indemnify the China operating subsidiary for all amounts payable in respect of the outstanding payments and for all fines, penalties, damages, losses and liabilities which are or may become payable by the China operating subsidiary as a result of the non-compliance as mentioned above.

24 EVENTS AFTER THE REPORTING PERIOD

There are no other significant non-adjusting events or any significant adjusting events to report between the reporting date and the date of preparation of these financial statements.

25 AUDITOR'S FEES

Expenses for services provided by the auditor of the Consolidated Financial Statements, Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, were recorded of kEUR 90 (2011: kEUR 22) on audit services and kEUR 46 (2011: kEUR 84) on other assurance services. No Tax services have been rendered by the auditor.

26 AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2012 (including comparatives) were approved and authorised for issue by the Management Board on 30 May 2013. They were approved by the Supervisory Board in its meeting of 30 May 2013.

Li Wenwen
Chairman, Management Board
30 May 2013

AUDIT OPINION (TRANSLATION)

We have audited the consolidated financial statements prepared by Goldrooster AG, Berlin, – comprising a consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements – and the group management report for the financial year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU and with the additional requirements of the German commercial law pursuant to § 315a section 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with paragraph 317 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 group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the 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 the group 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 entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group 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 of Goldrooster AG, Berlin, for the financial year from 1 January to 31 December 2012 comply with IFRSs as adopted by the EU, the additional requirements of the German commercial law pursuant to § 315a section 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report of Goldrooster AG, Berlin, 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.

Frankfurt am Main, 30 May 2013

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Dirk Bauer
Wirtschaftsprüfer

Robert Binder
Wirtschaftsprüfer

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

FINANCIAL CALENDAR

31 May 2013
Publication of Annual Report 2012

29 July 2013
Annual General Meeting

9 September 2013
Publication of Half Year Report 2013

IMPRINT

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