Ming Le Sports AG

Let Dreams Take Flight

ANNUAL REPORT 2012




MINGLE®

Ming Le Sports AG

let dreams take flight

ANNUAL REPORT 2012

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LETTER TO THE SHAREHOLDERS

Dear Shareholders of Ming Le,

The year of 2012 was a great success for Ming Le Group and also an important milestone for the Company's history. After years of managing the leisure sportswear business, Ming Le Sports AG got listed on the Frankfurt Stock Exchange on the 6th of July 2012. With this great milestone achievement, the Company I believe will be able to realise its growth strategies and also embark on the target for market leadership position within China's tier 3 and tier 4 cities in a much shorter time horizon.

Our financial results for 2012 reflected a strong underlying business performance across our product segments and it is important that Ming Le continues to explore opportunities to enhance the design and quality of products through R&D efforts. Further, it is important to also increase sales & marketing efforts to achieve a higher brand awareness amongst our target group of consumers to ensure consistent performance for the future years.

Today's economy is exciting and dynamic but it also can be equally challenging and tough. To survive, companies small and large would need to continuously innovate and learn to do business in markets around the world while adapting to changes in technologies and competition. In 2012, China economic expansion slowed down to 7.8% and although the growth recovered significantly in Q4 2012, it is unclear whether the recovery will continue in 2013.

Mingle 's past and current success could not be taken for granted hence the management board and myself will continue to innovate and explore opportunities to create shareholder value in 2013.

I would also like to express my gratitude towards our customers, business partners and shareholders for a continuing support of Ming Le. We are looking forward to serving you in the best possible way and to cooperate with you closely in order to make 2013 another successful year.

Mr Ding Siliang
Chairman of the Management Board
and Chief Executive Officer

THE COMPANY – MING LE

HIGHLIGHTS 2012

JULY

On the 6th of July 2012, Ming Le was successfully listed in the Prime Standard of Frankfurt Stock Exchange. The first share price was EUR 13.20 resulting in a market capitalisation of EUR 203.9 million. The Company received gross proceeds of about EUR 5.77 million.

On 20th July 2012, Ming Le gained two new distributors from Guandong and Shandong province respectively. The two new distributors, Dongguanshi Xingsheng Trading Limited (Guangdong) and Jinan Shishengda Sportswear Limited (Shandong) will convert 48 stores and 52 stores respectively to exclusive Ming Le network within the next 24 months from date the contract was signed.

AUGUST

On 29th August 2012, Ming Le presented its first interim report as a publicly listed company. In the first half of 2012, Ming Le Sports continued on its growth path: Compared to the same period last year, revenues increased by 53.0% to EUR 126.7 million. This is primarily due to higher sales volumes resulting from the larger number of authorised retail stores.

Ming Le managed to improve profit margins at all levels. Gross profit amounted to EUR 43.4 million, which is an increase of 59.8% compared to the first half of last year. EBIT went up by 63.1% to EUR 32.7 million in the first half of 2012, representing an EBIT margin of 25.8% (H1 2011: 24.2%). Net profit grew by 63.3% to EUR 28.6 million in H1 2012. This represents a net profit margin of 22.6% (H1 2011: 21.2%).

NOVEMBER

On 7th November 2012, Ming Le announces its successful seasonal sales fair results for its Spring/Summer collection 2013. The Ming Le 2013 seasonal sales fair took place in September in Shandong Province in Qingdao. The top-up sales fair, which allows distributors and retailers to place additional orders, was held this October in Fujian Province in Jinjiang City.

The overall Spring/Summer sales orders for 2013 grew by 28.2% to RMB 293.0 million (EUR 36.6 million) in comparison with the 2012 Spring/Summer sales orders. Ming Le's apparel products account for approx. 40% of the total 2013 Spring and Summer sales and footwear for approx. 60%. The average unit price for apparel increased by 5.5% from RMB 72.08 (EUR 9.00) to RMB 76.05 (EUR 9.50). The footwear average unit prices gained 4.9%, being raised from RMB 91.97 (EUR 11.50) to RMB 96.46 (EUR 12.00).

On 28th November 2012, Ming Le announces its overall improved results for the first nine months 2012. During the reporting period revenues increased significantly by 52.7% from EUR 133.9 million to EUR 204.5 million. The sales of footwear made up 59.6% of Ming Le's total revenue while apparel, accessories and other equipment contributed 40.4% to the revenue.

Gross profit amounted to EUR 70.0 million, representing an increase of 56.5% compared to the first nine months of 2011 where gross profit accounted for EUR 44.7 million. Thus, the gross profit margin increased from 33.4% to 34.2%. Parallel to the increased profit from operations (EBIT), which added up to EUR 49.2 million, the EBIT margin improved slightly to 24.1% (9M 2011: 24.0%). Ming Le continued to stay highly profitable on the net income level as well, keeping a stable net profit margin of 21.1%.

SHARE AND INVESTOR RELATIONS

MING LE SHARE KEY DATA

Interactive Stock Chart for Ming Le Sports AG (ML2)

ISIN / WKN / Ticker	DE000A1MBEG8 / A1MBEG / ML
Trading segment	Regulated Market (Prime Standard), Frankfurt Stock Exchange
Commencement of trading	6 July 2012
Share capital	15,444,000
Designated sponsor	Wolfgang Steubing AG
Market capitalisation (as at 20 March 2013)	EUR 100.4 million

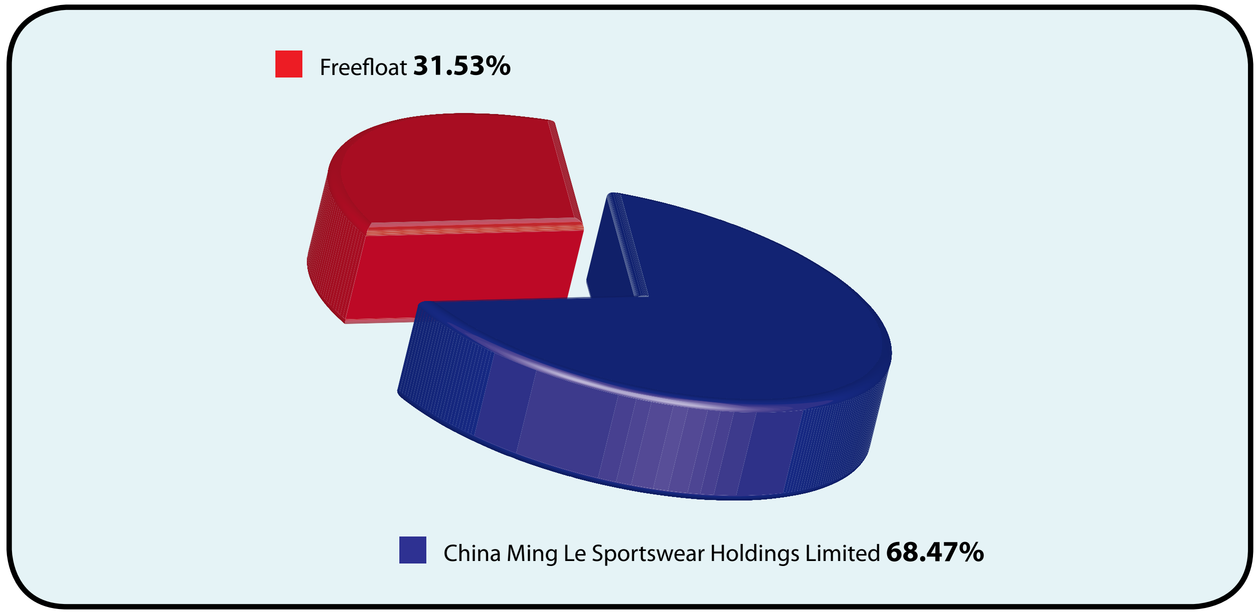
Share price performance since IPO

In contrast to our successful business performance, the share price of Ming Le has decreased shortly after IPO listing. During the initial trading days, it fell severely to EUR 7.32. Even though there was no negative news on the business performance of the group, the downward trend could not be stopped. Ming Le share price was quoted at its lowest of EUR 6.10. Though there were strong increases after the announcement of the half year and Q3 reports results, the prices did not stabilise. On 20 March 2013, the share price closed at EUR 6.55. This corresponds on a market capitalisation of EUR 101.2 million.

SHAREHOLDER STRUCTURE

As at 31 December 2012
Ming Le Sports AG Shares outstanding 15.444 million.

China Ming Le Sportswear Holdings Limited is 100% held by Straits International Limited which is 100% held by Mr Siliang Ding, CEO and founder of Ming Le.



COMBINED MANAGEMENT REPORT OF THE MING LE SPORTS AG GROUP & MING LE SPORTS AG FOR THE REPORTING PERIOD ENDED 31 DECEMBER 2012

HIGHLIGHTS OF FINANCIAL YEAR 2012

- Revenue increased by 47.3 % in EUR and 33.0 % in RMB for 2012
- Gross profit increased by 49.8 % in EUR and gross profit margin improved by 0.6% in 2012
- EBIT improved by 45.4% in EUR
- Opening of 10 self-owned flagship stores in 2012

STRUCTURE AND BUSINESS ACTIVITIES

STRUCTURE AND BUSINESS ACTIVITIES

COMPANY PROFILE

Ming Le is a rapidly growing branded sportswear company in China targeting 16 to 35-year-old men and women who lead an urban, vibrant and active lifestyle. Ming Le's products include footwear, apparel, accessories and equipment. Ming Le designs and develops its own products and manufactures them at Ming Le's facilities or through contract manufacturers. Ming Le markets and sells its products through a network of 26 distributors to over 3,700 retail outlets as at 31 December 2012.

The Company's operating subsidiaries, Fujian Mingle Sportswear Co; Ltd and Mingle (China) Co; Ltd are located in the Fujian province of China. This is also the venue where the Key management as well as the head office and also the research and development centre are located.

Ming Le Sports AG was incorporated on 21 September 2011 and registered with the commercial register of Frankfurt/Main, Germany, under the registration number HRB 92296. The Company was listed on Frankfurt Stock Exchange on 6 July 2012 and had 1,361 employees as at 31 December 2012.

The following graph shows the corporate structure of Ming Le Sports AG:

Corporate structure of Ming Le Sports AG

Ming Le strives to offer comfortable, fashionable and affordable lifestyle and leisure sportswear. Its products are designed to feature bright colour, sharp contrasts and bold patterns. Ming Le promotes its products through multi-channel marketing campaigns, including celebrity and professional athlete endorsements, sponsorship of high profile sports teams and sporting events, television, billboards and other types of advertising and localised marketing activities. Ming Le is the main sponsor of a national weightlifting team, which is one of the most high profile Chinese Olympic teams. In the past, the Group has retained well recognised and influential pop singers and bands from Hong Kong and Taiwan to personify Ming Le's brand's fashionable and vibrant image.

Ming Le sells substantially all of its products to its distributors in China, which in turn sells such products to end consumers through the retail outlets operated directly by the distributors or through third-party retailers that are supervised by the distributors. As of 31 December 2012, Ming Le's products were sold at 3,790 authorised retail outlets, including 11 stores operated by Ming Le, 1,098 stores operated by distributors and 2,681 stores operated by third-party retailers and indirectly supervised by Ming Le's distributors, in 26 provinces in China. Of the 3,790 authorised retail outlets, 187 were Image Stores and 95 were Flagship stores. Ming Le plans to continue working closely with the distributors to expand aggressively in China's Tier 3 and Tier 4 Cities and using a portion of the proceeds together with the operating cashflow to open the remaining 90 flagship stores in Tier 3 cities over the next 3 years.

STRUCTURE AND BUSINESS ACTIVITIES

MANAGEMENT AND CONTROL

Ming Le is run by a management team with many years of industry expertise in the design, production and marketing of leisure sportswear footwear, apparels and accessories as well as in all necessary management functions in the fields of product development, marketing, accounting and finance. The management team is located in Jinjiang City (Also known as the shoe capital) of the Fujian Province of China.

Members of the Management Board

Mr Siliang Ding is the Company's founder, chairman and chief executive officer. Mr Ding has over 20 years of experience in China's sportswear industry. He also served as deputy vice president of the Quanzhou Footwear Association and the Jinjiang Footwear Manufacturers Association and honorary captain of the China Administration Centre of Weightlifting, Wrestling and Judo, Fujian Gymnastics Sports Management Centre and the China Trampoline Team. He has been appointed as CEO until 30 June 2017.

Mr Shoutan Guo joined the Company in April 2001 and has been the Company's head of sales and marketing since December 2004. Mr Guo has over 15 years of experience in overseeing sales and marketing of a number of companies. Mr Guo received his bachelor's degree in Marketing from Fuzhou University and it currently studying part-time at Fuzhou University for his master's degree in Business Administration. He has been appointed as the Chief of Sales & Marketing officer until 30 June 2017.

Mr Alan Chun Kiat Tan has been the Company's chief financial officer since August 2010. Mr Tan received his bachelor's degree in Accountancy from Nanyang Technological University in 2002 and became a member of the Institute of Certified Public Accountants of Singapore in 2004. He has been appointed as the Chief Financial Officer until 30 June 2017.

COMBINED MANAGEMENT REPORT

Members of the Supervisory Board

The Supervisory Board of Ming Le consists of three members. Mr Klaus Rainer Kirchhoff , Mr Bryan Riverie and Mr Kong Yong Seng who were all re-appointed in 2012. Their terms expired in 2016 after the Annual General Meeting.

The Supervisory Board appoints the members of the Management Board and is entitled to dismiss them for good cause. It advises the Management Board on how to manage the Company and supervises its management activities. Pursuant to the German Stock Corporation Act, the Supervisory Board may not engage in management activities. However, under the Articles of Association or the Management Board's respective rules of procedure, the Management Board must obtain the Supervisory Board's approval for certain transactions, usually prior to the implementation of such measures or transactions. Ming Le's Supervisory Board has not set up any committees, in particular, it does not have an audit committee or a remuneration committee.

STRUCTURE AND BUSINESS ACTIVITIES

BUSINESS ACTIVITIES

Ming Le's revenues are entirely generated by the sale of its products in the PRC market. This strategy is based on the assumed growth of the Chinese market for consumer goods due to the growth in disposable income and consumer spending, which is critical driver for Ming Le's business. Ming Le sells substantially all of its products to its distributors in China, which in turn sell such products to end consumers through the retail outlets operated directly by the distributors or through third-party retailers that are supervised by the distributors. As of 31 December 2012, Ming Le's products were sold at 3,790 authorised outlets, including 11 outlets that are operated by Ming Le, 1,098 stores operated by distributors and 2,681 stores operated by third-party retailers and indirectly supervised by Ming Le's distributors.

Ming Le believes that sustained economic growth and increasing disposable income of Chinese consumers in the PRC are very important reasons for rising domestic demand for consumer goods such as lifestyle and leisure sportswear, sports shoes and accessories. In the recent years, the Chinese gross domestic product grew at double digit rates. Accordingly, the disposable income of Chinese consumers, in particular of urban residents, increased significantly. The PRC market for consumer goods also grew significantly in recent years. An increase in the growth rate of the Chinese market for consumer goods especially in the third or fourth tier cities is likely to have a positive effect on Ming Le's revenues and profitability, while a decrease is likely to have a negative effect.

The products of Ming Le are designed by the Company's design team of about 72 designers (as of 31 December 2012). Ming Le's product design team actively gathers information regarding the latest sportswear trends through a variety of channels, including attending sportswear industry conferences to collect market intelligence and gathering local market feedback from its distributors as well as through customer surveys and in-store interviews. Ming Le's market intelligence on both the national and local levels allows for effective development of new products and updating Ming Le's existing designs. Ming Le's footwear incorporate new technologies such as nano-deodorisation , enhanced shock-absorption as well as abrasion-resistance systems. Due to the vast variety of designs offered in Ming Le's collections, Ming Le believes its products appeal to a broader demographic range than some of Ming Le's competitors, whose products are more narrowly towards specific uses or activities.

RESEARCH AND DEVELOPMENT

Ming Le believes one of its key strengths is Ming Le's internal product design and development team which focuses on developing comfortable, fashionable and affordable sportswear for Ming Le's target consumers.

As at 31 December 2012, Ming Le's internal product and development team had 143 members, consisting of 72 members in the product design team and 71 members in the product development team, which includes 32 senior product engineers with an average of five years in the sportswear industry. Ming Le's product development team is in charge of the entire development cycle from design to testing to sample production in order to ensure and improve the functionality and quality of Ming Le's sportswear products. With the assistance of Ming Le's product development team, Ming Le has incorporated into its sportswear products a number of new technologies, including an air circulation system which allows for better breathability, an enhanced shock-absorption and abrasion-resistance system, nano-deodorisation technology and seamless sewing technology.

Most of Ming Le's products are designed by its internal design team. Ming Le also engages third party product companies that are specialised in sportswear development and design from time to time to supplement Ming Le's internal product design capability and to gain additional market information and expert knowledge. In addition, Ming Le gathers local market feedback from its distributors as well as through customer surveys and in-store interviews. Ming Le's market intelligence both on the national and local levels allow it to effectively update Ming Le's sportswear collection. Ming Le's internal designers analyse market trends in terms of design, colour, material and functionality and work closely with Ming Le's sales and marketing department to formulate product development and market positioning strategies. Ming Le also provides product testing to the athletes of the National Weightlifting Team and the Fujian Gymnastic Skills Administrative Centre, as well as to the students of Fujian Athletics Professional College. The products are usually tested during athletic training for a testing period from three to seven days in order to test the products' level of comfort, resistance and elasticity. Such testing serves as an important basis for Ming Le's product improvement.

After samples of Ming le's seasonal collection are manufactured, they will be presented to Ming Le's distributors at product preview conferences held generally one month before each major seasonal sales fair. Ming Le makes adjustments based on the feedback received and produces final products for the seasonal sale fairs where Ming Le's distributors and third-party retailers can view Ming Le's entire product range for the upcoming season and place their orders based on the trends and requirements of their individual local markets.

COMBINED MANAGEMENT REPORT

MARKET AND COMPETITION

MARKET AND COMPETITION

OVERVIEW

With approximately one-fifth of the world's population and a fast growing domestic product ("GDP"), China represents a significant growth opportunity for a wide variety of casual wear products, including sportswear. The improved living standards and increased disposable income in China that has resulted from the vibrant economic growth have driven the rapid development of the sportswear market in China in recent years and increased market awareness of sportswear brands. Casual and fashionable sportswear is becoming increasingly popular and common among students and young urban workers as daily wear in both work and causal settings. Since Ming Le focuses on fast growing Tier 3 and Tier 4 cities in China, it believes that it is well positioned to capitalise on the rapid economic growth, urbanisation, increases in disposable income and shift in consumption patterns of young urban consumers in China.

CHINA SPORTSWEAR MARKET

The China Sportswear industry, which consists of sports footwear, sports apparel and sports accessories, has expanded rapidly in recent years. Increasing disposable income, evolving consumer trends and government initiatives promoting sports and exercise have contributed to the development of the sportswear industry. Sportswear companies generate their revenues either through sales to consumers through their own retail outlets, in terms of retail revenues, or sales to distributors in terms of ex-factory revenues.

Per capita sportswear expenditures in China remain well below other more developed countries as the U.S., Canada, Germany, the U.K. France, Australia and Japan. However this gap represents significant potential to increase per capita sportswear expenditures in the futures given China's fast urbanisation process and consumers' increasing awareness on consumption.

While increasing disposable income and urbanisation benefit the Chinese apparel industry in general, sportswear is particularly well positioned for growth due to several reasons. First, international and domestic sporting events are attracting increasingly large audiences among Chinese viewers. For example, according to Sina.com, a leading Chinese Internet portal, more Chinese people watched the final match of the 2010 World Cup than any prior World Cup finals. Second, the Chinese government aims to increase the percentage of its total population that participates in athletic activities in order for China to become a stronger sports nation. China successfully hosted the 2008 Olympic Games and Paralympics Games and the 16th Asian Games in November 2010. The Chinese government has also introduced initiatives such as the second Outline of National Fitness Program and the establishment of community sports stations and sports centres to promote sports and exercise. These events have significantly increased the profile of different sports in China. The Chinese population's growing interest in sports, China achievements at several recent international competitions and the Chinese government's initiatives to continue to promote sports activities are expected to contribute to the growth of the sportswear industry in China.

More importantly, casual and fashionable sportswear is becoming increasingly popular and common among students and young urban workers as their daily wear of choice. The growing interest among Chinese people in watching and participating in sporting events has led to a transformation of their fashion preferences. Casual and fashionable sportswear is no longer limited to use for sports activities but has become acceptable as daily wear associated with an active lifestyle. Ming Le expects this trend to continue to grow with increasing urbanisation and disposable income and further contribute to the rapid expansion of the sportswear industry.

China Sports Apparel Market

With strong governmental support for increasing athletics participation and evolving consumption patterns, Chinese consumers have increasingly adopted sports apparel as their leisure wear of choice. As a result, sports apparel manufacturers are likely to concentrate their resources onto R&D and design to satisfy the diversified demand of consumers.

China Sports Footwear Market

With the development of sports footwear industry, local Chinese suppliers have accumulated experience of manufacturing and marketing their own brands in both domestic and overseas market. The development of local brands is expected to have increasing impact on the development of Chinese sports footwear market.

Chinese Tier 3 and Tier 4 cities Sportswear Market

Sportswear consumption levels in Tier 3 and Tier 4 cities have increased due to the increasing wage rate, accelerating urbanisation, acceptance of healthy lifestyle and increasing frequency of sports exercise.

As consumers in Tier 3 and Tier 4 cities are likely to consume more on sportswear products, sportswear brands are deploying more efforts in those areas. Ming Le takes lead among all. As at 31 December 2012, 88% of Ming Le's network is within outlets in Tier 3 and Tier 4 cities.

Market Segmentation

Chinese domestic sportswear brands have become increasingly prominent in China. Despite international brands' higher market positioning and brand awareness, domestic brands have gained market share by penetrating all levels of markets whereas international brands have not been as effective in penetrating markets beyond major cities, such as Beijing, Shanghai, Guangzhou and Shenzhen. Domestic brands' lower average selling prices, competitive labour and production costs, fast expansion and large number of retail outlets enable them to better adapt to the smaller markets across China.

OBJECTIVES AND STRATEGY

OBJECTIVES AND STRATEGY

MING LE AIMS TO ATTAIN MARKET LEADER IN THE TIER 3 AND 4 CITIES IN CHINA

The Company's main goal is to ensure a sustainable and profitable growth. To achieve this, Ming Le believes that expanding Ming Le's distribution network in the fast growing consumer markets within the Tier 3 and 4 cities throughout China. In addition, to sustain the growth, ensuring a stable and increasing same store sales growth is also vital. As at 31 December 2012, 88% of Ming Le's retail outlets are located within the Tier 3 and 4 cities. Ming Le has also identified certain smaller cities in provinces and autonomous regions such as Sichuan, Guizhou, Xinjiang, Gansu and Yunnan in western China where substantial government support for the region's future development, coupled with recent economic and demographic changes, present substantial growth opportunities for Ming Le.

STRATEGY

Ming Le is pursing the following strategic objectives:

Expand Ming Le's retail network in Ming Le's target markets

Ming Le plans to open up to 100 self-owned flagship stores by end of 2014 and by 31 December 2012, Ming Le already has 10 flagship stores in operations. Apart from opening flagship stores, Ming Le also plans to maintain and build upon it strong relationships with its existing distributors by continuing to provide regular marketing and sales related training and encouraging them to selectively open up new retail outlets in each of their territories. Ming Le also plans to partner with new distributors in 2013/2014 who possess retail experience and local expertise in new markets to continue Ming Le's expansion. Through broadening and increasing Ming Le's distribution coverage, Ming le believes it can better penetrate its target markets and further establish its brand throughout China.

Continue to improve the consumers' shopping experience offered by Ming Le's existing outlets

Ming Le will continue to work closely with its distributors and third-party retailers to improve consumers' shopping experience at Ming Le's authorised retail outlets through marketing and sales related training strategies and customer service skills. On a regular basis, Ming Le will introduce new store layout designs and thus requires its distributors and third-party retailers to periodically upgrade their retail outlets to enhance the appearance and ambiance associated with Ming Le's brand. Pursuant to its distributorship arrangements, the cost of retail outlet renovations is borne by Ming Le's distributors and third-party retailers. Ming Le will continue to conduct on-site inspections to assess and monitor the shopping experience through both scheduled visits and anonymous drop-ins. By improving the shopping experience, Ming Le will also continue to closely monitor its distributors' performance by requiring them to provide monthly and quarterly performance reports.

Continue to develop and enhance Ming Le's brand recognition and product appeal

Ming Le will continue to implement multi-faceted marketing campaigns in order to further enhance its brand image within Ming Le's target consumer group. Ming Le plans to increase its efforts and investments in provincial and local television advertising, sponsorship of sporting competitions and tournaments and other marketing activities like outdoor advertising in order to promote its brand to its target consumers. In order to enhance its TV advertising coverage, Ming Le also plans to launch a national TV campaign. Ming Le plans to continue its strategy of hiring celebrities as it brand spokespersons who Ming Le believes epitomise Ming Le's brand image. Ming Le intends to extend its strategic partnership with the Chinese national weightlifting team and the Fujian Gymnastics Sports Management Centre. Ming Le also plans to continue to sponsor sporting events, including the Ming Le Cup China Weightlifting Champion Grand Pix ad the China Trampoline Championship , to raise awareness of Ming Le's brand.

In addition, Ming Le believes that as a result of the establishment of the new 100 flagship stores as discussed earlier, Ming Le's brand awareness will be further enhanced in nearby regions, which will enable incumbent distributor and third-party retailers to carry its products. Moreover, these flagship stores will serve as a model of the high level of customer service and superior shopping experience that Ming Le expects to achieve at stores operated by its distributors and third-party retailers.

COMBINED MANAGEMENT REPORT

OBJECTIVES AND STRATEGY

Strengthen product design and development capabilities

To maintain Ming Le's growth momentum as a brand for comfortable, fashionable and affordable lifestyle and leisure sportswear, Ming Le intends to bolster its product design and development team and personnel. Ming Le plans to invest a portion of the proceeds of this Offering over the next three years to partly finance the recruitment of additional designers and funding of the research and development performed by third-party institutes in new footwear technology. Such new technologies have been nano-based ventilation materials, arch supports and environmentally friendly materials. Ming Le's design and development team introduced approximately 1,800 new designs of footwear, apparel and accessories and equipment for Ming Le's spring and summer seasonal sales fairs held in September 2012, which represents a significant increase from the same period in the previous year. Ming Le plans to work closely with third-party product design companies that are specialised in sportswear development and design and Ming Le's distributors and third-party retailers in order to identify and incorporate the latest fashion trends and consumer preferences of Ming Le's target consumers into Ming Le's product designs.

Establish a new shoe-sole production facility to enable Ming Le to have reductions in the cost of sales

Ming Le plans to continue to expand and enhance its production capabilities in order to benefit from greater economies of scale as well as to meet the increasing demand for Ming Le's products and the expected growth of its business.

Ming Le plans to invest in a new shoe-sole production facility which is expected to consist of 60,000 square metres of factory floor space. Once the foot-sole production facilities are in operation, this will bring about cost-savings to the cost of manufacturing for footwear and will also allow Ming Le to have better control over the timing and product quality of the footwear produced.

Development of Ming Le in relation to the development of the general economy

2012 was a period of economic volatility, social and political change around the world. China GDP growth also slowed down significantly from 9.2% in 2011 to 7.8% in 2012. In the same period, the retail sales growth in China also slowed down from 17.1% in 2011 to 15.2% in 2012. This signified an overall slowdown in the overall economic growth for China.

Ming Le has however improved significantly in terms of financial performance. Revenue has improved from EUR 194,215 thousand in 2011 by EUR 91,915 thousand or 47.3% to EUR 286,130 thousand in 2012. Measured in RMB, the revenue growth amounted to 33.0% during the financial year of 2012. In the same period, EBIT improved from EUR 47,988 thousand by EUR 21,779 thousand or 45.4% to EUR 69,767 thousand in 2012. The profit before tax also improved from EUR 48,156 thousand in 2011 by EUR 21,916 thousand or 45.5% to EUR 70,072 thousand in 2012.

The main rationale which leads to Ming Le striving despite difficult times is mainly due to the fact that the territories which Ming Le mainly operates are in the 3rd and 4th tier cities and Ming Le currently occupies less than 50% of the total number of cities in the 3rd and 4th tier as at 31 December 2012. In recent years, the GDP growth in the 3rd and 4th tier has also outgrown the 1st and 2nd tier cities. Thus, this signified growth opportunities for Ming Le for now and also the next few years.

COMBINED MANAGEMENT REPORT

GENERAL CONDITIONS

GENERAL CONDITIONS

OVERVIEW OF THE CHINESE ECONOMY

General outlook

China's economy has expanded rapidly since the adoption of reform and market liberalisation policies by the Chinese government beginning in the late 1970s. China's economy has demonstrated strong and steady growth over the last three decades and has become one of the largest economies in the world.

The consumer price index in China in 2012 increased by 2.6% compared to the previous year whereas prices for clothing increased by 3.1%. The urban unemployment rate through the unemployment registration was 4.1% at the end of 2012, which was generally stable compared to 2011. The output of cotton was 6.84 million tons in 2012, an increase of 3.8% over the previous year.

In 2012, total retail sales of consumer goods reached RMB 2,033.4 billion, a growth of 15.2% or a real growth of 13.5% after deducting price factors. The per capita income of urban households was RMB 26,959 in 2012, an increase of 12.6% or 9.6% in real terms over that in the previous year. The per capita income of rural residents was RMB 7,917 in 2012, an increase of 10.7% over that in the previous year though the growth is 0.7 percentage points lower than that of 2011. *(Source: National Bureau of Statistics of China)*

The Twelfth-Five-Year Plan, 2011-2015

The National People's Congress of China (the "NPC") adopted the Twelfth Five-Year Plan on 14 March 2011. The aim of the Twelfth Five-Year Plan is to address social inequality and to foster sustainable economic growth by expanding domestic demand. The NPC intends to achieve increased domestic demand by shifting emphasis from investment towards consumption and from urban and coastal growth towards rural and inland development. The NPC aims for the economic growth of the PRC to be driven by a balanced mix of consumer spending, investments and exports.

Rapid Urbanisation and Development of Western China

Industrialisation and economic growth in China have resulted in rapid urbanisation in China through the migration of rural populations to urban areas and the development of towns into cities. From 2011 to 2012, China's urban population had increased from 690.79 million to 711.82 million, with the urbanisation rate increased from 51.27% to 52.57% respectively.

Chinese cities can be categorised into four tiers. Tier 1 cities include Beijing, Shanghai, Guangzhou and Shenzhen. Tier 2 cities include provincial capital cities excluding Beijing, Shanghai, Guangzhou and Shenzhen. Tier 3 cities include prefecture-level cities and regions, excluding provincial capital cities. Tier 4 cities include county-level cities and regions.

Increase of Disposable Income

Along with China's rapid economic growth and urbanisation, disposable income levels have also grown significantly. Annual disposable income per capita of urban residents in China increase 9.6% in 2012 after being adjusted for inflation, the growth rate was 1.2 percentage points more than that of 2011 bringing average income to RMB 24,565 (Source: National Bureau of Statistics of China).

Strong Consumption Growth

Rising personal income, rapid urbanisation and the Chinese government's initiative to develop the western region of China, which is populated mostly with Tier 3 and Tier 4 cities, have driven strong growth in consumer spending in China. The National Bureau of Statistics pointed out that in the first 3 quarters of 2012, consumption contribution to over 55% of China's growth which exceeds the contribution from investment , this implied that if this pattern continues, China's growth would have been consumption-led than investment-led *(Source:www.economist.com)*

COMBINED MANAGEMENT REPORT

COMPANY DEVELOPMENT

COMPANY DEVELOPMENT

CURRENT RETAIL DISTRIBUTION NETWORK DEVELOPMENT

During the period from 2010 to 2012 for Ming Le Brand, the nationwide retail distribution network of the Company's business has been mostly based on the exclusive retail network operated by the regional distributors and third-party retailers with only 10 self-owned flagship stores only set up in late 2012. The Company has planned to open a total of 100 flagship stores from 2012 to 2014 by using part of its proceeds combined with operating cashflow to finance the opening, while continuing to support the distributors to increase distributor and third-party retailer stores from 3,779 to 4,379 by 2013.

Roll-out of Ming Le stores for 2012 and 2013 has been shown in the table below:

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013B	Q2 2013B	Q3 2013B	Q4 2013B
Accumulated no. of stores	3,272	3,451	3,633	3,790	3,927	4,102	4,267	4,420
Of which distributor/third party retailer stores	3,271	3,450	3,632	3,779	3,916	4,081	4,236	4,379
Of which self-operated stores	1	1	1	11	11	21	31	41

B = Budget

Earnings Situation

The following table presents income statement data of Ming Le Sports AG for the year ended 31 December 2011 and 2012 on a stand-alone basis.

	2011	2012	Change
	EUR	EUR	%
Revenue	-	-	0%
Cost of sales	-	-	0%
Gross profit	-	-	0%
Other income	-	846	100%
Selling and distribution expenses	-	-	0%
Administrative expenses	(158,215)	(1,042,268)	559%
EBIT	(158,215	(1,041,422)	558%
Net finance income	-	79,564	100%
Profit before tax	(158,215)	(962,858)	508%
Tax expense	-	-	0%
Net Loss	(158,215)	(961,858)	508%

Other income

Other income mainly relates to translation gains in 2012 which is non-recurring and is relatively insignificant as a percentage of total net loss.

Administrative expenses

Increase in administrative expenses from EUR 158,215 in 2011 by EUR 884,053 or 559% to EUR 1,042,268 in 2012 was mainly attributed to increase in professional fees for lawyers, auditors, public relations and accountants as well as Supervisory Board remuneration incurred for the purpose of the initial public offering. In addition, due to the fact that Ming Le Sports AG was only incorporated in Q4 2011, the administrative expenses for 2011 were not reflective of a full financial year.

EBIT

The increase in loss before interest and tax in 2012 was mainly due to the increase in administrative expenses as explained above.

Net loss

The net loss for the full year 2012 was mainly due to the increase in administrative expenses as explained above.

The following table presents income statement data of Ming Le Sports AG for the year ended 31 December 2011 and 2012 on a consolidated basis. The table also presents income statement data as a percentage of revenue.

	2011		2012	
	EUR'000	% of revenue	EUR'000	% of revenue
Revenue	194,215	100.0%	286,130	100.0%
Cost of sales	(128,695)	-66.3%	(187,989)	-65.7%
Gross profit	65,520	33.7%	98,141	34.3%
Other income	55	0.0%	94	0.0%
Selling and distribution expenses	(15,199)	-7.8%	(25,588)	-8.9%
Administrative expenses	(2,388)	-1.2%	(2,885)	-1.0%
EBIT	47,988	24.7%	69,767	24.4%
Net finance costs	168	0.1%	305	0.1%
Profit before tax	48,156	24.8%	70,072	24.5%
Tax expense	(6,183)	-3.2%	(8,928)	-3.1%
Net Profit	41,973	21.6%	61,144	21.4%
Earnings per share (EUR)	2.72		4.02	

COMBINED MANAGEMENT REPORT

REVENUE

Revenues are generated from the sale of footwear, apparels and accessories.

Revenue increased from EUR 194,215 thousand in 2011 by EUR 91,915 thousand to EUR 286,130 thousand in 2012. Measured in RMB, revenue growth amounted to 33.0% during the period. The increase in revenue measured in RMB was mainly attributed by an increase in volume of footwear and apparels as well as increase in average selling price of footwear and apparels.

REVENUE BY SEGMENT

Footwear

EUR'000	2011	2012	Change
Revenue	119,929	170,155	41.9%
Gross Profit	40,737	58,669	44.0%
Gross profit margin	34.0%	34.5%	

Revenue for the footwear segment increased from EUR 119,929 thousand in 2011 by EUR 50,226 thousand or 41.9% to EUR 170,155 thousand in 2012. Measured in RMB, the footwear segment revenue increased by 28.1%.

These increases were mainly attributed by an expansion in the retail network and an increase in selling price. The number of Ming Le retail outlets increased from 3,138 as at 31 December 2011 to 3,790 as at 31 December 2012.

Apparels & Accessories

EUR'000	2011	2012	Change
Revenue	74,286	115,975	56.1%
Gross Profit	24,783	39,472	59.3%
Gross profit margin	33.4%	34.0%	

Revenue for the apparels & accessories segment increased from EUR 74,286 thousand in 2011 by EUR 41,689 thousand or 56.1% to EUR 115,975 thousand in 2012. Measured in RMB, the apparels & accessories segment revenue increased by 40.9%.

These increases were mainly attributed by an expansion in the retail network and an increase in selling price. The number of Ming Le retail outlets increased from 3,138 as at 31 December 2011 to 3,790 as at 31 December 2012.

COMPANY DEVELOPMENT

COMBINED MANAGEMENT REPORT

GROSS PROFIT AND GROSS PROFIT MARGIN

Footwear segment

Gross profit in the footwear segment increased from EUR 40,737 thousand in 2011 by EUR 17,932 thousand or 44% to EUR 58,669 thousand in 2012. The increase was mainly attributed by the higher volume of footwear sold as well as increase in selling price.

Gross profit margin in the footwear segment was 34.0% in 2011 and 34.5% in 2012. The improvement in the gross profit margin was due to increase in selling price more than offset the increase in input costs such as raw materials, labour and overheads.

Apparels & Accessories segment

Gross profit in the apparels and accessories segment increased from EUR 24,783 thousand in 2011 by EUR 14,689 thousand or 59.3% to EUR 39,472 thousand in 2012. The increase was mainly attributed by the higher volume of apparels sold as well as increase in selling price.

Gross profit margin in the apparels and accessories segment was 33.4% in 2011 and 34.0% in 2012. The improvement in the gross profit margin was mainly due to the increase in selling price exceeding the increase in the outsourced manufacturing costs.

Group

Gross profit of Ming Le increased from EUR 65,520 thousand in 2011 by EUR 32,621 thousand, or 49.8% to EUR 98,141 thousand in 2012. The strong growth was mainly due to the strong increase in both footwear and apparels & accessories segment revenue.

Ming Le's gross profit margin was 33.7% in 2011 and 34.3% in 2012. Overall, this was driven by increase in the selling price of both footwear and apparels exceeding the increases in the input costs such as raw materials, labour, overheads and outsourced manufacturing costs.

Other income/(expense)

Ming Le's other income mainly consists of rental income derived from leasing of the retail stores outside the perimeters of the factory. The slight increase in other income was mainly due to exchange gains during 2012.

Other income accounts for <1% of total revenue and thus relatively insignificant.

COMPANY DEVELOPMENT

Selling and distribution expenses

From 2011 to 2012, the selling and distribution expenses increased from EUR 15,199 thousand by EUR 10,389 thousand; or 68.4% to EUR 25,588 thousand. As a percentage of revenue, selling and distribution expenses increased from 7.8% in 2011 to 8.9% in 2012. The increase was mainly due to increase in marketing expenditure, TV advertising costs and also sponsorships costs for the National Weightlifting and Gymnastics Team.

In additional, the operating costs for the 10 flagship stores which were set up in last quarter of 2012 were also included under the selling and distribution expenses in 2012. Prior to 2012, the Company did not own any flagship stores except for one retail outlet which is under the factory premise.

Administrative expenses

Ming Le's administrative expenses increased from 2,388 thousand in 2011 by EUR 492 thousand; or 20.6% to EUR 2,880 thousand in 2012. The increase was mainly due to the higher administrative costs pre IPO and post IPO and a general increment in salaries and wages effective July 2012 to ensure the competitiveness with other companies in general.

Administrative expenses for Ming Le accounts for 1% in 2012. (2011: 1.2%)

Net Finance income

Finance income refers to interest income on bank deposits.

Finance income increased from EUR 168 thousand by EUR 137 thousand; or 81.5% to EUR 305 thousand in 2012. The increase is mainly due to the increase in average principal held with the financial institutions.

Profit before tax

Profit before tax increased from EUR 48,156 thousand in 2011 by EUR 21,916 thousand; or 45.5% to EUR 70,072 thousand in 2012. The increase was mainly due to increase in gross profit offset by higher selling and distribution expenses in 2012.

Tax Expense

Income Tax expense increased from EUR 6,183 thousand in 2011 by EUR 2,745 thousand; or 44.4% to EUR 8,928 thousand in 2012. The effective tax rate is 12.8% for 2011 and 12.7% for 2012.

Ming Le enjoyed certain tax benefits based on its status as a FIE, which provided for an exemption from income tax in 2008 and 2009 and a 50% reduction in income tax rate from 2010 to 2012. Therefore, based on current income tax laws, Ming Le was not taxed in 2008 and 2009, was taxed at 12.5% in 2010, 2011 and 2012 and would be taxed at 25% from 2013 onwards. In addition to income taxes, Ming Le is subject to taxes on the distribution of profits if any.

Earnings per share

Earnings per share (EPS) were EUR 2.72 and 4.02 calculated on the average number of issued shares for the financial period ended 31 December 2012.

The table below represents the statement of financial position as at 31 December 2012 and preceding year ending 31 December 2011 for the Ming Le Sports AG on a standalone basis.

	2011	2012	Change
	EUR	EUR	%
ASSETS			
Non-Current Assets			
Investment in subsidiary	15,000,000	15,000,000	0%
Loan to subsidiary	-	5,450,000	100%
	15,000,000	20,450,000	36%
Current Assets			
Prepayments & Other receivables	17,261	79,606	361%
Cash & cash equivalents	-	15,001	100%
	17,261	94,607	448%
	-		
Total Assets	15,017,261	20,544,607	37%
EQUITY			
Share Capital	15,000,000	15,444,000	3%
Capital reserve	-	5,328,000	100%
Accumulated losses	(158,215)	(1,120,073)	608%
	14,841,785	19,651,927	32%
LIABILITIES			
Current Liabilities			
Trade and other payables	83,457	185,106	122%
Other provisions	92,019	147,245	60%
Amount owing to subsidiary	-	560,329	100%
	175,476	892,680	409%
Total Equity and Liabilities	15,017,261	20,544,607	37%

COMBINED MANAGEMENT REPORT

COMPANY DEVELOPMENT

Investment in subsidiary

The investment in subsidiary represents the investment in Mingle International Limited which holds Mingle (China) Co Limited and indirectly Fujian Mingle Sportswear Co; Ltd.

Loan to subsidiary

A loan of EUR 5.45 million was provided to Mingle International Limited during 2012. The loan was unsecured but interest bearing at 3.5% per annum for a period of 5 years commencing from 1 August 2012.

Prepayment and other receivables

The increase in prepayment and other receivables was mainly due to the interest receivable for loan to a subsidiary provided to Mingle International Limited in 2012 and was partially offset by the prepayment made for the D&O insurance in 2011.

Cash and cash equivalents

The increase in cash equivalents was merely due to the remaining proceeds from the initial public offering which was not loaned to Mingle International Limited and also advances from shareholder during 2012. There was no bank account opened during 2011 when the Mingle Sports AG was first incorporated in late 2011.

Share capital and capital reserve

The increase in share capital and capital reserve was related to initial public offering where 444,000 ordinary shares were issued @ EUR 13 each. Out of the EUR 5,772,000 raised, EUR 444,000 and EUR 5,328,000 were credited to the share capital and capital reserve respectively.

Accumulated losses

The increase in accumulated losses was mainly due to the increase in professional fees incurred in relation to the initial public offering in 2012..

Trade and other payables

The increase in trade and other payables was in line with the increase in professional fees incurred for 2012 post IPO offering.

Other provisions

The increase in other provisions was related to professional fees for the annual report for the financial year ending 31 December 2012.

Amount owing to subsidiary

The amount owing to subsidiary relates to amount being paid on behalf by Mingle International Limited during 2012.

The table below represents the statement of financial position as at 31 December 2012 and preceding year ending 31 December 2011 for the Ming Le Sports AG on a consolidated basis.

EUR'000	31.12.2011	31.12.2012	Change
ASSETS			
Non-current assets			
Property, plant and equipment	7,306	6,615	-9%
Land use rights	392	378	-4%
Prepayment-Land use right	523	517	-1%
Deferred tax asset	-	103	100%
Total non-current assets	**8,221**	**7,613**	**-7%**
Current assets			
Inventories	1,617	5,240	224%
Trade and other receivables	52,758	87,613	66%
Amount due from a shareholder	213	-	-100%
Cash and cash equivalents	56,606	89,100	57%
Total current assets	**111,194**	**181,953**	**64%**
Total assets	**119,415**	**189,566**	**59%**
EQUITY AND LIABILITIES			
Equity			
Share capital	15,000	15,444	3%
Issued and fully paid-up capital	15,000	15,444	3%
Statutory reserve	6,789	6,789	0%
Capital reserve	-	5,328	100%
Transaction costs of equity		(218)	100%
Foreign currency translation reserve	10,489	7,611	-27%
Retained earnings	59,083	120,227	103%
Total equity	**91,361**	**155,181**	**70%**
Liabilities			
Current liabilities			
Trade and other payables	21,888	27,328	25%
Provision for liabilities	2,799	2,927	5%
Amount due to a shareholder	-	479	100%
Withholding tax payable	1,150	1,136	-1%
Current tax liabilities	2,217	2,515	13%
Total current liabilities	**28,054**	**34,385**	**23%**
Total liabilities	**28,054**	**34,385**	**23%**
Total equity and liabilities	**119,415**	**189,566**	**59%**

COMBINED MANAGEMENT REPORT

COMPANY DEVELOPMENT

NON-CURRENT ASSETS

Property, plant and equipment

Property, plant and equipment (PPE) mainly comprise buildings, plant and machinery and factory equipment, office equipment and motor vehicles. Property, plant and equipment decreased from EUR 7,306 thousand as at 31 December 2011 by EUR 691 thousand; or 9.5% to EUR 6,615 thousand as at 31 December 2012. The decrease was mainly due to depreciation of the depreciable assets during 2012.

Land use rights

Land use rights relate to long term interest for the usage of land.

Land use rights decreased from EUR 392 thousand as at 31 December 2011 by EUR 14 thousand; or 3.6% to EUR 378 thousand as at 31 December 2012.The decrease was mainly due to amortisation of the land use rights during 2012.

Prepayment –Land use right

Prepayment-Land use right refers to prepayments made prior to securing the land use rights.

The decrease from EUR 523 thousand as at 31 December 2011 by EUR 6 thousand; or 1.1% was mainly due to translation differences in 2012.

Deferred tax asset

The deferred tax asset relates to tax losses on Ming Le Sports AG Level.

Inventories

Inventories consist of raw materials, work-in progress and finished goods.

Inventories increased from EUR 1,617 thousand as at 31 December 2011 by EUR 3,623 thousand; or 224% to EUR 5,240 thousand as at 31 December 2012.

The increase in inventories was due to timing differences of the deliveries to be made after the year end as evidenced by the increase in finished goods as at 31 December 2012.

Trade and other receivables

Trade and other receivables increased from EUR 52,758 thousand as at 31 December 2011 by EUR 34,855 thousand; or 66% to EUR 87,613 thousand as at 31 December 2012.

The increase is resulted primarily due to the increase in sales volume in the last quarter of 2012 as compared to the last quarter of 2011.

Cash and cash equivalents

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

Cash and cash equivalents increased significantly from EUR 56,606 thousand as at 31 December 2011 by EUR 32,494 thousand; or 57.4% to EUR 89,100 thousand as at 31 December 2012.

The increase is resulted primarily due to the increase in average principal held in 2012 as compared to 2011. For a more detailed discussion of cash and cash equivalents, please see the "Consolidated Statement of cash flows"

Equity

Equity comprises share capital, reserves, transaction costs of equity, foreign translation reserve and retained earnings. Equity increased from EUR 91,361 thousand as at 31 December 2011 by EUR 63,820 thousand; or 69.9% to EUR 155,181 thousand as at 31 December 2012.

The increase is mainly due to the increase in retained earnings.

Trade and other payables

Trade and other payables mainly comprise of trade payables, salary, VAT payables, accrued income, professional fees payables and other payables.

The increase from EUR 21,888 thousand as at 31 December 2011 by EUR 5,440 thousand; or 24.8% to EUR 27,328 thousand as at 31 December 2012 is mainly attributed by increase in purchases from outsourced manufacturers for the last quarter of 2012 as compared to the last quarter in 2011. This is further evidenced by the increase in inventories as at 31 December 2012.

COMBINED MANAGEMENT REPORT

COMPANY DEVELOPMENT

Provision for Liabilities

Provision for liabilities mainly relates to provision for social security insurance. The increase from EUR 2,799 thousand in 2011 by EUR 128 thousand to EUR 2,927 thousand in 2012 is mainly attributed to 2012's provision for housing fund contribution.

Amount due to/from to a shareholder

Amount due to a shareholder comprise liabilities resulting from advance payments from the Company's CEO, Mr Siliang Ding for the professional fees incurred in the public offering and for working capital purposes.

The amount due from a shareholder decreased from EUR 213 thousand to nil as at 31 December 2012. The amount due to a shareholder increased from nil to EUR 479 thousand as at 31 December 2012.

The amount due from a shareholder as at 31 December 2011 was more than offset by the advance payments made by the shareholder during 2012 resulting in an amount due to the shareholder as at 31 December 2012.

Withholding tax payable

Withholding tax payable comprises the current payable amount of the income tax for dividend payments in 2010.

The decrease in withholding tax from EUR 1,150 thousand as at 31 December 2011 by EUR 14 thousand; or 1.2% to EUR 1,136 thousand as at 31 December 2012 is mainly due to translation differences.

Income tax payable

Income tax payable comprises the current payable amount of the income tax.

LIQUIDITY

The table below represents the statement of cash flows for Ming Le Sports AG on a standalone basis for the financial year ended 31 December 2012 and the preceding year ending 31 December 2011.

EUR	2011	2012
Cash flows from operating activities		
Loss before tax	(158,215)	(961,858)
Adjustments for:		
Finance income	-	(79,564)
Operating profit before working capital changes	(158,215)	(1,041,422)
Increase in trade and other receivables	(17,261)	(62,345)
Increase in trade and other payables	175,476	156,875
Cash generated from operations	-	(946,892)
Finance income received	-	79,564
Net cash generated from operating activities	-	(867,328)
Cash flows from financing activities		
Proceeds from public offering	-	5,772,000
Loan to subsidiary	-	(5,450,000)
Advance from a shareholder	-	560,329
Net cash (used in)/generated from financing activities	-	882,329
Net increase in cash and cash equivalents	-	15,001
Cash and cash equivalents at beginning of financial year	-	-
Cash and cash equivalents at end of financial year	-	15,001

Net cash flow generated from operating activities

Cash flow used in operating activities in 2011 amounted to nil and increased to EUR 867,328 in 2012 mainly due to higher administrative expenses in 2012.

Net Cash flow from financing activities

Net cash generated from financing activities increased from nil in 2011 to EUR 882,329 in 2012 primarily due to proceeds received from initial public offering and advance from a shareholder and partially offset by loan to subsidiary.

COMPANY DEVELOPMENT

The table below represents the statement of cash flows for Ming Le Sports AG on a consolidated basis for the financial year ended 31 December 2012 and the preceding year ending 31 December 2011.

EUR'000	2011	2012
Cash flows from operating activities		
Profit before tax	48,156	70,072
Net cash generated from operating activities	25,544	29,189
Net cash used in investing activities	(372)	-
Net cash generated from financing activities	1,192	6,145
Net increase in cash and cash equivalents	26,364	35,334
Cash and cash equivalents at beginning of financial year	23,821	56,606
Effects of currency translation	6,421	(2,840)
Cash and cash equivalents at end of financial year	56,606	89,100

Net cash flow generated from operating activities

Cash flow from operating activities in 2011 amounted to EUR 25,544 thousand and increased to EUR 29,189 thousand in 2012 mainly due to higher operating profits in 2012.

Net cash flow used in investing activities

Net cash used in investing activities decreased from EUR 372 thousand in 2011 to nil in 2012. The decrease was mainly due to no additions of property, plant and equipment or land use rights in 2012.

Net Cash flow from financing activities

Net cash generated from financing activities increased from EUR 1,192 thousand in 2011 to EUR 6,145 thousand in 2012 primarily due to proceeds received from initial public offering.

NON-FINANCIAL PERFORMANCE INDICATORS AND SUSTAINABILITY

Ming Le has always been compliant with the law. In addition, all employees must comply with laws as well as internal company policies and agreements. Consequently, it is important that all employees are aware of the legislation and internal company policies that are relevant to them.

All executives and management of Ming Le must conduct themselves in a particular exemplary manner and also bear responsibility for making sure that their subordinates have received adequate instructions to ensure no violation of law occur that could have been avoided if there are provision of proper information and supervision. All of the employees are also aware that violations of the law will not be tolerated and may result in disciplinary measures.

Our dealings with business partners are, in the best interest of the company based on objective criteria such as quality, service, price and sustainability. No preferential treatment is allowed to a particular business partner due to personal relationship with such person.

Notification in writing must be given to superior if the employee or person close to the employee operates or hold a material interest in a business that has a business relationship with Ming Le. Employee may not have private jobs performed by companies with which they have contract with Ming Le if this results in receiving preferential treatment.

All employees are obliged to do their part to ensure a smooth and rapid exchange of information within the company. Knowledge relevant to company work may not be falsified, selectively passed on or withheld from other departments unless there is another overriding interest for example arising from duties of confidentiality or secrecy or data protection provisions.

Confidential information must be kept secret at all time. Any information which has not been made public is considered confidential information. Such confidential information includes especially information regarding current negotiations and contracts that have not yet been concluded, products that have not yet been launched, customer as well as supplier data and financial forecasts. The duty of confidentiality will continue to apply after the employment or business relationship ends.

The global electronic exchange of information is critical to business success. The IT department undertakes suitable organisation and technical measures to ensure that data is protected and the access to data is secure. Each employee is responsible for ensuring that his access data is handled correctly. It is not permitted to disclose access data to another employee or to a person who is not employed by Ming Le.

COMBINED MANAGEMENT REPORT

All information must satisfy the criteria of veracity and transparency. This applies to all records and reports which must be in a complete, timely accurate and verifiable manner.

The health and safety of our employees at work is of great importance. Each employee is called upon to create safe working conditions. This applies to not only the factory premises, equipment and processes but also to safety management and the personal safety of each employee in their daily operations.

The products manufactured by Ming Le must not be harmful nor contain any hazardous materials. Materials used at all stages must comply with national laws and also not be harmful to health during the manufacturing process, for example through harmful emissions, or during use.

Ming Le has committed itself and its suppliers to comply with the internationally recognised minimum social and labour standards as laid down in the Conventions of the International Labour Organisation (ILO). These Social Standards include in particular a ban on child labour and forced labour, a ban on discrimination and a commitment to assuring humane working conditions.

We place great value on environmental protection and the conservation of natural resources. We want every employee to play an active role in making our business more environmentally sound.

RISK AND OPPORTUNITY REPORT

The key risk factors associated with Ming Le's operations are identified in the dependence on existing distributors and third party retailers with regard to sales and dependence on suppliers for certain raw materials. However, Ming Le believes that it is in a position to effectively leverage its brand reputation and Company resources to mitigate against these risks.

The sale of Ming Le's products is exclusively through a distribution network of 3,790 retail outlets in China which 1,098 are managed by 26 distributors and 2,681 stores are managed by 1,563 third-party retailers and the remaining 11 stores are managed by the Company itself. Ming Le typically enters into agreements with its distributors for a one-year term and renews the agreements with them before the expiration of these agreements. Ming Le's business could be adversely affected if the existing distributors choose not to renew on same or similar terms or might not continue to place orders with Ming Le at historical levels or at all.

Ming Le intends to set up 100 flagship stores from 2012 to 2014. This new Ming Le's self-operated stores will not only help to reduce the dependence on distributors and increase overall Company margins but they will also generate substantial expertise in serving the end consumers, enabling the Company to know more about the management of distributors and controlling of pricing as well as the marketing activities at store levels.

To ensure a competitive pricing for raw materials prices, Ming Le has initiated several changes to the payment terms of the suppliers which include paying ahead of credit terms by a substantial period to ensure the Company and its outsourced contract manufacturers obtain a very competitive pricing on the raw materials to be used.

To anticipate the growing demand for sportswear in relation to the growing of the personal income, Ming Le has strategically planned with the distributors on the expansion of retail outlets into territories which experienced a significant increase in personal income as to ensure a stable growth in revenue.

Management of Opportunities

The corporate culture of Ming Le is such that entrepreneurial thinking and activity is valued. All employees are therefore encouraged to seek out and take advantage of opportunities, which may also be outside or beyond their own areas of responsibility. Identification of opportunities in their operations may arise with the aim of achieving above-budget profits. These are evaluated and measures are drawn up to enable the opportunities to be exploited. It is also part of the Management Board's responsibility to regularly review strategic opportunities.

Description of the internal control and risk management system relating to the financial reporting process pursuant to §315 para 2(5) HGB (German Commercial Code)

An accounting related internal control system is used to ensure the correctness of the booking and accounting as well as the reliability of the financial reporting in the consolidated and combined financial statements and the Group Management Report.

Management Board has instituted an accounting-related internal control system for the many organisational, technical and business processes in the Group. This integral element of the consolidated accounting process comprises preventive, monitoring, supervisory and detective security and control measures. An important part if the principle of the separation of duties so that business processes are not held in the same hands. Employees only have access to the processes and information that they need for their work.

Risk Management

Many risks and opportunities are inherent to its business activities. Risks are defined as events which could lead to a negative variance from the objectives planned for the future. If these risks become reality, business performance may be permanently adversely affected, earnings may be reduced and the financial position of the Company worsened. In contrast, opportunities are defined as factors which could have a positive effect on the future development of Ming Le. The Group's activities expose it to market risk, strategic risk, financial risk and operational risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Company's financial performance. The Supervisory Board provides guidance for overall risk management as well as policies covering specific areas. Management analyses and formulates measures to manage the Company's exposure to financial risk in accordance with the objectives and underlying principles approved by the Supervisory Board. Generally, the Company employs a conservative strategy regarding its risk management. Financial risk are kept at a minimum level, the Company has not used any derivative or other financial instruments for hedging purposes.

The most important factor for early risk detection is the day-to-day involvement of the management Board under the leadership of the Company's largest shareholder, Mr Ding Siliang, in the Company's operations and development of all aspects of the value chain. Discussions around the identification and evaluation of potential risks are an integral part of all Management Board meetings and some Supervisory Board meetings. The finance department produces detailed monthly reports on the financial performance and financial situation as well as updates on the current operational position of the Group.

The risks which are relevant to Ming Le can be divided into external risk, i.e. market and sector specific risks, and internal risks. The latter include strategic, financial, operational and business related risks.

External risks

Ming Le experienced above-average growth for the past few years as compared to the general trend in the sportswear industry. A sustained weakness or worsening of the economy, particularly in the home market of China could have a negative impact on the consumer demand and thus the demand for Ming Le products.

Fluctuations in supply and demand in the supply and commodity markets could lead to supply bottlenecks, problem with the quality of raw materials and increased logistics and manufacturing costs which cannot be (completely) compensated for by increased in selling prices. Ming Le handles this risk by ensuring an adequate cash reserves to ensure flexible payment terms to ensure competitive pricing for raw materials and margins to compensate for price fluctuation in the supply markets.

Internal risk

Strategic risks

Ming Le has grown so rapidly due to the ability to identify the current trends and fashion and also the ability to price the products to the consumers' affordability. Should Ming le fail to perform the above, this could have a negative effect on the Group's competitive position, growth opportunities and also profitability. Through setting up the self-owned flagship stores, Ming Le could use this as an opportunity to better understand consumers' needs and better suit to the current trends.

In addition, Ming Le could also exploit the media interest caused by the IPO to increase brand awareness and improve its brand profile.

Financial risks

Ming Le is exposed to currency, interest rate, liquidity and counterparty risks in its ordinary business activities which could have an influence on the financial position and results of operations of the Group.

Currency risks

The Group's consolidated and combined financial statements for the periods under review were prepared in EUR and its future consolidated financial statements will be prepared in EUR, while Ming Le Group's operating currency is RMB, which is currently not a freely convertible currency. A devaluation of the RMB versus the EUR would therefore have an adverse currency translation effect on the Group's consolidated financial statements. As the value of the RMB is controlled by PRC government could have a significant impact on currency exchange rates.

However, the operational activities of Ming Le Group are mainly in RMB and are not influenced by the fluctuations in foreign exchange rates except for certain transactions carried out by the parent company and the translation of the financial statements from RMB to EUR.

RISK AND OPPORTUNITY REPORT

Finance and liquidity risks

The management of the liquidity risks is one of the main responsibilities of the finance and operation departments. Liquidity risk is the risk that payment obligations cannot be met or not met on time because of insufficient funds. Short and long term borrowings will be undertaken as the management sees as appropriate. Ming Le has sufficient cash reserves to be able to compensate for seasonal fluctuations in liquidity that are a feature of the sector.

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. Liquidity needs are monitored closely with any significant cash outflows being considered against prevailing liquidity position prior to it being committed.

In order to finance its growth strategy, Ming Le may have to raise additional capital in the future through debt or equity offerings. Ming Le cannot be certain that suitable financing will be available in the required amounts or on acceptable terms. If additional equity or equity –linked securities are issued, this may result in the dilution of existing shareholders' holdings. If additional debt is incurred, this would result in debt service obligations which could have a negative impact on profitability and could increase Ming Le's vulnerability to general adverse economic and industry conditions or to the materialization of any of the risks mentioned therein. In addition, the terms of any financing agreement could limit Ming Le's ability to pay dividends or restrict Ming Le's flexibility in planning for, or reacting to, changes in its business or its industry. In addition, Ming Le's subsidiaries in China are subject to foreign exchange registration and approval if they intend to borrow funds from entities outside of China. Furthermore, the Group needs to obtain approval of registration if the Ming Le Group intends to secure financing through equity contributions. In the event that it cannot obtain necessary financing on reasonable terms, or at all, it may be forced to scale back its plans for future business expansion. The Ming Le Group's subsidiaries in China are also subject to restrictions on the amount of foreign debt they can borrow.

The overall aim of the Company is always to be able to pay all liabilities as and when they are due

Credit risks

Receivables entail credit risk which requires the loss to be recognised if a counterparty fails to perform as contracted. The Group's exposure to credit risk is influenced by the individual characteristic of each customer rather than the industry or country in which the consumers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The credit risk with regard to customers arises from the granting of payment periods and thus the default risks associated with this.

In order to minimise default risk in operations, the Group extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history on an ongoing basis.

COMBINED MANAGEMENT REPORT

Dividend payment risk

The decision on future dividend payments is always dependent on the circumstances at the time, which includes the earnings situation, the Company's funding and investment requirements, and the availability of net profit (each as reported in the Company's financial statements).

The income and expense of Ming Le originate mainly in RMB, therefore exchange rate changes could have a negative impact on the net income of Ming Le Sports AG, which could affect dividend payments.

OPERATIONAL RISKS

Sales and inventory risk

As a consequence of expanding its own retail presence with the new opening of the self-owned flagship stores, Ming Le is exposed to growing sales and inventory risk. Additionally, the opening up of the new stores is linked to increase expense and uncertainty with regards to future profitability.

The opening of more self-owned flagship stores also calls for increased investment and leads to increased personnel and rental costs. There is no guarantee that this increased expense can be compensated with higher margin or that new own stores can be run as profitable units.

Quality risk

Assuring the consistent high quality of Ming Le Sports AG products, close collaboration with suppliers and other contractual partners are called for. This engenders procurement, production and logistics risks. One risk factor is the potential loss of product quality, In order to ensure stable supply relationships resulting in consistently high product quality and attractive prices for its consistently changing collections, in the area of sourcing Ming Le works with purchasing agents and manufacturers , and has done proper evaluation before choosing one.

BUSINESS-RELATED RISKS

IT risks

It is vital that modern IT systems are available and functioning if business procedures are to be managed properly and costs controlled. A failure of these systems would impact on business processes and could lead to higher costs. It cannot be ruled out that data might be lost in the event of damage caused by unforeseen circumstances or natural disasters or terrorism. Ming Le will continue to invest in further development of IT system in order to ensure system availability and functionality at all times and to increase process efficiency.

Legal risks

Legal risks typically arise from issues connected to industrial law, industrial property rights, product liability and warranties, or through the introduction of new laws or changes to existing laws or the interpretation thereof. The violation of an existing regulation may result from ignorance or negligence. In order to counter these risks in an appropriate and timely manner, potential risks are analysed thoroughly, calling on the expert knowledge of external specialists, Despite these measures, the outcome of any ongoing or future proceedings cannot be predicted with certainty. Legal disputes can be costly, even if the Company's vase is upheld and could damage Ming Le's image.

Employee risks

By continuously strengthening the management team with experienced professionals, the risk of overly depending on a few key individuals in the management team is reduced. The Company's growth is increasingly driven by decentralising activities and decision making to an operational level. It is expected that even if there was a sudden change in key management personnel, the operations of the Company would continue to run smoothly.

Summary of the Group risk situation

Based on current assessment, the Ming Le Group is not exposed to any significant risks that could endanger its continued existence in the foreseeable future.

Group management and key performance indicators

The Ming Le Sports AG Group has a clearly defined leadership and corporate structure, whereby key issues are decided by the Management Board of the holding and administration entity (Ming Le Sports AG). The key decision makers operate within operational headquarters in Jinjiang City, Fujian Province in China.

Ming Le uses different key performance indicators to monitor the group's performance over time in line with its strategy. As a growth-oriented, company, Ming Le focuses on the importance on growing revenue and gross profit margin. All activities and efforts are undertaken to increase revenue are measured against their potential to increase EBIT (earnings before interest and tax) and the EBIT margin.

COMBINED MANAGEMENT REPORT

REMUNERATION REPORT

REMUNERATION OF GENERAL MANAGEMENT AND SUPERVISORY BOARD ACCORDING TO ART. 314 SECTION 1 NO. 6 GERMAN COMMERCIAL CODE (HGB) AND §289 Abs. 2 Nr. 5 (HGB)

The Composition of the management board is as follows:

i) Mr. Siliang Ding, Chief Executive Officer of Mingle (China) , Fujian Province, PRC Chairman
ii) Mr. Shoutan Guo, Head of sales & marketing in Mingle (China), Fujian Province, PRC, Deputy Chairman
iii) Mr. Alan Chun Kiat Tan, Chief Financial Officer of Mingle Group, Singapore, Member

The remuneration of the members of the Management Board comprises fixed remuneration.

Remuneration dependent on profit

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

Remuneration not dependent on profit

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Mr. Siliang Ding	20	36
Mr. Shoutan Guo	17	27
Mr. Alan Chun Kiat Tan	85	135
	122	198

The table above depicts the annual remuneration which have been paid to the members of the management board.

Remuneration with long-term incentive

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

COMBINED MANAGEMENT REPORT

REMUNERATION OF GENERAL MANAGEMENT AND SUPERVISORY BOARD ACCORDING TO ART. 314 SECTION 1 NO. 6 GERMAN COMMERCIAL CODE (HGB) AND §289 Abs. 2 Nr. 5 (HGB)

II. Supervisory Board (Aufsichtsrat)

The Composition of the supervisory board is as follows:
i) Mr. Klaus Rainer Kirchhoff, Businessman, Germany, Chairman (Appointed on 4 November 2011)
ii) Mr. Bryan Riviere, Businessman, Canada, Deputy Chairman (Appointed on 21 September 2011)
iii) Mr. Kong Seng Yong, Businessman, Australia, Member (Appointed on 21 September 2011)

The remuneration of the members of the Supervisory Board comprises mainly fixed remuneration.

Remuneration dependent on profit

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

Remuneration not dependent on profit

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Mr. Klaus Rainer Kirchhoff	9	55
Mr. Bryan Riverie	7	34
Mr. Kong Seng Yong	5	26
	21	115

The annual remuneration of the members of the Supervisory Board are indicated as above and has been pro-rated for the service term according to the appointment date in 2011.

Remuneration not dependent on profit

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

STATEMENTS AND REPORT PURSUANT TO § 315 PARA 4 HGB (GERMAN COMMERCIAL CODE) AND §289 (4) HGB

1. Subscribed Capital

The share capital of Ming Le Sports AG amounts to EUR 15,444,000 and is divided into 15,444,000 no par value bearer shares with a notional amount of EUR 1.00 each.

2. Restrictions regarding voting rights and the right to transfer shares

Each single share grants one voting right under the Articles of Association of Ming Le Sports AG. The management board is not ware of restrictions regarding voting rights and the right to transfer shares. (Please refer to §133 AktG)

3. Direct of Indirect participation in shares

At the time of the issue of the Group Management Report, the Chairman of the Management Board of Ming Le Sports AG, Mr Ding Siliang, held 68.5% of the shares of Ming Le Sports AG through Straits International Limited. China Ming Le Sportswear Holdings Limited is wholly owned by Straits International Limited and Straits International Limited is an entity wholly owned by Mr Ding Siliang.

4. Shares with exclusive rights

There are no shares with exclusive rights which grant control rights

5. Exercise of voting rights of employees

Employees, who are shareholders in Ming Le Sports AG, exercise their voting rights on their own discretion or by an authorised person. There is no voting right control of employees, who are shareholders , existing.

6. Appointment and dismissal of management board members

The Supervisory Board determines the size of the Management Board which, under the Company's Articles of Association, must have at least 2 members. The Supervisory Board may appoint one Management Board member as chairman or spokesman and another member as deputy chairman or spokesman. Furthermore, the Supervisory Board may appoint further members of the Management Board.

Members of the Management Board appointed by the Supervisory Board for a maximum term of five years. The Management Board of Ming Le Sports AG currently comprises three members appointed by the Supervisory Board for a period not exceeding five years ending 30 June 2017 for Chairman of Management Board and other members

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

In urgent cases, the local court (Amtsgericht) may appoint a missing and required management board member upon application by any person with interests meriting protection (e.g. other management board members) (Please refer to §85 AktG).

7. Amendments of the articles of Association

The Articles of Association can only be amended by a resolution of the Annual General Meeting according to §179 AktG (German Stock Corporation Act). Beside this the Supervisory Board is pursuant to the Articles of Association entitled to make changes to the Articles of Association, provided that these changes only concern the wording or form.

COMBINED MANAGEMENT REPORT

8. Authority of management board to issue new shares

8.1 Authorised Capital

The Management is authorised to increase the share capital of the Ming Le Sports AG with the consent of the Supervisory Board once or several times by up to EUR 7,500,000.00 by issue of up to 7,500,000.00 shares in consideration of contribution in cash or in kind (the " Authorised Capital 2011") until 20th September 2016. Authorisation exists for the issuance of common shares and or alternatively preferred shares without a voting right. The Management Board is further authorised, in each case with the consent of the Supervisory Board, to exclude the pre-emptive rights of the shareholders. An exclusion of the pre-emptive rights, however, is only admitted in the following cases:

- If the new shares are issued to acquire enterprises, shares in enterprises or parts of an enterprise;
- For fractional amounts;
- For granting shares to employees and members of the management of the Company or of a connected enterprise in connection with employees' participation programs;
- If the shares are issued in consideration of contribution in cash but at an issue price which is not substantially below the stock exchange price and the exclusion of the pre-emptive rights is only applied to new shares that represent not more than 10% of the share capital; for the calculation of the 10% limitation any other exclusion of the pre-emptive rights is only applied to new shares that represent not more than 10% of the share capital; for the calculation of the 10% limitation any other exclusion of the pre-emptive-rights according to Section 186, paragraph 3, sentence 4 of the Stock Cooperation Act (Aktiengesetz) has to be taken into account;
- To list shares of the Company or certificates representing share of the Company on domestic or
- Foreign stock exchanges where they are not listed yet
- To the extent necessary to grant holders of convertible bonds, convertible profit participation rights (Genussrechten), or stock options pre-emptive rights that they would have in case they became shareholders.

A capital increase where the pre-emptive rights are excluded may not exceed 10% of the share capital existing at the time when this authorisation is made use of, if such capital increase serves for an employees' participation programme. The Management Board decides with the consent of the Supervisory Board on the rights to and the conditions of issuance of new shares to be generated through the Authorised Capital 2011.

9. Change of Control provisions

There do not exist any agreements with Ming Le Sports AG, which are subject to the condition of a change of control due to a take-over offer.

10. Agreements on compensation in case of a take-over offer

There do not exist any agreements between the members of the Management Board or employees and Ming Le Sports AG which provide for compensation in case of a change of control due to a take-over offer.

11. Dependency report (Related-party transactions)

Because there is no control agreement with the majority shareholder, the Management Board of Ming Le Sports AG is required under section 312 of the German Stock Corporation Act (AktG) to file a report on relationships with affiliated companies. This report contains information on the relationships with the majority shareholder Siliang Ding and the companies in the Ming Le Group.

Pursuant to section 312, para.3 AktG, the Management Board declares "Ming Le Sports AG received for all legal transactions disclosed in the dependency report in the period from 1 January 2012 to 31 December 2012, according to the circumstances that have been known to the members of the management board, at the point of time these legal transactions have been concluded upon, an adequate consideration and was not disadvantaged by those legal transactions.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

No adjusting or significant non adjusting events have occurred between the reporting date and the date of authorisation.

As at the reporting date, there were no further note-worthy operational and structural changes or business transactions in the Ming Le Group that have significantly changed the asset, financial and earnings situation since 31 December 2012.

CORPORATE GOVERNANCE STATEMENT

The declaration on corporate governance required by section 289a German Commercial Code (HGB) is openly available for inspection on the company's website at www.mingle-sportswear.de/Investors-relations/corporate-governance.

FORECAST REPORT

FORECAST REPORT

We remain very confident that China's macroeconomic situation will continue to remain healthy in 2013, which also means sustaining the market demand for our products. Continued urbanisation and government policies designed to increase domestic consumption would likely benefit the Company.

Management aims to achieve the higher sales results in 2013 and 2014 mostly through improved results of same store sales growth rather than to place reliance on increase in sales from increase in number of retail outlets. In addition, Ming Le forsees that the demand for apparels could outpace the demand for footwear and would also place emphasis on introducing more designs of apparels in the upcoming seasonal sales fair.

The outlook for 2013 and 2014 takes into account all events known at this time that could influence the business development of the Group. However, political and economic uncertainties over which Ming le has no influence could result in actual business developments that may deviate from the forecast.

Future development of Ming Le Sports AG Group

The management envisage the revenue growth for 2013 to be 25% with the EBIT in the range of 23%-25% and the net profit (after tax) to be in the range of 17%-18% due to the full exposure of tax effective from 2013 onwards. Prior to 2013, Ming Le enjoyed 50% rebate from the tax rate of 25% in China in the period 2010-2012.

In 2013, Ming Le will be looking to open at least 30 self-owned flagship stores in growing 3rd tier cities. In addition, Ming Le is also expecting 600 retail outlets to be opened by its distributors and third party retailers by the end of 2013. In addition, Ming Le is also looking to commence construction of a footwear manufacturing plant which specialise in manufacturing soles. This vertical integration if successfully implemented will result in significant cost savings for the cost of sales.

The management expects that the positive developments on Revenues and EBIT will continue in 2014 and that the planned investments will fully contribute to the success of the group.

Future development of Ming Le Sports AG

Since Ming Le Sports AG is a holding company for Ming Le Group with virtually all of its operative business in the PRC, the future development of Ming Le Sports AG depends on the expectations and perspectives of the operational entities in the PRC as discussed above.

Without considering dividend payments from its subsidiaries, Ming Le Sports AG expects a small net loss in 2013 and beyond.

General statement of the Future Business Development

As the overall outlook for the future economic development remains positive for the years to and as the Chinese government will support the development in Tier 3 and Tier 4 cities. We believe that Ming Le Sports AG is in a favourable position to take advantage of these expected developments.

Ming Le Sports group will continue to strengthen the brand image in the PRC by enhanced marketing efforts and innovative products and designs.

Therefore, Ming Le Sports with its strong financial position, the planned investments and its strong brand is well prepared to benefit from the mega-trends described above in 2013 and the years to come.

Frankfurt, May 3 2013

Siliang Ding

Shoutan Guo

Alan Chun Kiat Tan

COMBINED
MANAGEMENT REPORT

CONSOLIDATED STATEMENTS OF INCOME AND EXPENSES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

EUR'000	NOTE	2011	2012
Revenue	3	194,215	286,130
Cost of sales	4	(128,695)	(187,989)
Gross profit		65,520	98,141
Other income	3	55	94
Selling and distribution expenses	5	(15,199)	(25,588)
Administrative expenses		(2,388)	(2,880)
Profit from operations		**47,988**	**69,767**
Financial income	6	168	305
Profit before tax		**48,156**	**70,072**
Tax expense	7	(6,183)	(8,928)
Net Profit		**41,973**	**61,144**
Net profit attributable to owners of the parent company		41,973	61,144
Basic and diluted earnings per share (EUR)		2.80	4.02

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

EUR'000	NOTE	2011	2012
Net Profit		**41,973**	**61,144**
Exchange differences on translating foreign operations	14	6,703	(2,878)
Total comprehensive income		**48,676**	**58,266**
Net profit attributable to owners of the parent company		41,973	61,144
Total comprehensive income attributable to owners of the parent company		48,676	58,266

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

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

EUR'000	NOTE	2011	2012
Cash flows from operating activities			
Profit before tax		48,156	70,072
Adjustments for:			
Finance income	6	(168)	(305)
Depreciation	8	555	615
Gain on disposal of property, plant and equipment		(1)	-
Amortisation of Land use rights	8	8	8
Operating profit before working capital changes		48,550	70,390
Decrease/(increase) in inventories		1,437	(3,623)
Increase in trade and other receivables		(25,536)	(34,855)
Increase in trade and other payables		8,034	5,568
Cash generated from operations		32,485	37,480
Finance income received		168	305
Withholding tax paid		(1,822)	-
Income tax paid		(5,287)	(8,596)
Net cash generated from operating activities		25,544	29,189
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	(116)	-
Prepayment of Land use right	9	(283)	-
Proceeds from disposal of property, plant and equipment		27	-
Net cash used in investing activities		(372)	-
Cash flows from financing activities			
Proceeds from public offering		-	5,455
Advance from a shareholder		1,192	690
Net cash (used in)/generated from financing activities		1,192	6,145
Net increase in cash and cash equivalents		26,364	35,334
Cash and cash equivalents at beginning of financial year		23,821	56,606
Effects of currency translation		6,421	(2,840)
Cash and cash equivalents at end of financial year	13	56,606	89,100

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2012

EUR'000	NOTE	31.12.2011	31.12.2012
ASSETS			
Non-current assets			
Property, plant and equipment	8	7,306	6,615
Land use rights	8	392	378
Prepayment-Land use right	9	523	517
Deferred tax asset	10	-	103
Total non-current assets		**8,221**	**7,613**
Current assets			
Inventories	11	1,617	5,240
Trade and other receivables	12	52,758	87,613
Amount due from a shareholder	16	213	-
Cash and cash equivalents	13	56,606	89,100
Total current assets		**111,194**	**181,953**
Total assets		**119,415**	**189,566**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	15,000	15,444
Unpaid portion		-	-
Issued and fully paid-up capital		15,000	15,444
Statutory reserve	14	6,789	6,789
Capital reserve	14	-	5,328
Transaction costs of equity			(218)
Foreign currency translation reserve	14	10,489	7,611
Retained earnings	14	59,083	120,227
Total equity		**91,361**	**155,181**
Liabilities			
Current liabilities			
Trade and other payables	15	21,888	27,328
Provision for liabilities	16	2,799	2,927
Amount due to a shareholder	17	-	479
Withholding tax payable	18	1,150	1,136
Current tax liabilities	7	2,217	2,515
Total current liabilities		**28,054**	**34,385**
Total liabilities		**28,054**	**34,385**
Total equity and liabilities		**119,415**	**189,566**

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

					Retained earnings		(OCI)	
	Note	Share capital	Capital reserve	Transaction costs to equity	Non-distri-butable	Distri-butable	Foreign exchange translation reserve	Total equity
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance at 1 January 2011		**106**	**-**	**-**	**6,789**	**32,004**	**3,786**	**42,685**
Company reorganisation		14,894	-	-	-	(14,894)	-	**-**
Total comprehensive income		-	-	-	-	41,973	6,703	**48,676**
Balance at 31 December 2011		15,000	-	-	6,789	59,083	10,489	**91,361**
Proceeds from initial offering	14	444	5,328	(218)	-	-	-	**5,554**
Total comprehensive income		-	-	-	-	61,144	(2,878)	**58,266**
Balance as at 31 December 2012		15,444	5,328	(218)	6,789	120,227	7,611	**155,181**

Other comprehensive income (OCI) is solely attributed to foreign exchange translation adjustments.

For more details on Company reorganisation, refer to Note 14

The accompanying notes form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED STATEMENTS

1) THE COMPANY

The consolidated financial statements of the Group, comprise Ming Le Sports AG ("the Company") and its subsidiaries. The Company holds 100% of the shares in Mingle (International) Limited ("the Hong Kong subsidiary" or "Mingle Hong Kong") and which in turn holds 100% of equity interests in Mingle (China) Co., Ltd ("Mingle China") and which in turn holds 100% of equity interests in Fujian Mingle Sportswear Co., Ltd (Fujian Mingle"). The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) in so far as they have been endorsed by the European Union (EU IFRS) as the Company is obliged to compile the financial statements according to § 315a HGB in combination with Article 4 of the EU-VO 1606/2002 due to the listing of the shares of the company at Frankfurt stock exchange.

Ming Le Sports Aktiengesellschaft, Frankfurt am Main, was founded as a public company (Aktiengesellschaft) on 21 September 2011 with a registered capital of 15,000 ordinary shares of EUR 1.00 each. On 14 October 2011, the 15,000,000 ordinary shares were given as consideration to China Ming Le Sportswear Holdings Limited (incorporated in Cayman Islands) in exchange for 100% equity in Mingle HK. The business purpose of the Company is the production, distribution and marketing of shoes, especially sports shoes, clothings and accessories (including sports clothing and sports accessories) and sports articles as well as the research and development of such products, by the Company itself or indirectly by its subsidiaries and for affiliated companies as well as all business and services in connection therewith and service for its subsidiaries and affiliated companies. The business address of the company is Westhafenplatz 1, 60327 Frankfurt am Main, Germany.

Ming Le Sports AG was listed on 6th July 2012 and the shares of Ming Le Sports AG are traded in the Prime Standard, a special segment of the regulated market of the Frankfurt Stock Exchange. The Company has 15,0000,000 ordinary shares prior to the public offering and issued 444,0000 ordinary shares at EUR 13 per share for gross proceeds of EUR 5,772,000.

Mingle HK was incorporated in Hong Kong in June 2004 with a Registered Capital of 1,000,000 ordinary shares of par value HK$1.00 each. The principal activity of Mingle HK is investment holding. The principal place of business of the Company is located at Room 9, 3/F , Mei Lee Building, No. 55 Cheung Ning Street, Tokwawan, Kowloon, Hong Kong SAR, People's Republic of China ("PRC").

Mingle HK's PRC subsidiary companies are Mingle China and Fujian Mingle, which are incorporated in the PRC, located at Xibian Village, Chengdai Town, Jinjiang City, Fujian Province, the PRC. The principal activity of the Group is the manufacturing and sale of footwear and sports apparels and accessories.

2) SIGNIFICANT ACCOUNTING POLICIES

2.1) Statement of compliance

The 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. For reasons of comparison, the Group presents financial statements for the preceding year 2011.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively referred as "IFRS") issued by the International Accounting Standards Board ("IASB"), including the IFRS Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), in so far as these have been adopted by the European Union ("EU IFRS") in effect at the closing date in accordance with Art. 315a Section 8 German Commercial Code ("HGB").

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

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

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

The operating subsidiary in the PRC ("the PRC subsidiary") maintains its accounting records in RMB and prepares it statutory financial statements in accordance with the PRC generally accepted accounting practice. The financial information is based on the statutory records, with adjustments and reclassifications recorded for the purpose of the fair presentation in accordance with EU IFRS. The group has adopted all EU IFRS that were effective on or before 1 January 2012. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

2.3) Adoption of IFRS

Framework for the Preparation and 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 of disclosure issue.

Changes in accounting policy and disclosures

a) New and amended standards adopted by the group

The following regulation which became effective in 2012 has 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.

b) 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 are 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 1 (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	Government 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 Measurements (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)

» 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 for annual periods beginning on or after 1 July 2012
(2) Effective for annual periods beginning on or after 1 January 2013
(3) Effective for annual periods 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 " Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements": Investment Companies

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristic of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. Presently, the Group does not expect any material impact on the consolidated financial statements arising from the adoption of this Standard.

IFRS 10, Consolidated financial statements' build on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group has assessed IFRS 10's full impact and does not expect any material on the consolidated financial statements arising from the adoption of this standard. The group intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2014.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group has assessed IFRS 12's full impact and does not expect any material on the consolidated financial statements arising from the adoption of this standard. The group intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2014.

New IFRS not yet adopted

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

2.4) Key sources of estimation uncertainty

Income taxes

The Group has exposure to income tax arising from their operations in the PRC. Significant judgement is required in determining the provision for income taxes. 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 5 to 20 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.

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 time the estimates are made. The Group's core business is subject to raw material price changes and changes the customer behaviour which may cause selling prices to change rapidly.

2.5) Critical 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 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) Property, plant and equipment and Land use rights

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.

Advance payments for property, plant and equipment acquired are recognised as an asset when payment for the property, plant and equipment has been made in advance of the final delivery of the property, plant and equipment.

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:

Buildings	20 years
Plant and machinery	10 years
Furniture, fixtures and office equipment	10 years
Motor vehicles	5 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.

Land use rights are recognised at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to profit or loss, using the straight-line method, so as to write off the cost of land use rights, over the remaining lease term of the land.

The amortisation period and amortisation methods for land use rights are reviewed and adjusted as appropriate at each statement of financial position date.

The land use rights have an amortisation period of 50 years and will expire in June 2056.

NOTES TO THE CONSOLIDATED STATEMENTS

2.7) Impairment of non-financial assets

Property, plant and equipment 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.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

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 is treated as a revaluation increase.

2.8) 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 and other receivables and cash and cash equivalents in the balance sheet.

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 amounts 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.

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.

<u>Trade and other receivables</u>

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.

NOTES TO THE CONSOLIDATED STATEMENTS

2.9) 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 11.

2.10) 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 and amount due to a shareholder.

<u>Trade and other payables</u>

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

2.11) 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.

In those cases where the possible outflow of economic resources as a result of present obligation 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.

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

2.13) Interest income

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

2.14) Employee benefits – Retirement benefits scheme

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries located in the PRC are required to contribute a certain percentage of the basis 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 subsidiaries located in the PRC. The only obligation of the Group with respect to the Scheme is to pay the ongoing 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 Group 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.

2.15) Key management personnel

Key management personal are those people 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.

2.16) 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 period, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profits 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 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) 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.

2.17) 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 with respect to the ultimate German domiciled legal parent and holding company, and therefore the financial information has been translated from RMB and HKD to EURO at the following rates:

	Period end rates	Average rates
31 December 2011	EUR 1.00 = RMB 8.2253	EUR 1.00 = RMB 9.0175
31 December 2012	EUR 1.00 = RMB 8.3268	EUR 1.00 = RMB 8.1405
	Period end rates	**Average rates**
31 December 2011	EUR 1.00 = HKD 10.0579	EUR 1.00 = HKD 10.8883
31 December 2012	EUR 1.00 = HKD 10.2513	EUR 1.00 = HKD 10.0059

The results and financial positions in functional currency are translated into the presentation currency for the purpose of presentation of its ultimate legal parent 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 measure 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.

NOTES TO THE CONSOLIDATED STATEMENTS

2.18) 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 Company; (2) have an interest in the Company that gives them significant influence over the Company:

(ii) the key management personnel of the Company or its direct parent and its ultimate parent company

(iii) close members of the family of any individual referred to in (i) or (ii).

2.19) 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-makers are responsible for allocating resources and assessing performance of the operating segments. The Chief operative decision maker is the Chief Executive Officer of the Company.

The management information of the Group bases its decisions on the internal reporting on footwear as well as apparels, accessories and equipment, which are the Group's two business segments.

Segment information is presented in respect of the Group's business segment. The primary format, business segment, is based on the Group's management and internal reporting structure. In presenting information on the basis of the business segment, segment revenue and segment assets are based on the nature of the products provided by the Group.

Segment information is presented in a manner consistent with the internal reporting provided to the management of the Group.

The accounting policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

2.20) Equity reserves and dividend payments

The Company is incorporated under the laws of Germany, and has a subscribed capital of EUR 15,444,000.000.

Retained earnings include all current and prior period results as determined in the income statements as far as they have not been transferred to the statutory reserves.

Foreign currency translation differences arising on the translation are included in the translation reserve.

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

In accordance with the relevant laws and regulations of PRC, the subsidiary of the Company established in PRC are 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, 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.

2.21) Research and development costs

Design and development costs are expensed in the period in which it is incurred. The Company does not have any development costs to be capitalised.

3) REVENUE AND OTHER INCOME

The Company's revenue is as follows:

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Sales of goods	194,215	286,130
Other income/(losses):		
Rental income	50	55
Exchange gain/(loss)	4	39
Others	1	-
	55	94

4) COST OF SALES

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

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Materials	30,453	39,383
Labour	3,863	4,750
Depreciation	354	394
Purchases from subcontractors	90,178	138,246
Research & development expense	754	1,103
VAT	1,283	1,811
Others	1,810	2,302
	128,695	187,989
Costs of inventories recognised in income statement	120,764	177,536

5) SELLING AND DISTRIBUTION EXPENSES

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Marketing and Advertising costs	14,897	24,693
Staff costs	146	283
Flagship Store expenses	-	351
Others	156	261
	15,199	25,588

6) FINANCIAL INCOME

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Interest Income on bank deposits	168	305

7) TAX EXPENSE

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Current income tax - PRC	6,183	8,928

Reconciliation between tax expense and profit before taxation at PRC's statutory tax rates is as follows:

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Profit before taxation	48,156	70,072
Tax calculated at the tax rate of 25%	12,039	17,518
Tax exemption (2011 & 2012 : 50%)	(6,020)	(8,759)
Non-deductible expenses	-	36
Tax losses capitalized	-	(102)
Effect of Tax rate differences	-	62
Non capitalised tax losses	164	173
	6,183	8,928

The operating subsidiary is subject to PRC income tax on profit. Business operations set up in the special economic zones by foreign enterprises are subject to a reduced enterprise income tax rate. The provision for PRC income tax on profits arising from operations in the PRC is calculated based on reduced enterprise income tax rates of 12.5% and 12.5% for the financial years ended 31 December 2011 and 2012 respectively, in accordance with the relevant PRC income tax rules and regulations.

Movement in income tax payable is as follows:

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Beginning of financial year	1,163	2,217
Current year tax expenses on profit	6,183	8,928
Income tax paid	(5,287)	(8,595)
Translation adjustment	158	(35)
End of financial year	2,217	2,515

Income tax is not related to other comprehensive income.

8) PROPERTY, PLANT, EQUIPMENT AND LAND USE RIGHTS

	Land use right	Property, plant and equipment				
		Building	Plant and Machinery	Furniture, Fixture & Office Equipment	Motor Vehicles	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Cost						
At 1 January 2011	438	9,722	1,168	112	183	11,185
Additions	-	-	71	45	-	116
Disposal/Written Off	-	-	(49)	(1)	-	(50)
Translation adjustment	27	603	74	11	12	700
At 31 December 2011	465	10,325	1,264	167	195	11,951
Additions	-	-	-	-	-	-
Translation adjustment	(6)	(126)	(16)	(2)	(2)	(146)
At 31 December 2012	459	10,199	1,248	165	193	11,805
Accumulated Depreciation						
At 1 January 2011	61	3,298	350	72	102	3,822
Amortisation/Depreciation	8	424	103	16	12	555
Disposal/Written Off	-	-	(20)	(1)	-	(21)
Translation adjustment	4	245	30	6	8	289
At 31 December 2011	73	3,967	463	93	122	4,645
Amortisation/Depreciation	8	470	113	19	13	615
Translation adjustment	-	(58)	(8)	(2)	(2)	(70)
At 31 December 2012	81	4,379	568	110	133	5,190
Net Book Value						
At 31 December 2011	392	6,358	801	74	73	7,306
At 31 December 2012	378	5,820	680	55	60	6,615

All property, plant and equipment are located in the PRC. They are recorded at costs less accumulated depreciation. Depreciation was recognised under cost of sales and administrative expenses with a total amount of KEUR 394 (2011: KEUR 295) and KEUR 221 (2011: KEUR 260) respectively.

Land use right relates to the land located in Chendai Town, Jinjiang City, Fujian Province, PRC. The land use right was neither pledged nor secured to any securities/loans as at 31 December 2011 and 31 December 2012 respectively.

Amortisation was recognised in the income statement under Administrative expenses with a total amount of KEUR 8 for the year ended 31 December 2012 (2011: KEUR 8)

9) PREPAYMENT-LAND USE RIGHTS

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Prepayment-Land use rights	523	517

The prepayment-land use rights relates to the necessary prepayments made prior to securing the land use rights from the authority.

10) DEFERRED TAX ASSET

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Deferred Tax Asset	-	103

Deferred tax asset relates to tax losses of KEUR 1,069 on Ming Le Sports AG level, of the resulting tax assets of KEUR 341, an amount of KEUR 103 has been capitalised. It is likely that the residual amount of KEUR 238 cannot be offset with taxable income during the next five years.

11) INVENTORIES

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Raw materials	805	842
Work-in-progress	151	158
Finished goods	661	4,240
	1,617	5,240

No allowance for inventory obsolescence was provided as at 31 December 2011 and 31 December 2012 respectively as the Company primarily functions on a back to back business model which manufactures or orders based on confirmed orders placed by distributors.

12) TRADE AND OTHER RECEIVABLES

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Trade receivables	50,424	84,053
Other receivables	-	5
Prepayments	2,334	3,555
	52,758	87,613

Trade receivables are unsecured, non interest bearing and generally have an average credit terms of up to 75 days (2011: 60days).

The ageing based on invoice date are as follows:

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Within 30 days	27,089	31,460
31 to 60 days	23,335	33,193
61 to 75 days	-	19,400
	50,424	84,053

Trade receivables and other receivables are denominated in Renminbi.

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Neither past due nor impaired	50,424	84,053
Past-due but not impaired	-	-
	50,424	84,053

No obsolescence reserve has been built as the Company has no history of bad debts for the past 5 years. Therefore, no reconciliation according to IFRS 7.16 is required

Financial Assets

Loans and Receivables

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Trade receivables	50,424	84,053
Other receivables	-	5
Cash and cash equivalents	56,606	89,100
	107,030	173,158

All financial assets classified as loans and receivables are current and non-interest bearing. 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 nil in 2011 and 2012.

13) CASH AND CASH EQUIVALENTS

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Cash at bank	56,605	89,062
Cash on hand	1	38
	56,606	89,100

The cash at bank bears effective interest rate of 0.45% and 0.41% per annum for the years ended 31 December 2011 and 2012 respectively.

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

Cash transfers from China to other countries require formal approval from the State Administration of Foreign Exchange ("SAFE"). However, there is no restriction of cash transfer between Hong Kong and Germany.

NOTES TO THE CONSOLIDATED STATEMENTS

14) SHARE CAPITAL AND RESERVES

The Company was incorporated in September 2011 with authorised capital of EUR 15,000,000. On 6th July 2012, the Company completed a successful public offering and made a capital increase of EUR 444,000 to result in an authorised capital of EUR 15,444,000.

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.

Statutory reserve

The statutory reserve of the Group amounts to EUR 6,789,000 at 31 December 2012 (2011: EUR 6,789,000). The statutory reserve of the Group is related to Fujian Mingle and Mingle China as described in note 2.21

Capital reserve

The capital reserve of the Group amounts to EUR 5,328,000 as at 31 December 2012 (2011: EUR 0). During the initial public offering placement, Ming Le Sports AG raised the gross proceeds of EUR 5,772,000 from 444,000 new shares of offering price EUR 13.00 each. The surplus of EUR 5,328,000 was recorded as capital reserve in accordance to the German Company Law

Foreign currency translation reserve (other comprehensive income)

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 and is the only component of Other comprehensive income.

Retained earnings

The retained earnings reserve comprises the cumulative net gains and losses recognised in the Company's income statement.

The Company reorganisation in 2011 is based on the foundation of Ming Le Sports AG under the accounting method of a "reverse acquisition". The Retained earnings effect arises from the difference between the nominal value of shares issued by the Company and the nominal value of subsidiaries acquired.

15) TRADE AND OTHER PAYABLES

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Trade payables	18,349	23,709
Salary payables	411	528
VAT payable	1,733	1,560
Others	1,395	1,531
	21,888	27,328

Included in other payables for the year ended 31 December 2012 are outstanding balances payables to professionals, other taxes and accrued liabilities on normal utilities expenses.

The carrying amounts of trade and other payables at the balance sheet approximate to their fair value due to the short duration of maturity.

Trade and other payables are predominantly denominated in Renminbi.

Financial Liabilities at Amortised Cost

All financial liabilities recorded at amortised cost fall due within one year. Due to the short term nature of these liabilities, management considers the carrying amounts of financial liabilities measured at amortised cost in the balance sheet to be a reasonable approximation of their fair value.

There were no net gains/losses on financial liabilities in 2011 or 2012.

NOTES TO THE CONSOLIDATED STATEMENTS

16) PROVISION FOR LIABILITIES

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Provision for social security insurance	2,799	2,927

17) AMOUNT DUE (TO)/FROM A SHAREHOLDER

Amount due to a shareholder was unsecured, interest free and had no fixed terms of repayment. The carrying amount as at balance sheet date approximates fair value.

Amount due to a shareholder is denominated in Hong Kong Dollar.

Amount due from a shareholder was unsecured, interest-free and had no fixed terms of repayment. The carrying amount as at balance sheet date approximates fair value.

Amount due from a shareholder is denominated in China Renminbi.

18) WITHOLDING TAX PAYABLE

Withholding tax payable relates to the additional withholding tax deemed payable on the dividends of RMB 189 million paid in 2010.

19) COMMITMENTS

As at 31 December 2012, the Company had outstanding purchase orders for approximately EUR 39.5 million (RMB 329.3 million).

20) 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.

The Group has no significant concentration of transactional currency risk. The Group operates predominantly in the PRC and transacts primarily in Renminbi. Accordingly, the Company's exposure to risk resulting from changes in foreign currency exchange rates is minimal. However, the 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.

<u>Sensitivity analysis</u>

If the RMB has strengthened against EUR by 10%, then this would result in the following:

	Profit for the year	Equity
	2011	2012
	EUR thousand	EUR thousand
31 December 2011	46,637	101,512
31 December 2012	67,938	172,423

If the RMB has weakened against EUR by 10%, then this would result in the following:

	Profit for the year	Equity
	2011	2012
	EUR thousand	EUR thousand
31 December 2011	38,157	83,055
31 December 2012	55,585	141,074

NOTES TO THE CONSOLIDATED STATEMENTS

(ii) **Market risk-interest rate risk**

The Group is not significantly exposed to interest rate risk as it is primarily self-financing. The Group's exposure to interest rate risk mainly arises from the bank deposits placed with financial institutions. The Group does not have significant exposure to interest rate risk.

<u>Sensitivity analysis</u>

If the interest rate has increased by 10%, then this would result in the following:

	Profit for the year EUR thousand
31 December 2011	185
31 December 2012	336

If the interest rate has decreased by 10%, then this would result in the following:

	Profit for the year EUR thousand
31 December 2011	151
31 December 2012	275

(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 from the Group's trade receivables.

The Group's exposure to credit risk is restricted by credit limits that are approved by the CEO. The Group typically allows the existing customer credit terms of up to 75 days (2011: 60 days). In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customers, its payment history and credit worthiness. In relation to new customers, the sales and marketing department will prepare credit proposals for approval by the CEO.

The Group performs on-going credit evaluation of its customers' financial position. The concentration of credit risk from the Group's trade receivables contributes 60% and 76% for the financial years ended 2011 and 2012 respectively, 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.

The Group's major classes of financial assets are trade receivables and cash and cash equivalents.

The Group considers 30 to 75 days to be normal collection period.

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

(v) **Liquidity risk**

The Group's financial liabilities are expected 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.

The table below analyses the maturity profile of the Group's financial liabilities:

	Less than 1 year EUR thousand	After 1 year EUR thousand
As at 31 December 2011		
Trade and other payables	21,888	-
Provision for liabilities	2,799	
Amount due to shareholder	-	-
	24,687	-

	Less than 1 year EUR thousand	After 1 year EUR thousand
As at 31 December 2012		
Trade and other payables	27,328	-
Provision for liabilities	2,927	
Amount due to shareholder	479	-
	30,741	-

NOTES TO THE CONSOLIDATED STATEMENTS

21) 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 decisions of the Group; or

(ii) it is subject to common control or common significant influence.

Related party information

a) Entities/individuals with common control or significant influence over the Group or under common control.

Related party	Relationship with the Group
China Ming Le Sportwear Holdings Limited	Majority share holder of Ming Le Sports AG
Mr. Ding Siliang	Chairman/Chief Executive Officer/Director (Mingle China, Mingle International & Ming Le Sports AG)

b) Key management/directors of the Group and subsidiaries

Related party	Relationship with the Group
Ms. Ding Meichu	Director
Mr. Ding Xiaohua	Director (with effect from 20 Sep 2011)
Mr. Chen Yongzhao	Director (with effect from 20 Sep 2011) Deputy General Manager of Purchasing
Mr. Yan Jiaming	Production Manager
Mr. Li Zhongshun	Research & Development Director
Mr. Tan Chun Kiat, Alan	Chief Financial Officer
Mr. Guo Shoutan	Sales and Marketing Director

The Group had the following related party transactions covered by the financial statements

a) Related party transactions

Cash Advance between Mr. Ding Siliang and Mingle HK
Guarantee relating to Social Insurance and Housing Fund Payments
Letter of Undertaking regarding Withholding Tax for Dividends

b) Details of significant and materials related party transactions and balances are as follows:

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Payment of professional fees on behalf of Mingle International	-	623
Payment of expenses on behalf of Ming Le Sports AG	1,192	67
Amount due from a shareholder	213	-
Amount due to a shareholder	-	483

Transactions and amounts due from/to related parties

In addition to the balances disclosed above, the Group had the following transactions with related parties at agreed terms:

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Directors' remuneration:		
- Salaries and related costs	95	143
- Retirement scheme contribution	2	3
Key management pesonnel (other than directors):		
- Salaries and related costs	118	184
- Retirement scheme contribution	1	1
	213	331

Short-term employee benefits & post-employment benefits

The short-term employee benefits & post-employment benefits for key management are disclosed under salaries and related costs as above.

Other long term benefits, termination benefits and share-based payments

There are no key management personnel which remuneration consists of other long term benefits, termination benefits or share-based payments.

NOTES TO THE CONSOLIDATED STATEMENTS

22) CONTINGENCIES

Social insurance back payments

According to the PRC laws and regulations, where a company has not made full contributions to social insurance for all its employees, the administrative department or labour security or the tax authority shall order for the company to pay up the premiums within a prescribed time limit and if the company still fails to make payment within the time limit, a surcharge for overdue payment equal to 0.2 per cent per day of the overdue premiums will be imposed from the date of the expiration of the prescribed time limit in addition to the unpaid social insurance premiums. The management of the Group is unable to quantify the estimated amount of surcharge payable as the Group has thus far not received any order from the authority to pay for the outstanding contributions. Without considering the penalty of 0.2 per cent per day, the Company estimates that such a claim for additional payments would not exceed EUR 2,620,000. The major shareholder has undertaken an agreement with the Company according to which he would reimburse the Company for any losses incurred for such additional social insurance and housing funds payments. The Company has commenced to make provision since 1 January 2011 onwards for the housing funds payment.

23) CAPITAL MANAGEMENT

The Group's objectives when managing capital refer primarily to equity as shown in the balance sheet and 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. Over the reporting period, the Group actually achieved a ratio of equity to total assets of 77% and 81% as at 31 December 2011 and 31 December 2012 respectively. 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.

24) 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.

25) SEGMENT INFORMATION

(i) Business segment

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

- Footwear
- Apparels, accessories and equipment

Both product segments are managed by the Group. In identifying the operating segments, the Chief Executive Officer generally follows the Group's product categories. The operating segments are not yet managed separately as the Group has grown significantly only since 2008 and the other resources used in the segments do not differ significantly.

All operating segments are monitored and strategic decisions are made on the basis of the segmental gross margins. Items of expense and income below the gross profit margin are not analysed by management on a segmental basis, as these are not considered relevant for the operational and strategic analysis of the business. Management considers the Group's total assets, comprising property, plant and equipment, intangible assets, inventory, trade and other receivables and cash and cash equivalents as reasonably allocable to the two operating segments on a reasonable basis determined by segment reflecting the actual situation.

Ming Le has a production facility for manufacturing of footwear but the manufacturing of apparels and accessories are outsourced to third party vendors. On an annual basis, Ming Le produces a collection of over 2,000 designs in the ratio of 60:40 for the footwear segment and apparels, accessories and equipment segment respectively.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The segment information provided in the management for the reportable segments for the financial year from 1 January 2011 to 31 December 2011 is as follows:

	Footwear	Apparels, Accessories and Equipment	Total
	EUR thousand	EUR thousand	EUR thousand
Revenue:			
Revenue from external customers	119,929	74,286	194,215
Results			
Financial income	104	64	168
Depreciation and amortisation	483	80	563
Income Tax	3,854	2,329	6,183
Segment profit	30,015	18,141	48,156
Assets:			
Additions to property, plant and equipment	116	-	116
Reportable segment assets	40,054	20,208	60,262
Liabilities:			
Reportable segment liabilities	12,196	6,153	18,349

Reconciliation of Reportable Segment Revenue, Profit and Loss, Assets and Liabilities

	EUR thousand
Profit or Loss:	
Total profit for reportable segments	48,156
Unallocated other income	-
Unallocated other expenses	-
Profit from operations before income tax expense	48,156

	EUR thousand
Assets:	
Total assets for reportable segments	60,262
Reconciling items	
Prepayment	2,334
Amount due from a shareholder	213
Cash and bank balances	56,606
Total assets	119,415

Liabilties:	
Total liabilities for reportable segments	18,349
Reconciling items	
Other payables and accruals	3,539
Provisions for liabilities	2,799
Income tax payable	2,217
Withholding tax payable	1,150
Total liabilities	28,054

NOTES TO THE CONSOLIDATED STATEMENTS

The segment information provided in the management for the reportable segments for the financial year from 1 January 2012 to 31 December 2012 is as follows:

	Footwear	Apparels, Accessories and Equipment	Total
	EUR thousand	EUR thousand	EUR thousand
Revenue:			
Revenue from external customers	170,155	115,975	286,130
Results			
Financial income	182	123	305
Depreciation and amortisation	530	93	623
Income Tax	(5,348)	(3,580)	(8,928)
Segment profit	42,002	28,112	70,114
Assets:			
Additions to property, plant and equipment	-	-	-
Reportable segment assets	60,847	35,956	96,803
Liabilities:			
Reportable segment liabilities	15,402	8,307	23,709

Reconciliation of Reportable Segment Revenue, Profit and Loss, Assets and Liabilities

	EUR thousand
Profit or Loss:	
Total profit for reportable segments	70,114
Unallocated other incom	-
Unallocated other expenses	(42)
Profit from operations before income tax expense	70,072

	EUR thousand
Assets:	
Total assets for reportable segments	96,803
Reconciling items	
Prepayment and other receivables	3,560
Deferred Tax asset	103
Cash and bank balances	89,100
Total assets	189,566

Liabilties:	
Total liabilities for reportable segments	23,709
Reconciling items	
Other payables and accruals	3,619
Provision for liabilities	2,927
Amount due to a shareholder	479
Income tax payable	2,515
Withholding tax payable	1,136
Total liabilities	34,385

NOTES TO THE CONSOLIDATED STATEMENTS

26) EMPLOYEE BENEFITS

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Management	216	331
Sales & Administration	286	586
Production	4,679	6,380
	5,181	7,297

The aggregate payroll costs of these employees were as follows:

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Directors'remuneration:		
- Salaries and related costs	95	143
- Retirement scheme contribution	2	3
Key management personnel (other than directors):		
- Salaries and related costs	118	184
- Retirement scheme contribution	1	1
Other than directors and key management personnel:		
- Salaries and related costs	4,459	6,144
- Retirement scheme contribution	506	822
	5,181	7,297
Average number of employees of the Group	1,283	1,312

Retirement Benefit Plans

The eligible employees of the Group who are citizens of the PRC are members of a state-managed retirement benefit scheme operated by the local government. The Group 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 Group 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 509 and KEUR 826 for the financial years ended 31 December 2011 and 2012 respectively.

27) REMUNERATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

I. Remuneration of Management Board Members

The Composition of the management board is as follows:

i) Mr. Siliang Ding, Chief Executive Officer of Mingle (China) , Fujian Province, PRC Chairman
ii) Mr. Shoutan Guo, Head of sales & marketing in Mingle (China), Fujian Province, PRC, Deputy Chairman
iii) Mr. Alan Chun Kiat Tan, Chief Financial Officer of Mingle Group, Singapore, Member

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

Remuneration dependent on profit

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

Remuneration not dependent on profit

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Mr. Siliang Ding	20	36
Mr. Shoutan Guo	17	27
Mr. Alan Chun Kiat Tan	85	135
	122	198

The table above depicts the annual remuneration which have been paid to the members of the management board.

Remuneration with long-term incentive

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

II. Supervisory Board (Aufsichtsrat)

The Composition of the supervisory board is as follows:

i) Mr. Klaus Rainer Kirchhoff, Businessman, Germany, Chairman (Appointed on 4 November 2011)
ii) Mr. Bryan Riviere, Businessman, Canada, Deputy Chairman (Appointed on 21 September 2011)
iii) Mr. Kong Seng Yong, Businessman, Australia, Member (Appointed on 21 September 2011)

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

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

Remuneration not dependent on profit

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Mr. Klaus Rainer Kirchhoff	9	55
Mr. Bryan Riverie	7	34
Mr. Kong Seng Yong	5	26
	21	115

The annual remuneration of the members of the Supervisory Board are indicated as above and has been pro-rated for the service term according to the appointment date in 2011.

Remuneration not dependent on profit
There are no members of the supervisory board for which remuneration is based on long term incentive.

28) AMOUNTS INVOICED BY THE AUDITOR FOR THE REPORTING PERIOD

The following fees for services rendered by the auditor of the Consolidated Financial Statements from Warth & Klein Grant Thornton AG Wirtschaftspruefungsgesellschaft in the financial year 2011 and 2012 respectively were recognised as expense:

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Audits of the financial statements	65	76
Other assurance	116	51
	181	127

29) AFFILIATED COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

The following companies besides Ming Le Sports AG are included in the Consolidated Financial Statements.

No.	Name	Group equity share in %	Year ended	Net equity in KEUR	Net profit in KEUR
1	Mingle (International) Limited	100%	31 December 2011	6,463	(810)
2	Mingle (China) Co. Ltd	100% via (1)	31 December 2011	92,710	43,229
3	Fujian Mingle Sportswear Co. Ltd	100% via (2)	31 December 2011	6,070	(1)

30) DECLARATION OF CONFORMITY ON CORPORATE MANAGEMENT PURSUANT TO SEC. 289a HGB

The declaration on corporate management pursuant to sec. 289a of the German Commercial Code (HGB) comprises the declaration of conformity pursuant to sec. 161 of the German Stock Corporation Act (AktG), relevant information on corporate management practices, and descriptions of how the Management Board and Supervisory Board work, and of the composition and method of working of their committees.

This is contained in the corporate governance report included in the annual report for 2012.

31) CASH FLOW STATEMENT

The Ming Le Group's cash flow statement shows the changes that occurred in cash and cash equivalents during the year under review on the basis of cash transactions.

Pursuant to IAS 7, cash flow are reported separately according to source and application in operating activities, investing activities and financing activities. Cash flows from operating activities are derived using the "indirect method".

Changes in the statement of financial position items presented in the cash flow statement cannot be derived directly from the statement of financial position due to adjustment for currency effects.

32) SUBSEQUENT EVENTS

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.

33) APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the years ended 31 December 2012 (including comparatives) were approved and authorised for issuance by the Company's Supervisory Board on 3 May 2013.

Frankfurt am Main. 3 May 2013
Der Vorstand:

(Signatures)

Siliang Ding	Shoutan Guo	Alan Chun Kiat Tan

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by Mingle Sports AG 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 which is combined with the management report of Mingle Sports AG for the financial year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and the combined management report in accordance with IFRS, as adopted by the EU, and with the additional requirements of the German commercial law pursuant to section 315a paragraph 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 combined 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 Wirtschaftspriifer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the 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 combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of 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 combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Ming Le Sports AG for the financial year from 1 January to 31 December 2012 comply with IFRS, as adopted by the EU, and the additional requirements ofthe German commercial law pursuant to § 315a Abs. 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 combined management report of Ming Le Sports AG and the group is consistent with the consolidatedfinancial statements and as a whole provides a suitable view of the Group's position and suitable presents the opportunities and risks of future development.

Frankfurt am Main. 3 May 2013

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Dirk Baner Wirtschaftsprüfer (German certified auditor)	Robert Binder Wirtschaftsprüfer (German certified auditor)

RESPONSIBILITY STATEMENT

We hereby declare that, to the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements as of 31 December 2012, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Ming Le Sports AG Group and the Ming Le Sports AG that the group management report for the Ming Le Sports AG Group and the Ming Le Sports AG includes a fair review of the development and performance of the business from 1 January to 31 December 2012 and the position of the Ming Le Sports AG Group and the Ming Le Sports AG, together with a description of the principal opportunities and risks associated with the expected development of the Ming Le Sports AG Group and the Ming Le Sports AG.

Frankfurt am Main. 3 May 2013
The Management Board:

(Signatures)

Siliang Ding	Shoutan Guo	Alan Chun Kiat Tan

CORPORATE GOVERNANCE

Ming Le Sports AG values good corporate governance highly. The Management and Supervisory Boards view it as their duty to secure the company's continued existence and sustainably increase its value by means of corporate governance and management conducted responsibly and with the company's long-term interest in mind.

The following will constitute the report of the Management Board on corporate governance at Ming Le Sports AG pursuant to section 3.10 of the German Corporate Governance Code. This chapter also contains the declaration on corporate governance pursuant to Section 289a of the German Commercial Code (HGB) and the remuneration report.

DECLARATION ON CORPORATE GOVERNANCE

DECLARATION ON CORPORATE GOVERNANCE

COOPERATION BETWEEN THE MANAGEMENT AND SUPERVISORY BOARDS

Ming Le Sports AG has a dual structure of management and supervision, consisting of the Management Board and the Supervisory Board. The company's third decision-making body is its Annual General Meeting. The Management and Supervisory Boards work together in the interests of the company and communicate regularly, closely and openly with each other.

MANAGEMENT BOARD OF THE COMPANY BY THE MANAGEMENT BOARD

The Ming Le Sports AG Management Board, which currently consists of three members, holds responsibility for managing the company. Its tasks include drawing up the company's objectives and determining its strategic orientation, managing and monitoring its operating units, and setting up and monitoring an efficient risk management system. It manages the Company's operations in accordance with the law, the Company's Articles of Association, and the rules of procedure of the Management Board.

The members of the Management Board share responsibility for managing the company's operations. Each member of the Management Board heads the areas of the Company assigned to them on their own authority, without prejudice to the joint responsibility of all Management Board members. A schedule of responsibilities details the actual content and structure of the areas headed by each member of the Management Board.

The rules of procedure for the Management Board specify details of the duties incumbent upon it to furnish information and make reports. Business decisions of fundamental importance to the Company are subject to the consent of the Supervisory Board. Such matters include decisions or courses of action which would have a fundamental effect on the Company's net assets, financial position and results of operations.

The Management Board in its entirety takes decisions in all matters of fundamental importance and in cases where legal or other stipulations require it to do so. The rules of procedure for the Management Board specify a list of decisions and actions which require discussion by the Management Board in its entirety.

Management Board meetings take place regularly, at least once a month, and are convened by the Chairman of the Management Board. In addition to this, any member of the Management Board can demand a meeting be convened. The Management Board makes regular, prompt and comprehensive reports to the Supervisory Board on all relevant matters relating to corporate planning, the company's strategic development, the course of business and the company's situation. Further, the Management Board reports regularly to the Supervisory Board on the company's risk situation, risk management and compliance matters. Where serious differences of opinion occur on Company management matters of substantial significance, any member of the Management Board has the right to call upon the Supervisory Board to mediate.

The current members of the Ming Le Sports AG Management Board are:

- Siliang Ding, Chief Executive Officer
- Shoutan Guo, Chief Sales & Marketing Officer
- Alan Tan Chun Kiat, Chief Financial Officer

MONITORING COMPANY MANAGEMENT BY THE SUPERVISORY BOARD

The Supervisory Board appoints and dismisses the members of the Management Board, monitors and advises the Management Board. The Management Board is required to seek the Supervisory Board's consent to decisions of fundamental importance. The rules of procedure for the Management Board contain a catalogue of decisions and actions requiring such consent. The Supervisory Board agrees upon the Company's strategic direction with the Management Board; the two bodies regularly discuss the status of implementation of the Company's business strategy. The Chairman of the Supervisory Board coordinates the Board's work and chairs its meetings. The Supervisory Board remains constantly up to date on the Company's business policies, corporate planning and strategy by means of regular communication with the Management Board. The Supervisory Board approves the annual and consolidated financial statements and the management report and consolidated management report of Ming Le Sports AG on the basis of its own examination of these documents, taking the auditors' reports into account. The Supervisory Board provides shareholders with information on its work in its report.

Pursuant to Section 10, paragraph 1 of the Articles of Association, the Supervisory Board consists of three members, for which reason it has not formed any committees. The term of office of the members of the Supervisory Board elected by the Annual General Meeting ends at the end of the Annual General Meeting to be held in 2016, which will be asked to approve the actions of the Management Board and Supervisory Boards for the 2012 financial year.

Every member of the Supervisory Board immediately discloses any conflicts of interest which may arise from his or her membership of the Supervisory Board to the other members of the Supervisory Board. The Supervisory Board informs shareholders in its report of any conflicts of interest that have arisen and how these have been handled.

The current members of the Ming Le Sports AG Supervisory Board are:

- Mr Klaus Rainer Kirchhoff, Chairman of the Supervisory Board
- Mr Bryan Riviere, Deputy Chairman of the Supervisory Board
- Mr Kong Yong Seng, Member of the Supervisory Board

STATEMENT OF COMPLIANCE

STATEMENT OF COMPLIANCE

Good corporate governance is of great significance for Ming Le Sports AG (the "Company"). The following pages contain the Company's statement on corporate governance in accordance with sec. 289a of the German Commercial Code ("HGB") which is a part of the management report as well as the Corporate Governance Report in accordance with sec 3.10 of the German Corporate Governance Report in accordance with sec. 3.10 of the German Corporate Governance Code ("Code") (*www.corporate-governance-code.de*) as amended on 15 May 2010.

The Code contains recommendations and suggestions for managing and supervising listed stock corporations in Germany, with reference to shareholders and the Annual General Meeting, the Management Board, the Supervisory Board, and to transparency, accounting policies and auditing. There is no obligation to comply with the recommendations and suggestions of the Code. The German Stock Code Corporation Act ("AktG) merely obliges the Management Board and the Supervisory Board of a listed stock corporation to make an annual declaration that the recommendations of the "German Corporate Governance Code Government Commission" as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette have been and are being met or, if not, which recommendations have not been or are not being applied. Shareholders must be given permanent access to such declaration ("Declaration of Conformity"). The Declaration of Conformity has to be made continuously available on the website of the company.

I. DECLARATION OF CONFORMITY

The management Board and the Supervisory board of the Company issued a Declaration of Conformity in accordance with sec. 161 AktG on 29 April 2013. The Company acted in conformity with the recommendations of the Code as follows:

The Company has complied and will comply with the recommendations of the Code in the version as of 15 May, except for the following deviations:

1. D&O INSURANCE DEDUCTIBLE FOR THE SUPERVISORY BOARD

D&O insurance deductible for the Supervisory Board (Clause 3.8, Paragraph 3). As in previous years, the Directors' & Officers' liability insurance (D & O insurance) does not contain a provision for a deductible for the members of the Supervisory Board, which is appropriate in the view of Ming Le Sports AG. However, this does not correspond to the legally required deductible for members of the Board of Management in the amount of at least 10% of the damage up to at least one and a half of the fixed annual remuneration. Since the remuneration structure of the Supervisory Board is limited to fixed remuneration without performance bonus components, setting a deductible for Supervisory Boardmembers in the amount of 1.5 times the fixed annual remuneration would have a disproportionate economic impact.

2. EMPLOYMENT AND COMPOSITION OF THE MEMBERS OF THE MANAGEMENT BOARD

Sec 4.1.5. contains recommendation that the Management Board shall take diversity into consideration when employing senior management and, in particular, aim for an appropriate consideration of women. Sec 5.1.2. contains recommendation that the composition of the Management Board shall take into consideration the diversityand aim at a suitable recognition of women.

3. COMPENSATION STRUCTURE OF THE MEMBERS OF THE MANAGEMENT BOARD

Sec. 4.2.3 contains recommendations as set forth in sec. 4.2.3 of the Code, because the current members of the Management Board only receive fixed salaries without variable components. Only the Company's CFO, Mr Alan Tan Chun Kiat, was entitled to a bonus payment after the Company's listing on the Frankfurt Stock Exchange. The compensation of the members of the Management Board is exclusively provided by the employment agreements with the Company's subsidiaries in China and Hong Kong. This complies with the current Chinese and Hong Kong Standards which usually only contain fixed and no variable remuneration components.

4. AGE LIMIT FOR THE BOARD MEMBERS

Sec. 5.1.2 para. 2 and 5..4.1 para.2 of the Code recommend an age limit for members of the Management Board the Supervisory Board.

Compared with other companies operating in the same product-and market areas, all the members of the Management and Supervisory Board are relatively young. Qualified persons with comprehensive experience shall be eligible for the Management Board or the Supervisory Board irrespective of their age.

5. COMMITTEES WITHIN THE SUPERVISORY BOARD

Sec. 5.3 and 5.2 para 2 of the Code recommend the constitution of Supervisory Board committees.

Since the Company's supervisory Board is composed of only three members, the constitution of supervisory board committees making decisions on behalf of the Supervisory Board is legally impossible (sec. 108 para. 2. S.3 AktG). The Company, therefore, deviates from the recommendations as set forth in sec. 5.3. and 5.2 para. 2 of the Code as the constitution of committees that only prepare decisions of the Supervisory Board seems not appropriate.

6. CONCRETE OBJECTIVES OF THE SUPERVISORY BOARD AND THE IMPLEMENTATION

Sec. 5.4.1 para. 2 of the Code recommend that the Supervisory Board should specify concrete objectives regarding its composition which in particular stipulate an appropriate degree of female representation.

Diversity in terms of professional education, local market know-how, international business experience, stock- and capital-markets experience, an age limit, gender and nationality was taken into consideration in forming the Supervisory Board on the occasion of establishing Ming Le Sports AG and its IPO in 2012. Such and further criteria concerning the composition of the Supervisory Board considers more appropriate than quotas for special groups.

7. FINANCIAL REPORTS

Section 7.1.2 of the Code recommends that the annual consolidated financial statements should be publicly accessible within 90 days of the end of the financial year; interim reports should be publicly accessible within 45 days of the end of the respective reporting period.

By now, the Company does not comply with these time limits. The reason is that due to its international holding structure and some linguistic challenges which have to be faced during the preparation of the financial reports, the Company has put and will put more emphasis on accurate financial statements rather than to exactly meet the recommended time limits.

II. SHAREHOLDERS AND ANNUAL GENERAL MEETING

The shareholders exercise their rights and voting rights at the Annual General Meeting. Each share grants one vote at the Annual General Meeting. The shareholders are entitled to exercise their voting rights at the Annual General Meeting in person or by proxy, for which they can authorise a representative of their choice or the proxy nominated by the Company acting on their instructions.

III. MANAGEMENT BOARD

The Management Board members are responsible for managing the Company and all of its indirect and direct subsidiaries applying the care of a diligent and faithful businessman in accordance with law, the articles of association, the Code, the rules of procedure for the Management Board, the schedule of responsibilities and their service contracts. The Management Board's actions and decisions are driven by the Company's interests and the aim to sustainably increase the Company's value.

The Management Board of the Company currently consists of three members:

- Mr Siliang Ding (Chairman of the Management Board and Chief Executive Officer),
- Mr Shoutan Guo (Chief Sales and Marketing Officer)
- Mr Alan Tan Chun Kiat (Chief Financial Officer).

STATEMENT OF COMPLIANCE

Management Board meetings take place at regular intervals, at least once a month. Meetings will be convened without delay if so required for the interest of the Company.

Resolutions of the Management Board will be passes in meetings, including telephone and video conference. The Chairman of the Management Board may arrange for resolutions to be passes outside Management Board meetings in writing, by fax or e-mail.

The Company has entered into a D&O insurance for the members of the Management Board which complies with the statutory requirements of sec. 93 para. 2 s.3 AktG.

The rules of procedures for the Management Board of the Company were resolved by the Supervisory Board on 29 March 2012.

IV. SUPERVISORY BOARD

The Supervisory Board advises regularly and supervises the Management Board. It also appoints and dismisses the members of the Management Board. Fundamental decisions on the Company's development require Supervisory Board's approval. The members of the Supervisory Board act in the best interest of the Company and its shareholders.

The Supervisory Board of the Company currently consists of three members: Mr Klaus Rainer Kirchhoff (Chairman of the Supervisory Board), Mr Bryan Riverie (Deputy Chairman of the Supervisory Board) and Mr Kong Yong Seng.

In addition to the ordinary meetings of the Supervisory Board, extraordinary meetings may be arranged by the Chairman of the Supervisory Board at any time at the request of a Supervisory Board member or the Management Board. The Management Board shall attend the meetings of the Supervisory Board, unless otherwise determined by the Supervisory Board. The Supervisory Board held three meetings in the financial year 2012.

As it is the case for the Management Board, the Company has entered into a D&O insurance for the members of the Supervisory Board. The insurance conditions contain a similar deductible like the insurances of the Management Board members.

The rules of Procedure for the Supervisory Board of the Company were resolved by the Supervisory Board on 29 March 2012.

Due to its limited size, the Supervisory Board has not established any committees.

Each member of the Supervisory Board discloses any conflicts of interest or potential conflicts of interest without delay to the Supervisory Board. This in particular applies to conflicts of interest or potential conflicts of interest which could result from an advisory function, position on a body or other activity at customers, suppliers, creditors, competitors or other business partner. The Supervisory Board informs on any conflicts of interest which have occurred together with their treatment in its report to the Annual General Meeting.

V. COOPERATION BETWEEN MANAGEMENT BOARD AND SUPERVISORY BOARD

The Management Board and the Supervisory Board of the Company cooperate closely to the benefit of the enterprise.

The Management Board informs the Supervisory Board regularly, without delay and comprehensively, of all issues important to the enterprise with regard to planning. Business development, risk situation, risk management, compliance, and any events that may have a material effect on the business, financial condition and result of the operations of the Company and its subsidiaries (together "Ming Le Group"). The Management Board points out deviations of the actual business development from previously formulated plans and targets, indicating the reasons therefore.

The Chairman of the Management Board maintains regular contact with the Chairman of the Supervisory Board and consults with him on Strategy, business development and risk management of the Company and Ming Le Group.

VI. CORPORATE GOVERNANCE PRACTICES

The Company puts great emphasis on fully complying with both German and Chinese statutory legal provisions and conventions. The Company and its subsidiaries have developed internal rules as well as a code of conduct for the employees of Ming Le Group. According to the internal rules of compliance, each employee of Ming Le Group is obliged to comply with all statutory provisions and the rules set forth in the internal guidelines.

The Management Board keeps the Supervisory Board regularly informed about existing risk and their development.

VII. SHAREHOLDING OF BOARD MEMBERS AND DIRECTORS" DEALING

As of 31 December 2012, the members of the Company's Management Board and Supervisory Board had the following direct or indirect shareholdings in the Company.

Name	Function	Direct or indirect Shareholding	Number of shares	Percentage of shares in %
Siliang Ding	CEO	Indirect shareholding	10,575,000	68.47%
Shoutan Guo	CS&MO	0	0	0
Alan Tan Chun Kiat	CFO	0	0	0
Klaus Rainer Kirchhoff	Chairman of the Supervisory Board	0	0	0
Bryan Riviere	Deputy Chairman of the Supervisory Board	0	0	0
Kong Seng Yong	Member of Supervisory Board	0	0	0

Sec. 15a of the German Securities Trading Act ("WpHG") stipulates that members of the Management Board and Supervisory Board and/or persons close to them are obliged to notify the Company and the German Federal Financial Supervisory Authority ("BaFin") of any purchase or sale of the Company's shares or of financial instruments based on them if the value of the transactions reaches or exceeds EUR 5,000.00 within a calendar year.

VIII. REMUNERATION REPORT

The remuneration report outlines the basic components of Ming Le Sports AG system in accordance with Section 289 (2) no. 5 HGB and 315 (2) no. 4 HGB (German Commercial Code) and states the individual remuneration paid to the members of Management Board and Supervisory Board out of the total remuneration reported in accordance with Section 314 (1) no. 6 HGB. The presentation is based on the recommendations and suggestions of the German Corporate Governance Code, complies with the Act on the Disclosure of Executive Board Remuneration (Gesetz uber die Offenlegung der Vostandsvergutung-VorstOG) and considers the Act on the Appropriateness of Executive Board Remuneration (Gesetz zurAngemessenheit der Vorstandsvergutung-VorstAG). This report is an integral part of the management report.

Remuneration of Management Board Members

The Composition of the management board is as follows:

i) Mr. Siliang Ding, Chief Executive Officer of Mingle (China) , Fujian Province, PRC Chairman
ii) Mr. Shoutan Guo, Head of sales & marketing in Mingle (China), Fujian Province, PRC, Deputy Chairman
iii) Mr. Alan Chun Kiat Tan, Chief Financial Officer of Mingle Group, Singapore, Member

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

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

Remuneration not dependent on profit

	Year ended 31 December	
	2011 EUR thousand	2012 EUR thousand
Mr. Siliang Ding	20	36
Mr. Shoutan Guo	17	27
Mr. Alan Chun Kiat Tan	85	135
	122	198

The table above depicts the annual remuneration which have been paid to the members of the management board.

Remuneration with long-term incentive
There are no members of the management board for which remuneraion is based on long term incentive.

Remuneration of Supervisory Board Members

The Composition of the supervisory board is as follows:

i) Mr. Klaus Rainer Kirchhoff, Businessman, Germany, Chairman (Appointed on 4 November 2011)
ii) Mr. Bryan Riviere, Businessman, Canada, Deputy Chairman (Appointed on 21 September 2011)
iii) Mr. Kong Seng Yong, Businessman, Australia, Member (Appointed on 21 September 2011)

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

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

Remuneration not dependent on profit

	Year ended 31 December	
	2011	2012
	EUR thousand	EUR thousand
Mr. Klaus Rainer Kirchhoff	9	55
Mr. Bryan Riviere	7	34
Mr. Kong Seng Yong	5	26
	21	115

The annual remuneration of the members of the Supervisory Board are indicated as above and has been pro-rated for the service term according to the appointment date in 2011.

Remuneration not dependent on profit
There are no members of the supervisory board for which remuneration is based on long term incentive.

STATEMENT OF COMPLIANCE

IX. ACCOUNTING AND AUDITING

The accounting of the Ming Le Group is carried out in accordance with the International Reporting Standards (IFRS) as to be applied in the European Union and the additional requirements pursuant to Section 315a para. 1HGB. The annual individual financial statements of Ming Le AG are prepared in accordance with the provisions of the Company's articles of association. The interim financial reporting (semi-annual and quarterly reports) in accordance those IFRS rules applicable to interim financial reporting as adopted by the EU is prepared in accordance with sec. 37w, 37x para. 3 and 37y of the WpHG and sec. 51 of the Exchange rules of the Frankfurt Stock Exchange.

The annual individual and consolidated financial statements are prepared by the Management Board, examined by the Supervisory Board, audited by an independent auditor and approved by the Annual General Meeting. For the financial year 2012, Warth & Klein Grant Thornton AG, Frankfurt am Main, Germany ("the Auditor"), has been re-appointed as auditor at the general meeting on 5 July 2012. Thereafter, the Auditor has been engaged by the Chairman of the Supervisory Board on behalf of the Company.

The Supervisory Board has agreed with the Auditor that the Chairman of the Supervisory Board will be informed immediately of any grounds for disqualification or partiality occurring during the audit, unless such grounds are eliminated immediately and the Auditor would report immediately on any findings or occurrences during the audit which have a special importance for the duties of the Supervisory Board It was also agreed that the Auditor will inform the Supervisory Board or note in the Auditor's report if, during the performance of the audit, the Auditor comes across facts which show a misstatement by the Management Board and Supervisory Board on the Code.

X. TRANSPARENCY

The Company's aim is to inform all the shareholders, shareholder representatives and that interested general public promptly and with equality of access. The annual reports, interim reports and all of the press releases and ad-hoc disclosures are available in both German and English language on the Company's website: www.mingle-sportswear.com. The Company informs investors and analysts about the current and future development of its business in investors' conferences.

Frankfurt/Main, 3 May 2013

Management Board Supervisory Board

FUNDAMENTAL CORPORTE PRACTICES

COMPLIANCE AS A CENTRAL MANAGEMENT TASK OF THE MANAGEMENT BOARD

Compliance with legal stipulations is an essential prerequisite to good corporate governance. Above and beyond this, internal company guidelines increase transparency, efficiency and compliance with regulations in all processes affecting operations. Company management defines benchmarks in each case and makes fundamental decisions on these matters.

FURTHER INFORMATION ON CORPORATE GOVERNANCE AT MING LE SPORTS AG IMPLEMENTATION OF THE GERMAN CORPORATE GOVERNANCE CODE

In the year under review, the Management and Supervisory Boards of Ming Le Sports AG have focused closely on meeting the stipulations set out in the German Corporate Governance Code (GCGC). Following thorough discussions, the Management and Supervisory Boards issued the statement of compliance pursuant to Section 161, paragraph 1 of the German Stock Corporation Act (AtkG) on 29 April 2013, which is reproduced in full in this chapter.

REPORT OF THE SUPERVISORY BOARD ON THE FINANCIAL YEAR 2012

Dear shareholders,

The Supervisory Board of Mingle Sports AG fulfilled its duties with due care as prescribed by law, the articles of incorporation, rules of procedure (Geschäftsordnung) and the German Corporate Governance Code in the financial year 2012.

The Management Board reported to the Supervisory Board, both verbally and in writing, regarding the development of business and the situation of the company including the company's financial situation and monthly sales figures.

All events of importance to the Company were discussed in detail by the full Supervisory Board on the basis of reports and presentations by the Management Board. The Supervisory Board resolved upon matters put to its vote after careful examination and discussion. The Supervisory Board was also in contact with the Management Board outside the regularly scheduled Supervisory Board meetings. In particular, the Chairman of the Supervisory Board discussed important topics in separate meetings with the Management Board and Chairman of the Management Board.

Members of the Supervisory Board

The members of Mingle Sports AG's Supervisory Board are Klaus Rainer Kirchhoff (Chairman), Bryan Riviere (Deputy Chairman) and Henry Yong.

No changes occurred in the Supervisory Board or Management Board of the Company in 2012.

CORPORATE GOVERNANCE

Important Matters in 2012

The Supervisory Board discussed the business situation and the operational and strategic development of the Company and its areas of business in nine meetings, both face to face and by way of telephone conferences, in 2012. In addition, some resolutions were taken by way of written votes.

All Supervisory Board members participated in all of the Supervisory Board meetings in 2012.

On 22 February 2012 in a telephone conference the Supervisory Board discussed and the ongoing process of IPO preparation and the preparation of the Annual Report.

In its meeting of 29 March 2012 in Jingjang, the Supervisory Board discussed Mingle's business and financial performance in the previous year. The Board discussed and agreed on the Rules of procedure for the Supervisory Board and the Management Board. Further on the board discussed the business plan of the company for the next five years which covered distributor's development plan, retail stores development plan, advertisement and marketing plan, design department development plan and manufacturing plan. The Supervisory Board recommended the Management Board to improve the R&D and the internet shopping business.

In its meeting on 30 May 2012 by call, the Supervisory Board and Management Board discussed Mingle's business and financial performance until April 2012, in particular development of revenues, margins, new product lines, and financing of the Group. The Executive Service Agreements for the Management Board were discussed and will be signed during a Supervisory Board Meeting at 29 June 2012. Another topic of discussion were compliance and a Code of Conduct, that the Management Board will develop.

In a written resolution the Supervisory Board approved the Initial Public Offering of the Company's shares on the regulated official market of the Frankfurt Stock Exchange in the sub-segment with additional post-admission requirements (Prime Standard) with a public offering in Germany and Poland as well as a private placement in various countries outside of Canada, People's Republic of China and outside the United States of America.

In its meeting in Frankfurt on 2 June 2012, the Supervisory Board and Management Board discussed and approved the financial statements for the short financial year 2011 of Ming Le Sports AG as at December 2011, of the annual consolidated statements of Ming Le Group as at 31 December 2011, 2010 and 2009 as well as of the management and the consolidated management and of the dependency report of Ming Le Group for 2011. The Supervisory Board approved and signed the service contracts of the Management Board.

On 28 June 2012 the Supervisory Board approved by way of telephone conference the resolution of the Management Board to increase the registered capital of the company.

In its telephone call on 23 August 2012, the Supervisory Board and Management Board discussed Mingle's business and financial performance during the first half year 2012, in particular development of revenues, margins, financing of the Group and investments.

On 14 November 2012 the Supervisory Board meeting in Frankfurt the CFO gave an update about the Q3 results and an outlook for 2013. The Supervisory Board discussed with the Management Corporate Governance, Risk-Management and Compliance issues. The Management Board informed the Supervisory Board about the development of the compliance and risk management system. The Supervisory Board discussed together with the Management Board investor relations issues to increase the awareness of Mingle in the capital market.

On 10 December 2012 the Supervisory Board approved by way of telephone call the budget for the financial year 2013, the financial calendar 2013 and the improvement of designative sponsoring. The risk management and compliance system and the development of a code of conduct were also topics of discussion.

REPORT OF THE SUPERVISORY BOARD ON THE FINANCIAL YEAR 2012

Committees

The Supervisory Board has not established any committees.

Conflicts of Interest

In 2012 a company in which the Chairman of the Supervisory Board Mr. Kirchhoff is Chairman and major shareholder acted as Investor Relations Advisor pre IPO, during the IPO and after the IPO.

Corporate Governance

The Management Board, on its own behalf and on that of the Supervisory Board, has made a report on corporate governance in accordance with Sentence 3.10 of the German Corporate Governance Code as part of the declaration on corporate governance pursuant to Section 289 a of the German Commercial Code (HGB). The declaration on corporate governance has been made available to the public on the Ming Le website. The Supervisory Board regularly examined the application and ongoing development of the Company's corporate governance principles. On 29 April 2013, the Management and Supervisory Boards made a statement of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to the company's shareholders on the company website.

Adoption of the Annual Financial Statements

The auditor and Group auditor, Warth & Klein Grant Thornton AG, Frankfurt am Main, Germany, audited the annual financial statements and consolidated financial statements of Ming Le Sports AG, as well as its dependency report, and issued an unqualified audit opinion. The auditor provided written and oral reports to the Supervisory Board on the results of the audit.

The documents mentioned above were provided to all members of the Supervisory Board in sufficient time for each member to examine them. In the meeting of the Supervisory Board held on 29 April 2013, convened to deal with all matters relating to the Company's balance sheet, the Supervisory Board discussed these documents with the auditor, who was called in and involved in the discussion.

The Supervisory Board had no reservations and approved the result of the audit. The Supervisory Board reviewed, approved and adopted the annual and consolidated financial statements of the company.

The Supervisory Board would like to extend its thanks to the Management Board and all employees of the company for their work over the past financial year, which has made a significant contribution to a highly successful year for Ming le Sports AG.

Mr Klaus Rainer Kirchhoff
Chairman of the Supervisory Board
Hamburg, 3 May 2013

EXECUTIVE AND SUPERVISORY FUNCTIONS

Klaus Rainer Kirchhoff

Chairman of the Supervisory Board

Mr Klaus Rainer Kirchhoff, a German national, is Chairman of the Supervisory Board of Ming Le Sports AG. Currently, Mr. Kirchhoff serves as Chief Executive Officer for the German company Kirchhoff Consult AG which he founded in 1994, one of the leading investor relations as well as IPO consulting firms in Germany. He is also managing partner of Mediterranean Star Capital GmbH, a real estate investment consultant and placement agent. Mr Kirchhoff is Honorary Consul of Romania for Hamburg, Bremen, Niedersachsen, Schleswig-Holstein and Mecklenburg-Vorpommern. He has an ample business network and is member of the National Investor Relations Institute of the USA, the DVFA (the Soceity of Investment Professionals in Germany) and Atlantik-Brucke, a non-profit organization aiming at developing a bridge between Germany and the USA. Mr Kirchhoff has more than 25 years in experience as investor relations consultant and thus worked on more than 58 IPOs. He is author of several known publications relating to financial communications. Mr Kirchhoff graduated in 1983 with the first and in 1987 with the second state exam in law and is thus a fully qualified lawyer.

Mr Kirchhoff's current memberships of management and supervisory bodies are as follows:

- Kirchoff Consult AG, Germany/Chief Executive Officer
- Kirchhoff International Business GmbH, Hamburg, Germany/Managing Director
- Going Public Media AG, Hamburg, Germany/Member of the Supervisory Board
- Kirchhoff Danismanlik Ltd, Istanbul, Turkey/Director

Bryan Riviere

Deputy Chairman of the Supervisory Board

Mr Riviere currently serves as the vice president of Sourcing & Supplier Management of Levis Strauss & Co. Previously, Mr Riviere was the head of Global Sourcing & Manufacturing of Lululemon Athletic Inc. since 2006. From April 2000 to October 2006, Mr Riviere held various positions at Nike Inc., including apparel sourcing manager of Canada and the director of sourcing for the Americas. Mr Riviere received his education in Business Administration from Ryerson University and in Fashion Merchandising Management from Centennial College in Toronto, Canada. Mr Riviere currently holds no memberships in management or supervisory bodies of other companies.

Kong Yong Seng

Member of the Supervisory Board

Kong Seng Yong, an Australian national, is member of the Supervisory Board of Ming Le Sports AG. He has significant work experience in accounting and finance matters being both a Certified Practicing Accountant (Australia) as well as a Certified Financial Planner (Singapore). Mr Yong's work experience ranges from various positions at banks and consulting companies. He was worked at financial controller and consultant at Avery Dennison, Barclays Bank Plc, Ernst & Young LLP, Morgan Stanley Quilter, United Overseas Banking Group, Millea Asia, NTUC Income Insurance Cooperatives Limited and KPMG. Mr. Yong graduated from the Royal Melbourne Institute of Technology University, Melbourne with a Bachelor of Business (Accountancy) in 1998.

Mr Yong's current membership of management and supervisory bodies are as follows:

- Patek Capital (Holdings) Pte Ltd, director

FINANCIAL CALENDAR

3 May 2013	**Annual Report 2012**
30 May 2013	**Q1 2013 Interim Report**
June 2013	**Annual General Meeting**
27 August 2013	**Half-year Report 2013**
11-13 November 2013	**German Equity Forum 2013, Frankfurt am Main**
27 November 2013	**9M/Q3 2013 interim Report**

CONTACT

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