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# Financial Report 2014

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The newly built down processing factory in Puyang, Henan Province, PRC



The new down sorting machines have an annual capacity of 3,300 tons.



The cantilever production hall is 100 meters long and 90 meters wide.



Since Q1/2015 the new sewing plant is in operation. It currently enables Snowbird to produce up to 2.5 million additional pieces per year.



The new building for the administration departments as well as sales and research & development has been completed in Q1/2015.



View to the production area in May 2014. Sewing plant and headquarter are still under construction.



Successful IPO in Frankfurt on 29 September 2014



## TABLE OF CONTENTS

	<b>Page</b>
<b>Letter to the Shareholders</b>	<b>2</b>
<b>The Management</b>	<b>3</b>
<b>Stock Price Performance</b>	<b>7</b>
<b>Report of the Supervisory Board</b>	<b>8</b>
<b>Corporate Governance Report</b>	<b>12</b>
<b>Combined Management Report of Snowbird Group and Snowbird AG</b>	<b>17</b>
<b>Consolidated Financial Statements including</b>	
<b>Notes and Auditor's Opinion</b>	<b>65</b>



## Letter to the shareholders

Dear shareholders,

I am very pleased to present the first annual report since the listing of Snowbird shares on the Frankfurt Stock Exchange on 29 September 2014.

In fiscal year 2014 we managed to reach two important milestones on our way to become one of the leading down processors worldwide: we set up the new production facility in Puyang, PR China, at full capacity level and also completed the buildings nearby that now host the new modern sewing facility and the administration departments as well as Research & Development.

The sales revenue for the fiscal year that ended 31 December 2014 amounted to EUR 191.5 million, an increase of 39.9% as compared to the corresponding period. All product categories, except OEM production, have recorded strong double-digit growth rate as a result of increased marketing efforts and strong demand from our customers.

Gross profit increased by 42.8% to EUR 75.6 million. Also the gross profit margin saw a slight increase to 39.5% from 38.7% as compared to the previous period ended 31 December 2013. Profit after tax is EUR 39.7 million and has also seen a strong growth of 40.7% for the 12 months ended 31 December 2014 as compared to the corresponding period.

Snowbird Group will continue its effort to expand its market, both domestically and international. Together with the employees the management will continue to emphasize on innovation, value added product development and continuous improvement in production efficiency. Barring unforeseen circumstances, the management expects that Group performance will continue to remain satisfactory.

I would like to express my appreciation towards the support and contribution from our shareholders, employees and all other stakeholders.

Yours sincerely,

YAN Changzai  
Chief Executive Officer (CEO)  
Snowbird AG

## THE MANAGEMENT

### MANAGEMENT BOARD

The Management Board (*Vorstand*) of the Company currently consists of three members. The members of the Management Board, their terms of appointment and their current areas of responsibility are as follows:

Name	Age	Initially appointed on	Term expires on	Responsibility
Mr. YAN Changzai	60	29 June 2012	28 June 2017	Chairman of the Management Board and Chief Executive Officer (CEO)
Mr. QIU Duoxiang	60	16 August 2014	15 August 2019	Chief Operations Officer (COO)
Mr. LAM Kok Weng	45	16 August 2014	15 August 2019	Chief Financial Officer (CFO)

#### Mr. YAN Changzai

Mr. YAN Changzai is the chairman of the Management Board (*Vorstandsvorsitzender*) of the Company. He is the chief executive officer (“**CEO**”) and in charge of the overall management, setting strategy and directions to Snowbird and provides leadership to the whole management team.

Mr. YAN Changzai possesses 20 years of experience in down and the down products industry. Prior to setting his own down business, he worked in various positions for a few transportation and logistic companies in Taiqian County, Puyang City, Henan Province, PRC. In 1996, he set up his own down business and incorporated Snowbird Henan in 2001.

In 2013, Mr. YAN Changzai has successfully obtained the certificate of qualification from the International Profession Certification Association in the US ([www.ipaus.org](http://www.ipaus.org)) and being awarded the accreditation grade “Senior”.





### **Mr. QIU Duoxiang**

Mr. QIU Duoxiang is the chief operations officer (“**COO**”). He is responsible for the management of Down Products covering research and development, purchases of raw materials, production and sales.

Mr. QIU Duoxiang has more than 30 years of experience in the down industry. He graduated from law faculty of Anhui University in Anhui Province, PRC. From 1976 to 1996, he worked in Anhui Animal Products Import Export Company as deputy assistant manager responsible for the sales of down and feather products. Mr. QIU Duoxiang joined Mr. YAN Changzai’s down business in 1998 and then joined Snowbird upon its incorporation in 2001.

### **Mr. LAM Kok Weng**

Mr. LAM Kok Weng is the Company’s chief financial officer (“**CFO**”) and is responsible for the overall financial management and compliance for Snowbird.

He graduated as Bachelor of Accounting (Honours) from University of Malaya in Malaysia in 1995.

Mr. Lam Kok Weng has more than 18 years of experience in the accounting and financial management field. From 1995 to 2000, he worked as an audit assistant manager in Deloitte Touche Tohmatsu Malaysia. From 2000 to 2002, he joined Ernst & Young Singapore as an audit supervisor. Thereafter from 2002 to 2010, he joined RCL Feeder Pte. Ltd., a multinational container shipping company based in Singapore, as general manager for management accounting responsible for the group management reporting. From 2010 to 2012, he joined China Foodzart International Pte. Ltd. as chief financial officer and was responsible to assist the said company for the IPO listing exercise in Singapore Stock Exchange. From 2012 to 2013, he joined Falcon Capital Management International Pte. Ltd., an agricultural company with focus on palm oil and forestry products, as financial controller responsible for the financial management. In November 2013, he joined Snowbird HK as chief financial officer.

## THE SUPERVISORY BOARD

The table below shows the current members of the Supervisory Board of the Company and their respective terms of office:

Name and Position	Age	Initially appointed on	Term expires in*
Ms. Viona Brandt Chairlady of the Supervisory Board (Aufsichtsratsvorsitzende)	45	9 May 2014	2019
Ms. YAO Xiaoman Deputy chairlady of the Supervisory Board (Stellv. Aufsichtsratsvorsitzende)	60	9 May 2014	2019
Mr. Thomas Andreas Bieri Member of the Supervisory Board	45	9 August 2014	2018

(\*) Term of office expires after the general shareholders meeting (Hauptversammlung) that formally approves (entlastet) the actions of the members of the Supervisory Board of the previous financial year.

### **Ms. Viona Brandt**

Ms. Viona Brandt is the chairlady of the Supervisory Board (Aufsichtsratsvorsitzende).

Ms. Viona Brandt has graduated from the University of Frankfurt/Main with a degree in business management in 1998. During her studies, she already worked for the Investmentbank J.P. Morgan Holding GmbH in Frankfurt/Main from 1991 to 1998. During this time, she worked in the investment banking, global markets and client administration. In 1999, she changed to the Allianz Asset Management GmbH in Munich. There she worked for five months in client relations. From 1999 till 2001, Ms. Viona Brandt worked for EM.TV & Merchandising AG in Munich as a director for investor relations. In 2001 she changed to the fashion company Escada AG in Munich where she took over the position as head of investor relations from 2001 till 2008. From 2008 till 2009, Ms. Viona Brandt worked for the fashion company Willy Bogner GmbH & Co. KGaA in Munich as head of investor relations and communications. Since 2009, Ms. Viona Brandt is owner of the individual enterprise "Viona Brandt Communications" in Munich. In 2009, she was in addition managing partner of Viona Brandt Financial Communications GmbH for a period of nine months.

**Ms. YAO Xiaoman**

Ms. YAO Xiaoman is the deputy chairlady of the Supervisory Board (stellvertretende Aufsichtsratsvorsitzende).

Ms. YAO Xiaoman was graduated in Northeast Forestry University with degree in forestry in 1982. She worked in Light Industry Department of China from 1982 to 1994. She was the vice chairlady cum secretary general of China Feather & Down Industrial Association (CFDIA) from 1994 to 2012 and then became its chairlady in 2012 until now.

**Mr. Thomas Andreas Bieri**

Mr. Thomas Andreas Bieri graduated from University of Berne, Switzerland with a bachelor degree in Economics and Business Administration in 1994. He obtained his Master in Economics and Business Administration (“MBA”) from London Business School in 1995. From 1995 to 1997, he worked in Union Bank of Switzerland where he was responsible for finance related research and analysis. From 1998 to 2007, he worked with UBS Investment Bank in Switzerland where he advised national and international clients on IPO, pre-IPO transactions, other equity capital market transactions and merger and acquisitions. From 2007 to 2009, he head the Equity Capital Market Group for UBS Investment Bank in Switzerland where he responsible for primary and secondary equity and equity linked transactions. From 2010 to 2013, Thomas was a co-head of IBD Switzerland of Nomura, responsible to build up investment banking franchise of Nomura in Switzerland. In 2013 till present, he is the Managing Partner of Acxit Capital Management AG.

## STOCK PRICE PERFORMANCE



First trading day of Snowbird shares in the Prime Standard Segment of the Frankfurt Stock Exchange was Monday, 29 September 2014. During the subscription period 1,583,334 shares could be placed mainly with institutional investors. Retail investors count for approximately 20% of the placements. The distribution between investors from Asia and Europe is approximately 50:50. The free float after listing amounts to approximately 22%. After the IPO the nominal capital of Snowbird AG is 31,583,334 EUR divided into 31,583,334 shares.

The share price has been heavily affected by the scandals of other listed Chinese companies on German Stock Exchanges and therefore developed worse than the German Share Price Index DAX.

However, we have already defined a set of investor relations measures to gain confidence in our company and hence in our shares.



## **REPORT OF THE SUPERVISORY BOARD**

Dear shareholders,

In this report, the Supervisory Board gives an account of its work in financial year 2014. It should be noted that Snowbird AG was not operationally active until the shares of Snowbird (Hong Kong) Holding Company Limited were purchased in May/June 2014, and therefore the report is focused on the Supervisory Board's activity in the second half of the year. During the reporting period, the Supervisory Board devoted particular attention to the situation of revenues and profitability and the long-term product and business development strategy of the company after the IPO in September 2014. Other topics included general business developments, the capital markets and investor relations strategy, and company-specific matters.

### **COMPOSITION OF THE SUPERVISORY BOARD**

In accordance with the Articles of Incorporation, the company's Supervisory Board is composed of three members.

Until the special shareholders' meeting of May 8, 2014, the Supervisory Board was composed of Thomas Weidlich (Chairman), Dr. Gregor Wecker (Vice Chairman), and Philipp Dietz. The special shareholders' meeting of May 8, 2014, elected Viona Brandt, Yao Xiaoman, and Chen Yang as Supervisory Board members. In accordance with the Articles of Incorporation, the terms of office of the newly elected members will last until a corresponding resolution is adopted by the annual shareholders' meeting that will resolve on the ratification of the Supervisory Board's actions in the financial year ending on December 31, 2018.

For personal reasons, Chen Yang resigned from her Supervisory Board post with effect as of August 8, 2014. At the request of the Management Board, Thomas Bieri was then judicially appointed as the new Supervisory Board member with effect as of August 9, 2014. His term of office will last until a corresponding resolution is adopted by the annual shareholders' meeting that will resolve on the ratification of the Supervisory Board's actions in the financial year ending on December 31, 2017.

As of December 31, 2014, therefore, the Supervisory Board of Snowbird AG was composed of Ms. Viona Brandt (Chairwoman), Ms. Yao Xiaoman (Vice Chairwoman), and Mr. Thomas Bieri.

The Supervisory Board is composed in such a way that its members in their entirety possess the necessary knowledge, capabilities, and professional experience to perform their duties properly. The individual Supervisory Board members contribute their individual experiences to support the work of the full board.

### **IN CONTINUOUS DIALOG WITH THE MANAGEMENT BOARD**

In financial year 2014, the Supervisory Board performed the supervisory and advisory function incumbent upon it by virtue of applicable laws and regulations, the company's Articles of



Incorporation, internal rules of procedure, and the German Corporate Governance Code. The Supervisory Board regularly advised the Management Board by means of intensive and candid discussions on the subject of important matters related to the management of the company. The Supervisory Board attentively followed and continuously monitored the conduct of business. The Management Board regularly informed the Supervisory Board about the development of the company, with a particular emphasis on the company's financial situation, strategic development, and developments in the capital markets. During the Supervisory Board meetings, transactions that require the Supervisory Board's consent were discussed with the Management Board. Both during the Supervisory Board meetings and by means of informal discussions, the members of the Supervisory Board supported the Management Board with their professional expertise. In consideration of the special challenge involved in supervising a Chinese company listed on the German stock exchange, the Supervisory Board paid particular attention to the product and capital investment strategy, the situation of revenues, the risk situation, risk management, and compliance with laws and guidelines.

#### **EFFICIENT WORK WITHIN THE SUPERVISORY BOARD**

The Supervisory Board held four physical meetings in financial year 2014, including in Puyang/China, in Frankfurt am Main, and in Munich. All members of the Supervisory Board attended all of these meetings. In addition, resolutions were also adopted by written circulation. The Supervisory Board devoted particular attention to the company's business performance, financial situation, and strategic direction for the coming years. In addition, the Supervisory Board addressed the following matters, in particular.

In the physical meeting of January 23, 2014, the annual financial statements for the financial year ended on December 31, 2012, were approved and a resolution was adopted on the motions to be presented to the regular shareholders' meeting.

In the Supervisory Board meeting of June 5, 2014, which was held via telephone as the constitutive meeting of the new Supervisory Board, the Chairwoman and Vice Chairwoman of the Supervisory Board were first elected. Furthermore, the time plan and further measures required to prepare for the upcoming IPO were intensively discussed. No further resolutions were adopted.

The main items of business at the physical Supervisory Board meeting held in Puyang/China on August 16, 2014, were the appointment of the new Management Board members LAM Kok Weng (CFO) and QIU Duoxiang (COO), and the discussion of the employment contracts of Management Board members. In addition, the rules of procedure for the Management Board and Supervisory Board were discussed. Furthermore, the annual financial statements for the financial year ended on December 31, 2013, were approved and resolutions were adopted on the report of the Supervisory Board and the motions to be presented to the regular shareholders' meeting.

By resolution adopted by way of written circulation on September 24, 2014, the Supervisory Board provided the required approvals for the IPO.

In the physical meeting held in Munich on September 30, 2014, the Supervisory Board discussed the use of the proceeds from the IPO of September 29, 2014, and the Supervisory Board's

information rights with regard to the account of Snowbird AG. The Management Board also informed the Supervisory Board about the next steps to develop the “down jackets” product segment. No resolutions were adopted.

In the physical meeting held in Frankfurt am Main on November 25, 2014, the Supervisory Board discussed the compensation of Management Board members in the subsidiaries and presented proposals for a Management Board stock option program. In addition, the Supervisory Board discussed the design of the future risk management system and internal audit function, both at Snowbird AG and in the operating company in Puyang/China. Furthermore, the Supervisory Board discussed measures to improve capital markets communication and investor relations. No resolutions were adopted.

### **CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY**

The Supervisory Board continually monitors the further development of corporate governance standards. In the statement on corporate governance and in the corporate governance report, the Management Board reports on corporate governance at Snowbird AG, also in the name of the Supervisory Board. In April 2015, the Management Board and Supervisory Board issued the annual Declaration of Conformity pursuant to Section 161 of the German Stock Corporations Act (AktG) and made it permanently accessible on the company’s website ([www.snowbird-ag.com](http://www.snowbird-ag.com)). Snowbird continues to follow the recommendations of the German Corporate Governance Code in the version of June 24, 2014, with the exception of the stated exceptions. Additional information on this subject can be found in the section on Corporate Governance.

### **AUDIT OF THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**

The annual shareholders’ meeting of August 28, 2014 elected CroweKleeberg GmbH Wirtschaftsprüfungsgesellschaft, Munich, as the auditor of the separate and consolidated financial statements for the financial year. The Supervisory Board issued the corresponding audit engagement. The present management report and separate financial statements of Snowbird AG as of December 31, 2014, according to the accounting regulations of the German Commercial Code (HGB), the consolidated financial statements as of December 31, 2014, according to IFRS/IAS, and the Group management report were audited together with the accounting records by the independent auditor, who issued unqualified audit opinions in both cases.

Disclosure and impairment of the investment as well as disclosure and presentation of the capital increases taken in 2014 were agreed with the independent auditor as focal points of the audit.

The Supervisory Board regularly obtained information about the progress of the audit, including in a Supervisory Board meeting of March 30, 2015, and duly acknowledged the independent auditor’s audit reports. The separate and consolidated financial statements and the combined management report of Snowbird AG and the Group, as well as the audit reports of CroweKleeberg GmbH, Wirtschaftsprüfungsgesellschaft, were presented to all members of the Supervisory Board and were discussed at length in the Supervisory Board’s financial statements meeting of April 28, 2015, with the participation of the independent auditor. The independent auditor reported on the principal findings of his audit. In particular, he made statements

concerning the financial position, cash flows, and financial performance of the company and the Group and provided additional information as requested by the Supervisory Board.

The Supervisory Board closely examined the separate and consolidated financial statements and the combined management report of the Snowbird Group and Snowbird AG for financial year 2014, which were presented to it by the Management Board, and noted that on the basis of the final result of its examination, it had no reservations to note. After reviewing them, the Supervisory Board duly acknowledged the audit reports of the independent auditor. By resolution of April 28, 2014, the separate financial statements prepared by the Management Board were approved and thereby adopted. The Supervisory Board also approved the consolidated financial statements, as well as the combined management report of Snowbird AG and the Group, particularly including the assessment of the company's future development. The Supervisory Board concurred with the Management Board's profit utilization proposal.

#### **THANKS**

The Supervisory Board thanks the members of the Management Board for their trustful cooperation and all employees of Snowbird Henan for their good work in financial year 2014.

For the Supervisory Board

Viona Brandt

Chairwoman of the Supervisory Board

Hamburg, 28 April, 2015



## **CORPORATE GOVERNANCE REPORT**

To comply with Paragraph 3.10 of the German Corporate Governance Code, the Management Board and the Supervisory Board are required to report on corporate governance in the company once a year in the annual report. The corporate governance report of Snowbird AG also include the declaration on corporate management required by Section 289a of the German Commercial Code (HGB) which comprises the declaration of conformity pursuant to Sec. 161 of the German Stock Corporation Act (AktG), relevant information on corporate governance practices as well as a description of the operating activities of the Management Board and the Supervisory Board.

The corporate governance report is also readily available on the company website at [www.snowbird-ag.de](http://www.snowbird-ag.de) under Investors Relations.

### **Information pursuant to sec. 289a para. 2 No. 1 HGB (Declaration of conformity 2015)**

Pursuant to Sec. 161 AktG, the Management Board and the Supervisory Board of an exchange-listed stock corporation are required to annually declare to what extent the recommendations of the “Government Commission on the German Corporate Governance Code” published by the Federal Ministry of Justice in the official section of the Federal Gazette have been complied and are being complied with or which of the Code’s recommendations have not been or are not being applied and why. The Management Board and the Supervisory Board declare that the current recommendations of the “Government Commission on the German Corporate Governance Code” in its version dated 24 June 2014 have been complied with since the initial public offering on 29 September 2014 and will be complied with in the future with the following exceptions:

**Paragraph 3.8 subpara. 3** of the Code recommend agreeing a specified deductible in any D&O (directors’ and officers’ liability insurance) policy to be taken out for Supervisory Board members. In the company’s opinion, the attitude of members of the Supervisory Board towards responsible acting and compliance with German law will not be supported by the agreement of such specified deductible. In addition to that, a deductible would reduce the attractiveness of Supervisory Board membership and, with regard to competition, thus reduce the company’s chances of recruiting qualified candidates for the Supervisory Board. In this regard, the Code’s recommendation has not been and is not to be followed.

**Paragraph 4.1.5** of the Code recommends taking diversity into consideration when filling management positions and, in particular, to aim for an appropriate consideration of women. Snowbird AG respects the aspect of diversity. However, its focus is on the professional qualification of the candidates (men and women).

Pursuant to **Paragraph 4.2.3 subpara. 2** of the Code, monetary compensation elements shall comprise fixed and variable components that are related to demanding and relevant comparison parameters. The Supervisory Board must make sure that variable compensation elements are in general based on a multi-year assessment. Both positive and negative developments should be taken into account when determining variable compensation components. All compensation elements must be appropriate, both individually and in total, and in particular must not encourage taking unreasonable risks. The amount of compensation shall be capped, both overall and for individual compensation components. The variable compensation components shall be related to demanding, relevant comparison parameters. Changing such performance targets or the comparison parameters retroactively shall be excluded. Snowbird AG deviates from the aforementioned recommendations as the members of the Management Board are not entitled to

remuneration for their service as members of the company's Management Board. The members of the Management Board only receive remuneration for their services as directors and / or officers of the company's subsidiaries. Such remuneration consists of a fixed salary and a bonus payment. .

Snowbird AG deviates from the recommendations set forth in **Paragraph 5.1.2** of the Code. Decisions on suitable candidates for appointment as members of the Management Board are taken on a purely objective basis and focus on the professional qualification of the candidates in accordance with the German legislation on diversity. The Supervisory Board sees no reason for rigid age limits and will take all personnel decisions individually and based on appropriate considerations.

Due to the company's size, the Supervisory Board of Snowbird AG only consists of three members and does not form any committees. Since it is a legal requirement that any decision-taking committee must also have at least three members, the establishment of committees is neither necessary nor expedient. Thus, the company deviates from the recommendations set forth in **Paragraph 5.3** of the Code.

Pursuant to **Paragraph 5.4.1 subpara. 2** of the Code, the Supervisory Board shall set specific objectives with regard to its composition that take into account the company-specific situation, the international scope of the company's business, potential conflicts of interest, the number of independent members of the Supervisory Board pursuant to **Paragraph 5.4.2** of the Code, a set age limit for members of the Supervisory Board as well as diversity. Those specific objectives shall in particular provide for an appropriate representation of women. Pursuant to **Paragraph 5.4.1 subpara. 3** of the Code, proposals issued by the Supervisory Board to the responsible corporate electoral bodies shall take those objectives into account and the objective target shall be reported on in the Corporate Governance Report. In the interest of the company, the Supervisory Board will in each individual case solely base its nomination proposals to the Shareholders' Meeting on the skills, abilities and professional expertise but not on gender or rigid age limits. Therefore, fixed targets to be attained at a fixed point in time are not provided for. In this regard, the company deviates from **Paragraph 5.4.1 subpara. 2 and 3** of the Code.

Pursuant to **Paragraph 5.4.5 subpara. 2** of the Code, members of the Supervisory Board on their own take on the necessary training and further educational measures required for their tasks and shall in this regard be appropriately supported by the company. Due to the fact that the requirements of the term "angemessen" (appropriate) are not clear, the company declares its deviation from this recommendation for reasons of caution.

The consolidated financial statements will not be made publicly available within 90 days from the end of the financial year and the interim reports will probably not be made publicly available within 45 days from the end of the reporting period, thus being in deviation from **Paragraph 7.1.2** of the Code. In view of the requirement to include foreign companies into the consolidated financial statements and the interim report, the company cannot guarantee being able to meet the deadlines recommended by the Code. The consolidated financial statements will, however, be made available within four months from the end of the financial year and the interim reports will be made available within the statutory deadlines.

The Declaration of Conformity of Snowbird AG is readily available on the company website at [www.snowbird-ag.de](http://www.snowbird-ag.de) under Investors Relations.

## **Corporate bodies and management**

The governing bodies of the Company are the Management Board, the Supervisory Board and the general shareholders' meeting. The powers of these governing bodies are set forth in the German Stock Corporation Act, the Company's articles of association, and the respective rules of procedure of the Management Board and the Supervisory Board.

The Management Board is responsible for managing and representing the Company, whilst the Supervisory Board appoints and dismisses the members of the Management Board and supervises them. The Management Board and Supervisory Board work independently from each other. Membership in both bodies at the same time is not permitted, i.e. members of the Management Board may not at the same time be members of the Supervisory Board and vice versa. In addition, a member of the Supervisory Board must not be in an executive position of any of the Company's subsidiaries (also outside Germany).

The composition of the Supervisory Board can also be found in the Notes to the consolidated financial statements. Due to the company's size, the Supervisory Board of Snowbird AG only consists of three members and does not form any committees.

The sections "Management Board" and "Supervisory Board" in the Section "Management" of this Report also report on the composition of the Managing Board and the Supervisory Board. An overview of the composition, as well as the individual CV's, is also available online at [www.snowbird-ag.de](http://www.snowbird-ag.de), section Corporate Governance.

The Company's shareholders are represented in the general shareholders' meeting. The shareholders are, with certain exceptions, not involved in the day-to-day management of the Company.

## **Cooperation between Management Board and Supervisory Board**

The Management Board and the Supervisory Board shall cooperate trustfully for the interests of the Company. To enable the Supervisory Board to carry out its monitoring functions, the Management Board has to report on a regular basis to the Supervisory Board. These management reports form the basis of the monitoring activities of the Supervisory Board. The Management Board is obliged to report to the Supervisory Board about intended business policy and other fundamental matters of company planning (particularly finance, investment and personnel planning), whereby deviations from the actual development of targets reported at an earlier date and the reasons for these deviations are to be reported. If the Company is also a parent company, then the report also has to cover the Company's subsidiaries and joint ventures. Furthermore, the profitability of the Company, particularly the return on equity, must be reported to the Supervisory Board. The Management Board also regularly reports on the course of business, particularly revenues and the condition of the company as well as transactions of considerable importance. The Supervisory Board or individual Supervisory Board members can also request separate reports on matters, which are of particular significance for the Company.

The Supervisory Board oversees the work of the Management Board and is directly integrated into decisions of fundamental importance for the company. On a regular basis, the Supervisory Board receives written reports on the Group's financial position, assets and results of operations. A detailed explanation of any discrepancy between the planned and actual business development is to be given to the Supervisory Board. Further, the Chairman of the Supervisory Board is informed directly and regularly of the current situation, important business events and significant upcoming decisions.

The work of the Supervisory Board is outlined every year in the Report of the Supervisory Board, which is commented on by the Chairman of the Supervisory Board at the Annual General Meeting.

The company's three-member Supervisory Board has not established any committees as this is not deemed necessary or expedient; all relevant issues are handled by the full Supervisory Board. This applies in particular to examination of the quarterly and annual financial statements and personnel issues relating to the members of the Management Board.

The Company has entered into directors' and officers' insurance in its name, covering the members of the Management Board and Supervisory Board, based on prevailing market conditions.

### **Conflict of Interests**

There exist no potential conflicts of interest between any duties of the members of the Supervisory Board to the company and their private interests and other duties.

### **Committees**

The Supervisory Board has not established an audit committee or remuneration committee.

### **Remuneration of Management Board**

The services of Mr. YAN Changzai, Mr. QIU Duoxiang and Mr. LAM Kok Weng with the company are based on service agreements concluded with the Company represented by Ms. Viona Brandt as chairlady of the Supervisory Board.

Under the respective service agreements with the Company, Mr. YAN Changzai, Mr. QIU Duoxiang and Mr. LAM Kok Weng will not be entitled to remuneration for their service as members of the Management Board of the Company.

However, the members of the Management Board receive remuneration from subsidiary companies for their services provided to these subsidiary companies respectively. Please refer to Section 3.0 of the Group Management Report for further details.

### **Remuneration of the Supervisory Board Members**

Ms. Viona Brandt as chairlady of the Supervisory Board will receive a gross remuneration of EUR 50,000 per year while Ms. YAO Xiaoman as deputy chairlady will receive a gross remuneration of EUR 12,000. Mr. Thomas Andreas Bieri will receive a gross remuneration of EUR 40,000 per year. In addition, each Supervisory Board member will receive meeting allowance depending on the venue of the meeting. For European Supervisory Board members, each of them will receive EUR1,000 per meeting conducted in Europe and

EUR2,000 per meeting conducted in China. For the Chinese Supervisory Board member, she will receive EUR1,000 per meeting conducted in China and EUR2,000 per meeting conducted in Europe.

If a person is a member of the Supervisory Board only for part of a financial year, remuneration is determined for a proportionate period of time (pro rata temporis). In addition, every member of the Supervisory Board is entitled to reimbursement for expenses incurred in performing the duties of its office.

**Shareholdings and Options of the Members of the Management Board and the Supervisory Board**

The shareholding interests of the members of the Management Board are as follows:

<b>Shareholder</b>	<b>Number of Shares</b>	<b>Percentage of Share Capital (%)</b>
Mr. YAN Changzai	9,150,000	28.97%
Mr. LAM Kok Weng	1,000	0.003%

None of the members of the Supervisory Board directly or indirectly holds any shares in the Company.

The company itself has not granted any options to acquire or subscribe for shares in the company to any of its members of the Management Board, the Supervisory Board or employees.

Hamburg, 28 April 2015

The Supervisory Board

The Management Board

Viona Brandt

YAN Changzai

YAO Xiaoman

QIU Duoxiang

Thomas Andreas Bieri

LAM Kok Weng



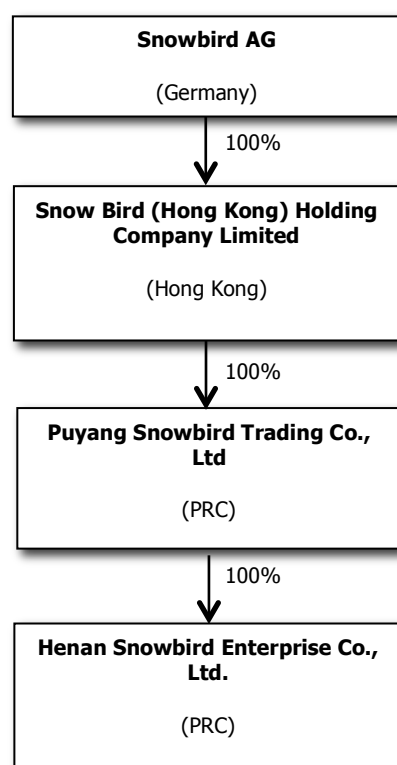
## COMBINED MANAGEMENT REPORT OF SNOWBIRD GROUP AND SNOWBIRD AG

### 1. FUNDAMENTAL INFORMATION ABOUT THE GROUP

#### 1.1 Group organization

Snowbird AG (subsequently also referred to as "Company") is a German stock corporation operating under German law and has its registered office in Cologne, Germany. Together with its direct and indirect subsidiaries it forms the Snowbird Group (subsequently referred to as "Snowbird" or the "Group"). Snowbird AG's shares are traded on the Prime Standard the premium segment of the regulated market ("Regulierter Markt"), of the Frankfurt Stock Exchange, since 29 September 2014.

The Company is as the ultimate holding company of the Group the sole shareholder of Snow Bird (Hong Kong) Holding Company Limited ("Snowbird HK") being a limited liability company incorporated under the laws of Hong Kong. Snowbird HK is an intermediate holding company and is the sole direct shareholder of Puyang Snowbird Trading Co., Ltd. ("Snowbird WFOE") being incorporated as a limited liability company under the laws of the PRC. Snowbird WFOE is a further intermediate company with very few operative activity and the sole direct shareholder of Henan Snowbird Enterprise Co., Ltd. ("Snowbird Henan") being incorporated as a limited liability company under the laws of the PRC (Snowbird WFOE and Snowbird Henan collectively "Snowbird PRC"). The operational business of Snowbird is almost exclusively carried out by Snowbird Henan with its business addresses located at Taiqian Industrial Park, Puyang City, Henan Province, PRC. The current structure of Snowbird is shown in the chart below:



## 1.2 Business activities

Snowbird is mainly engaged in the processing of down and manufacture of down products with its operating subsidiaries based in the People's Republic of China ("**PRC**"). Its current business can be divided into four segments: (i) down, (ii) down clothing, (iii) down bedding and (iv) non-down Original Equipment Manufacturers ("**OEM**") clothing.

The down segment includes the processing of white and grey goose as well as white and grey duck feathers and down (feathers and down together referred to as "**Down**"). Snowbird washes, sterilizes and grades the raw feathers and down to ensure a high grade of the washed Down. The processed Down will then mainly be sold to domestic or foreign wholesalers and other down product manufacturers while the other portion will be used by Snowbird for its own down products.

Snowbird processes down with a high ratio of down. Snowbird regularly processes down with a down content of 80% or more which is well above average in the down processing industry. Down which is exported by Snowbird to other countries even contain 90% down. If required, Snowbird can even produce class I, 100% down quality (Source: Test Report of Hohenstein Textile Testing Institute, June 2014).

The down end products produced by Snowbird are down clothing and down bedding products (the "**Down Products**"). Down clothing mainly includes the production of jackets and coats whereas down bedding mainly includes the production of duvets and pillows. The Down Products are sold under Snowbird's own brands "Snow Bird" and "Xueniao". In addition, Snowbird also manufactures down clothing for OEMs under their private labels. Snowbird's own brand down clothing is sold to domestic and foreign trading companies



whereas the down bedding is currently only sold to domestic trading companies. The trading companies resell the products using their own sales and distribution networks.

Both, down clothing and down bedding products are currently aimed at middle income end-consumers.

During the low season for its Down Products, Snowbird also manufactures non-down OEM clothing products, such as workers' uniforms and jackets, in order to keep capacities at a high level. The non-down products are made by Snowbird based on designs and samples provided by its customers.

Snowbird mainly produces for the PRC market but also exports to customers in Taiwan, Russia, Hong Kong and Germany.

### **1.3 Major developments**

#### **Successfully listed on the Frankfurt Stock Exchange**

The shares of Snowbird AG have been admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange on 29 September 2014. The listing is an important milestone to the Company to increase the awareness and reputation of the Company, enhanced the brand image, increased the confidence with our business partners and therefore create more business opportunities.

Snowbird's shares are traded with International Securities Identification Number (ISIN) - DE000A1PHEL8, German (WKN) A1PHEL and ticker 8S9 on the Frankfurt Stock Exchange.

#### **Completion of second sewing plant in January 2015**

The second sewing plant has commenced operations in January 2015. It is expected that the annual production capacity will be increased from previously 1.89 million pieces to 4.41 million pieces in 2015. The commencement of the second sewing plant is strategically important to ensure that we have sufficient production capacity to meet future customers' demand and thus support the expansion plan of the company.

### **1.4 Strengths**

Snowbird considers itself a significant player in the Chinese down market and believes it is well positioned to introduce innovative products to its existing client base as well as potential new clients. Overall, Snowbird AG believes that the following strengths are the main drivers of its future growth:

#### **Strategic location**

Snowbird's plants are strategically located at Taiqian County, Puyang City, Henan Province, PRC. Taiqian County has been awarded "Home of Down" as a result of its famous feather distribution center and production base of down. In order to promote industrial development for down production, the Taiqian County government has planned the development of an industrial park of down since 2000 and focus on improving infrastructure. At this juncture, Taiqian County's industrial park of down is one of the most structured industrial park for down and down related products manufacturing in China. This area possesses more than





30 years of expertise in producing down and down related products, can access to skilled workers and cheap raw materials.

### **Modern technology**

Throughout the years, Snowbird has mastered the skills in producing down and down related products. Through establishment of modern production facilities, Snowbird AG is capable of producing expensive down such as “sticky down” and “goose down mink”. In 2013, Snowbird AG has registered a patent on “sticky down screening box”, which proved its capability in producing high value and quality down. Snowbird can if required even produce down with a ratio of 100% down (Source: Test Report of Hohenstein Textile Testing Institute, June 2014).

### **Governmental support**

Down and down related products are the economic pillar of the Taiqian County. Thus, Snowbird has received support from the Taiqian County in many ways including uninterrupted power supply and improved infrastructure. Besides, the PRC government is very supportive regarding agricultural related industries, including the down industry, and has been very encouraging exports. Snowbird AG has enjoyed various benefits such as exemption in raw material value-added tax and export tax rebates.

### **Strong brand**

Snowbird has been awarded many brand related awards. Snowbird is very proud of its achievement in obtaining “China well-known brand” from Trademark Office of the Chinese State Administration for Industry and Commerce. The highly reputable brand of “Xueniao” (“Snow Bird”) witnessed Snowbird’s products popularity and the confidence among the consumers. This has boosted the success rates of Snowbird’s products.

### **Dedicated and experienced management**

Snowbird AG is led by the Company’s chairman, Mr. YAN Changzai, who has more than 20 years of experience in the down industry. Mr. YAN Changzai’s drive and passion have been instrumental in Snowbird’s success to-date. He has conceptualized Snowbird Group’s strategies in the past and successfully steered Snowbird AG. Mr. YAN Changzai is closely supported by a team of executive directors and executive officers with extensive experience in their respective fields.

Snowbird Henan is headed by the Company’s chairman Mr. YAN Changzai, who is supported by Mr. QIU Duoxiang having more than 30 years of experience in the down industry as well as by Snowbird Henan’s deputy general managers Mr. YAN Zhaorui and Mr. CHEN Yijun.

These personnel support Mr. YAN Changzai in driving Snowbird AG’s growth.

### **Innovative research department**

Snowbird AG is very innovative and believes to be one of the leaders in down research. Its research department has in-house facilities with 12 employees. Research is concentrated on manufacturing and processing. Snowbird has 16 utility model patents, out of which 10 utility model patents are actually used in the down processing and sewing process. The Company believes that Snowbird is a market leader in the most expensive type of “sticky

down”. Future research is to look into a number of products including coloured down for transparent clothing.

### 1.5 Group control and central control parameters

Snowbird Group has a clearly defined leadership and corporate structure. Key issues are decided by the Management Board of the holding and administration entity (Snowbird AG). The key decision makers operate out of the Group’s operational headquarters in Henan Province, PRC from where the Group’s operating business is controlled.

Snowbird uses various performance indicators to monitor the development of the Group in line with corporate strategy. As a growth-oriented company, it regards profitable revenue growth, corresponding cost of sales and gross profit (margin) as particularly important. All activities to raise revenue are measured against their potential to achieve a long-term increase in earnings before (EBT) and after taxes (net income).

### 1.6 Non-financial performance indicators

#### Quality assurance

The Management Board is of the opinion that efficient quality management is a key factor for Snowbird’s growth and success. Consequently, Snowbird places great importance on quality management and is concerned to maintain its reputation as a manufacturer of high-quality products. Snowbird has implemented stringent quality control measures at different stages in the production process. These seek to ensure that the quality of Snowbird’s products meet the expectations of its customers as well as legal requirements

#### Employees

Employees are a company’s most valuable resource. Their work and commitment are the basis for the success of any enterprise. The central goal of human resources work in the Snowbird Group is to attract the best people, systematically develop them according to their skills and aptitudes and thus ensure that they remain with the Company for the long term.

A breakdown of the number of employees of our Group by business functions is as follows:

	As at 31 December 2012	As at 31 December 2013	As at 31 December 2014
Senior Management	4	5	5
Administration	36	41	42
Finance	9	11	13
Purchases	10	10	11

Sales	11	17	19
Quality Assurance	25	25	24
Research and Development	12	23	23
Logistics	21	23	22
Production	1438	1456	2,013
Total	1,566	1,611	2,172

### **Environment protection**

Snowbird's processing and production process results in the generation of waste water which is treated and reused or discharged. As inadequately treated waste water could affect the environment, Snowbird places great importance in the proper treatment of waste water generated from its operations. At the second down processing plant, which started operations in 2013, Snowbird has invested EUR 1.58 million in the waste water treatment and then invested another EUR 0.52 million in modern waste water treatment facilities. The recycled water can be reused for the down processing, thus is environmental friendly and can reduce water expenses.

As a testimony to Snowbird's environmental management system, Snowbird was again after 2010 accredited with ISO14001:2004 by Beijing Zhongdahuayuan Certification Centre in August 2013.

## 1.7 Strategies

Snowbird AG plans to become the Chinese market leader for down production. Given that China produces around 80% of worldwide down (Source: Market Research Report), becoming market leader in China would also suggest becoming the world market leader. Thus, Snowbird AG is pursuing the following strategic objectives:

### **Sharp increase in capacity**

The second down processing plant, which was completed in second half of 2013 increases Snowbird AG's capacity more than four times and has leading technologies for processing down with dedicated software. The site also has extensive warehouse space for inventories of either unprocessed or processed down. This should further facilitate a sharp increase in business. The plant has a new wastewater treatment facility, which recycles all water used in cleaning. Improved techniques should allow a significant improvement in general efficiencies in the second down processing plant. Productivity of the second down processing plant may be 30% higher than the first down processing plant.

The second sewing plant, which was completed in January 2015, increases Snowbird's production capacity more than two times and equipped with computerized sewing machines, which improve the efficiency and quality of our clothing products.

### **Down Wholesale**

Snowbird AG plans to continue supplying cleaned and graded down directly to local Chinese textile manufacturers and indirectly to international customers. Snowbird also plans to expand its direct wholesale exports to other foreign markets than Taiwan and Russia.

### **More domestic down clothing sales**

Snowbird AG also aims to enhance its brand for down clothing. These are well known in China but little known outside. Currently Snowbird sells into 14 provinces and direct-controlled cities in China. The Company intends to add a few more, but Snowbird AG already has extensive coverage of the colder areas where warm winter textile products see greater demand.

### **More clothing exports under own brand**

Snowbird AG's own designed down clothing are currently sold customers in Hong Kong and Russia. This number is to be increased. Also, Snowbird AG intends to export own brand products to other foreign markets such as elsewhere in Europe and the US.

### **International sales of bedding products under own brand**

Snowbird AG plans as a first step for a market entry in Europe to develop direct sales of down bedding products to Europe. To create brand awareness among consumers in Europe needs greater marketing expenses than in the past, which Snowbird AG is willing to invest.

### **Increase in OEM sales**

Snowbird AG's international customers use their own design and brand. There is significant potential to expand these private label sales now given the increased capacity through the second sewing plant completed in 2015.

### **Expansion of the distribution network**

Snowbird AG does not operate any retail shops. However, some local distributors sell exclusively Snowbird AG products although they may also occasionally sell a few other companies' goods. Snowbird AG does not provide any in-store advertising or external signs. All of these costs are directly payable by the effectively tied retail outlets.

Snowbird AG plans to expand the number of effectively tied retail outlets by way of promoting the brand and offering sales rebates on greater volumes. No owned flagship stores are planned.

## **2. REPORT ON ECONOMIC POSITION**

Snowbird AG operates its business in the PRC down industry market segment. Snowbird AG believes that the performance of the overall PRC down market is primarily driven by the growth of the PRC economy, in particular, the increase in disposable income of the PRC population, the urbanization trend as well as a shift in consumption patterns of increasingly affluent urban consumers in the PRC. This development is supported by China's 12th Five-Year Plan, released in March 2011, which stipulates to restructure the Chinese economy by encouraging domestic consumption, by developing the service sector, and shifting to higher value added manufacturing, whilst improving on energy efficiency and environmental protection.

### **2.1 Macroeconomic Situation**

#### **Economic growth of the PRC**

The rise of China as a global economic heavy weight has been unprecedented in the world's recent history. Even the latest global financial and economic crisis has made much less of an impact on China's economic growth than to other countries worldwide, in part thanks to the country's effective economic stimulus measures. China has passed Germany as the largest global exporter in 2009 and passed Japan, becoming the world's second largest economy behind the United States of America in 2010.

The table below shows the development of the real gross domestic product ("GDP") in the PRC, actual and projected, including its growth rates for the years 2007 to 2014:

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>GDP in trillion RMB</b> (current prices)	26.6	31.4	34.1	40.2	47.3	51.9	56.9	63.7
<b>Real GDP in trillion RMB</b> (constant prices)	10.7	11.7	12.8	14.1	15.4	16.7	17.9	19.3
<b>Annual Real GDP growth rate</b> (based on constant prices)	14.2%	9.6%	9.2%	10.4%	9.3%	7.8%	7.8%	7.4%

(Source: IMF World Economic Outlook Database, April 2015.)

### Urbanization in the PRC

The table below shows the development of the total population and the urban population in the PRC for the years 2008-2014, including the urbanization rate:

	2008	2009	2010	2011	2012	2013	2014
<b>Population (in million)</b>	1,328	1,334.7	1,339.7	1,347.4	1,354.0	1,360.7	1,367.8
<b>Urban Population (in million)</b>	606.7	621.9	665.6	690.8	711.8	731.1	749.2
<b>Urbanization Rate</b>	45.7%	46.6%	49.7%	51.3%	52.6%	53.7	54.8

(Source: PRC National Bureau of Statistics, Feb 2015.)

The urbanization trend continued in China, through the migration of the rural population to urban areas and the transformation of villages into cities. According to the National Bureau of Statistics, the urban population in the PRC increased from 606.7 million in 2008, which accounted for approximately 45.7% of the total population, to 749.2 million in 2014, which accounted for approximately 54.8% of the total population. In 2011, for the first time the urban population exceeded the rural population.

### Disposable Income of urban and rural households in the PRC

The table below shows the development of the per capita annual disposable income of urban and rural households in the PRC for the years 2008-2014, including its annual growth rates:

	2008	2009	2010	2011	2012	2013	2014
<b>Per Capita Disposable Income of Urban Citizens in RMB</b>	15,781	17,175	19,109	21,810	24,565	26,955	28,844
<b>Real Growth Rate of the Per Capita Disposable Income of Urban Citizens</b>	8.4%	9.8%	7.8%	8.4%	9.6%	7.0%	6.8%
<b>Per Capita Disposable Income of Rural Citizens in RMB</b>	4,761	5,153	5,919	6,977	7,917	8,896	10,489
<b>Real Growth Rate of the Per Capita Disposable Income of Rural Citizens</b>	8.0%	8.5%	10.9%	11.4%	10.7%	9.3%	9.2%

(Source: PRC National Bureau of Statistics, Jan 2015.)

China's sustainable growth was accompanied by rising disposable income levels, in particular of urban residents. According to the National Bureau of Statistics, the per capita annual disposable income of Chinese urban residents increased from RMB 15,781 (approx. EUR 1,900) to RMB 28,844 (approx. EUR 3,500), during the period from 2008 to 2014. The per capita annual disposable income of Chinese rural residents increased from RMB 4,761 (approx. EUR 580) in 2008 to RMB 10,489 (approx. EUR 1,280) in 2014, leading to increased living standards. Continuing growth in disposable income is likely to lead to increased middle-income consumer spending, especially in urban areas.

### Retail sales of consumer goods in the PRC

The table below shows the development of retail sales of consumer goods in the PRC, including its growth rates for the years 2008 to 2014:

	2008	2009	2010	2011	2012	2013	2014
<b>Retail Sales of Consumer Goods in trillion RMB</b>	11.5	13.3	15.7	18.4	21.0	23.7	26.2
<b>Growth Rate of Retail Sales of Consumer Goods</b>	22.7%	15.5%	18.3%	17.1%	14.3%	13.1%	10.9%

(Source: PRC National Bureau of Statistics, Jan 2015.)

The rise of urban population and the increase of the per capita disposable income led to a rapid growth of retail sales of consumer goods between 2008 and 2014. According to the National Bureau of Statistics, retail sales of consumer goods in the PRC grew from RMB 11.5 trillion (approx. EUR 1.4 trillion) to RMB 26.2 trillion (approx. EUR 3.2 trillion) in 2014. In comparison to 2013, the retail sales of consumer goods rose by 10.9%, according to the National Bureau of Statistics. The growth of retail sales of consumer goods matches with the growth of the per capita disposable income, representing strengthened consumer purchase power.

### Industrial chain

During its 140-year history, China down industry has developed from the scratch, grown stronger and combined domestic and foreign trades. It maintained several firsts in the world: the output of raw down ranks first, since China is a large nation cultivating geese and ducks in the world and outputs 155,200t down and feathers annually, taking up 80% of the world total; the export volume of raw down ranks first, maintaining at 30,000-40,000t annually, taking up more than 75% of the world total. Currently, there are more than 4,300 down production enterprises, forming the largest down industrial cluster in the world and exporting products over the world.

Seeing from the industrial chain, China down industry mainly involves in down washing, down processing, production of down products, and sales of down and down products.

**Down washing:** usually, feathers purchased contain impurities in different seasons and from different birds, so they should undergo processes of presorting, ash removing, feather sorting, feather washing, dehydration, drying and cooling, to produce raw material down with the down content of about 50%. In this section, there are many but small enterprises, mostly domestic workshops.

**Down processing:** the down processing industry is labor-intensive and has developed relatively mature. In this industry, there are many enterprises committing fierce competitions. In this case, many down processing enterprises turn to fine processing and are active in developing down products with high added value, like "goose down mink" and "fur sheet material ". Besides, many larger enterprises start developing businesses in the industrial chain downstream to gain competitive edges, to produce down clothing and down bedding. Such enterprises have adopted the industrial-chain vertical integration operation pattern.

**Production of down products:** down products mainly include down clothing and down bedding (including duvet, down pillow and sleeping bags). To be specific, the down clothing industry has a higher concentration degree and more fierce competition among enterprises; it develops to the brand operation. By contrast, the down bedding industry has a shorter history, so its popularization rate is lower and its products are mainly exported.

**Sales of down and down products:** the down industry adopts the wholesale and retail sales patterns. Main wholesale channels include: wholesale market, online wholesale (B2B websites), associates and agents; main retail channels include: speciality stores, shoppe in emporia, supermarkets, online retail (B2C websites). The industrial down from the down processing industry is wholesaled to down products enterprises. Down products are sold by means of wholesale and retail. Popular products are mainly wholesaled, while medium-and-high-end products retailed.

## Position of PRC down industry in the global economy

### Down processing

Owing to slow recovery of the European and American markets, the export volume of China down industry in 2014 witnessed a slight rise. Yet due to fall in the down price, the export amount saw little difference from that in 2014. In 2014, export of feathers and down reached USD 997 million, a rise of 1.1% year on year, against 2013.

Export of down (Feather) in China (USD 100 million, 10,000t): 2009-2014:

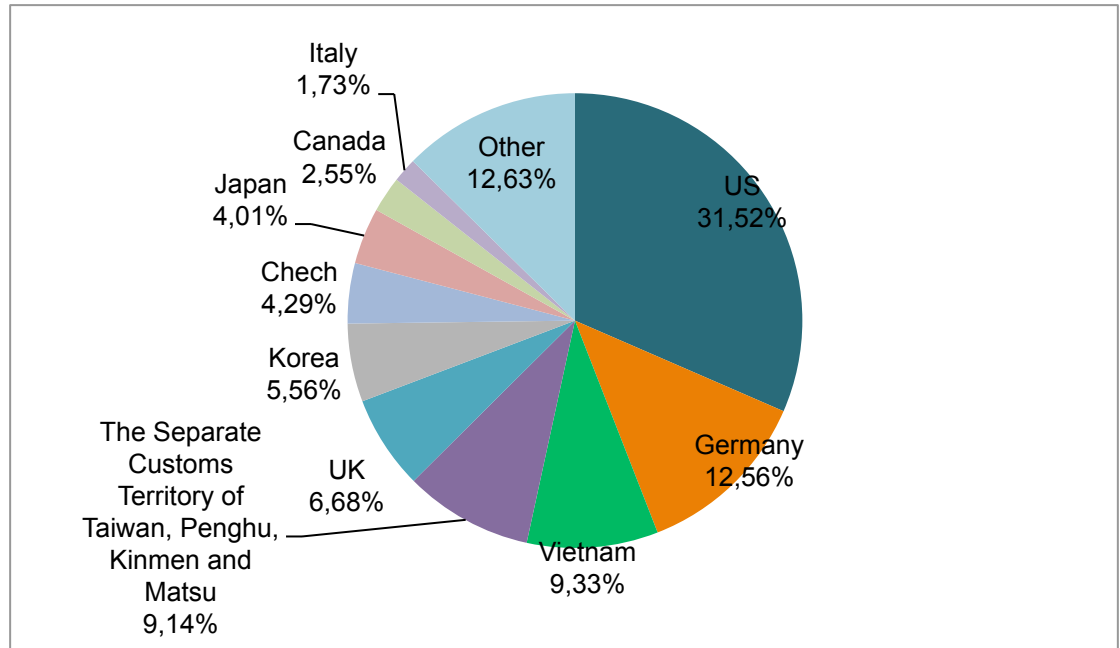
	2009	2010	2011	2012	2013	2014
Export amount (USD 100 million)	2.48	3.67	5.52	7.54	9.86	9.97
Growth rate of export amount	-16.2%	48.0%	50.4%	36.6%	30.8%	1.1%
Export volume (10,000t)	2.70	3.21	3.28	3.58	3.81	4.14
Growth rate of export volume	-9.4%	18.9%	2.2%	9.1%	6.4%	7.1%

Source: General Administration of Customs, 2014

The US is the most important importer of China down processing industry and consumed 31.52% of China's down exported in 2014. Among the top 10 importers of China down, EU countries totally consumed 25.26% of China's export.



Importers of China Down Industry 2014:



Source: General Administration of Customs, 2014

**Down clothing**

In 2014, China exported more down garments than 2013, with the export amount and export volume reaching USD 262 billion and 86.9163 million pieces, or a ratio of 30.39% and 29.09%, respectively. In contrast with export, imports grew more slowly, but still with import amount and import volume of USD 25.5 billion and 6.5007 million pieces, or a ratio of 21.78% and 15.11%, respectively.

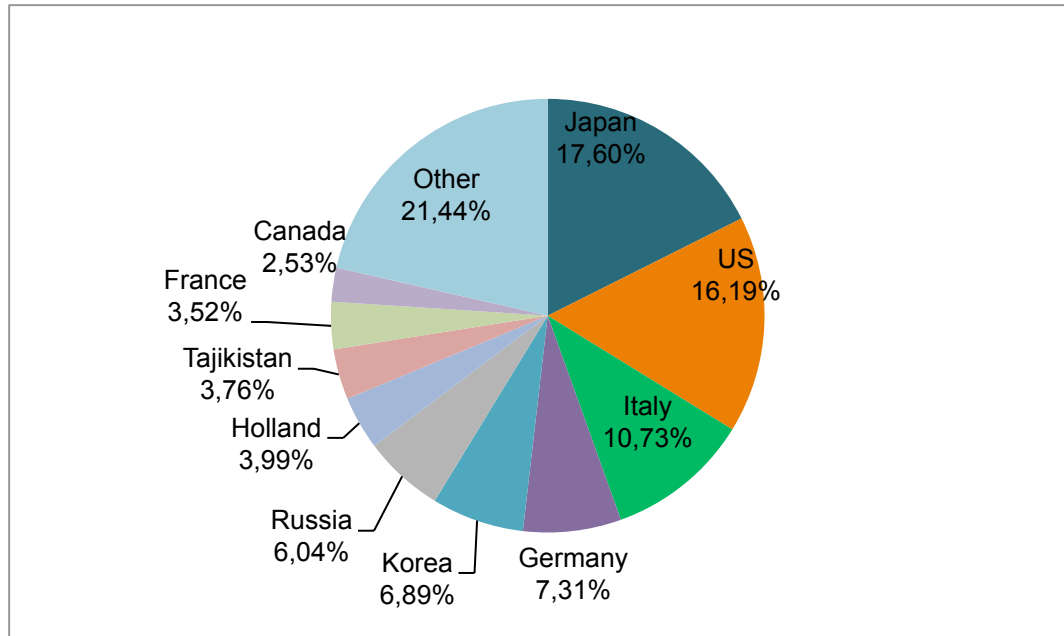
Export and Import of Down Clothing in China (USD 100 million, 10,000 pieces): 2009-2014:

	2009	2010	2011	2012	2013	2014
Export amount (USD 100m)	104,023.56	135,802.51	205,022.98	210,856.34	200,909.04	261,964.07
Export volume (10,000 pieces)	4,299.86	5,291.14	6,776.23	6,978.52	6,732.84	8,691.63
Import amount (USD 100m)	1,773.57	5,674.53	12,566.09	13,819.25	20,979.28	25,548.13
Import volume (10,000 pieces)	85.14	223.90	353.68	368.27	564.73	650.07

Source: General Administration of Customs, 2014

China down clothing are mainly exported to EU, Japan and US. EU is the largest importer of Chinese down clothing and takes up 25.55% of China's total export, followed by Japan with a ratio of 17.60%; US takes up 16.19%.

Importers of Chinese down clothing 2014:



Source: General Administration of Customs, 2014

**Down bedding**

The down bedding is the terminal of the down industry and the final finished product. In foreign countries, down bedding industry is more mature and has higher market popularization rate. By contrast, the down bedding industry in China has a shorter history and lower market popularization rate. Down bedding is mainly exported. Down bedding is relatively mature in the foreign market, so the export volume of down bedding from China has little fluctuation. Since 2010, growth of export amount of down bedding has been faster than the export volume, indicating that the export price is on the rise.

Import and Export of Other Down Bedding of China (USD 100 million, ton): 2009-2014

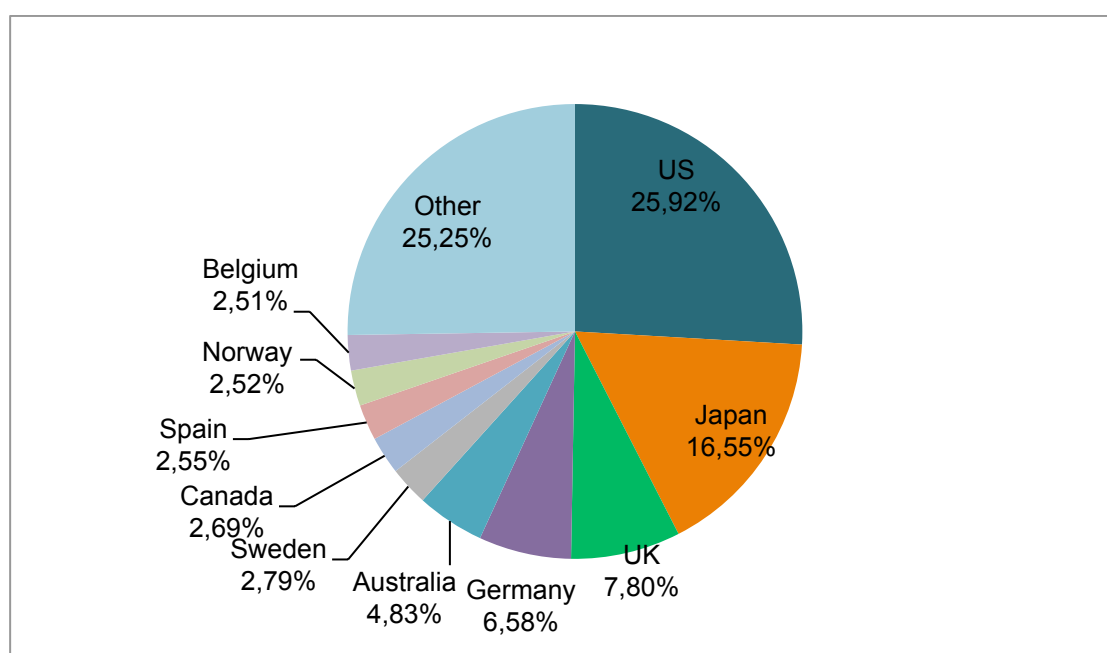
	2009	2010	2011	2012	2013	2014
Export amount (USD 100m)	42,703.38	47,900.10	55,230.64	50,569.84	44,435.37	51,809
Export volume (ton)	70,643.99	70,584.53	65,196.62	59,032.69	55,021.97	67,806
Import amount (USD 100m)	174.38	204.05	398.15	434.50	422.15	30.34
Import volume (ton)	137.12	87.05	94.83	119.43	61.50	10.74

Source: General Administration of Customs, 2014

China mainly exports its down bedding to the US, Japan and the UK. US makes the largest importer, consuming 25.92% of Chinese exports, followed by Japan and the UK,

consuming 16.55% and 7.80%, respectively.

Importers of China's Down Bedding 2014:



Source: General Administration of Customs, 2014

## 2.2 Results of operations of the Group

	2014 EUR'000	2013 EUR'000	Changes %
REVENUE	191,453	136,888	39.9%
COST OF SALES	(115,802)	(83,913)	38.0%
GROSS PROFIT	75,651	52,975	42.8%
OTHER INCOME	994	1,260	-21.1%
SELLING AND DISTRIBUTION EXPENSES	(13,699)	(9,083)	50.8%
GENERAL AND ADMINISTRATIVE EXPENSES	(8,931)	(6,160)	45.0%
FINANCE COSTS	(753)	(823)	-8.5%
PROFIT BEFORE TAXATION	53,262	38,168	39.5%
INCOME TAX EXPENSE	(13,540)	(9,941)	36.2%
PROFIT AFTER TAXATION	39,722	28,227	40.7%
OTHER COMPREHENSIVE INCOME	12,525	(996)	
TOTAL COMPREHENSIVE INCOME	52,247	27,231	91.9%

## Revenues

Snowbird's core products can be classified into 4 categories namely down, down clothing, down bedding and non-down OEM clothing.

### *Sales analysis by product*

	2014 EUR'000	2013 EUR'000	Changes %
Down	96,017	71,040	35.2%
Down clothing	74,172	49,923	48.6%
Down bedding	13,023	7,891	65.0%
OEM clothing	8,241	8,034	2.6%
	<u>191,453</u>	<u>136,888</u>	39.9%

### FY2014 as compared to FY2013

Revenue increased by 39.9% in FY2014 as compared to FY2013. All products, except for OEM clothing, have recorded strong double digit growth rate as a result of increased marketing effort and strong demand from the customers.

### FY2014 as compared to the Group's expectations

Snowbird has planned revenues in the amount of kEUR 176,789 for 2014, so Snowbird could outperform the planned revenues by 8.3%, especially due to higher sales in the domestic market.

### *Sales analysis by geographical area*

	2014 EUR'000	2013 EUR'000	Changes %
Domestic	141,139	82,318	71.5%
Export	50,314	54,570	-7.8%
	<u>191,453</u>	<u>136,888</u>	39.9%

	2014 EUR'000	2013 EUR'000	Changes %
<b>Domestic</b>			
Down	61,926	24,053	157.5%
Down clothing	57,950	42,340	36.9%
Down bedding	13,023	7,891	65.0%
OEM clothing	8,241	8,034	2.6%
	<u>141,139</u>	<u>82,318</u>	71.5%
<b>Export</b>			
Down	34,091	46,987	-27.4%

Down clothing	16,223	7,583	113.9%
Down bedding	-	-	
OEM clothing	-	-	
	<u>50,314</u>	<u>54,570</u>	-7.8%
	<u>191,453</u>	<u>136,888</u>	39.9%

### Domestic sales

#### FY2014 as compared to FY2013

Domestic sales recorded an excellent growth of 71.5%. All the provinces and direct controlled cities, except for Shanghai, have been recorded positive growth as a result of increased marketing effort and strong customer demand. We have gained a new customer in Zhejiang province in the third quarter of this year and a new customer in Guangdong province in the fourth quarter of this year. We sold our goose and duck down to both of our new customers.

### Export sales

	<b>2014</b>	<b>2013</b>	<b>Changes</b>
	<b>EUR'000</b>	<b>EUR'000</b>	<b>%</b>
Taiwan	28,544	43,638	-34.6%
Russia	4,342	5,895	-26.3%
Hong Kong	17,385	5,037	245.2%
Germany	43	-	100.0%
	<u>50,314</u>	<u>54,570</u>	-7.8%

#### FY2014 as compared to FY2013

Exports recorded a decrease of 7.8% as a result of weak demand of down from our overseas customers due to weakened down prices that have discouraged them to purchase large quantity so that they can take advantage of weaker down prices at a later period. As a result, export to Taiwan and Russia has decreased by 34.6% and 26.3% respectively as compared to the previous year. In contrast, export to Hong Kong has increased by 245.2% due to the three new customers gained in the fourth quarter of the year.

## Cost of sales

	2014 EUR'000	2013 EUR'000	Changes %
Raw materials	98,474	71,447	37.8%
Direct labour	11,848	8,847	33.9%
Manufacturing overhead	3,061	2,047	49.5%
Export levy	844	1,015	-16.9%
Sales supplement taxes	1,576	557	183.1%
	115,802	83,913	38.0%

### FY2014 as compared to FY2013

Cost of sales increased by 38.0% which is in line with the increase in revenue of 39.9%. Raw materials remain the dominating cost component and accounted for 85.0% and 85.1% of total cost of sales for FY2014 and FY2013 respectively. As a result of the highly automated down washing and separating processes for our down products, direct labour and manufacturing overhead will remain low.

## Gross profit and gross profit margin

### **Gross Profit**

	2014 EUR'000	2013 EUR'000	Changes %
Down	30,828	23,529	31.0%
Down clothing	34,442	22,491	53.1%
Down bedding	7,787	4,250	83.2%
OEM clothing	2,594	2,705	-4.1%
	75,651	52,975	42.8%

### **Gross Profit Margin:**

	2014 EUR'000	2013 EUR'000
Down	32.1%	33.1%
Down clothing	46.4%	45.1%
Down bedding	59.8%	53.9%
OEM clothing	31.5%	33.7%
Total gross profit margin	39.5%	38.7%

### FY2014 as compared to FY2013

Gross profit contribution has been increased across all the products except for OEM clothing. Down and down clothing remain the two major profit contributors. Overall gross profit margin has been increased slightly from 38.7% to 39.5% mainly due to the increase in gross profit margin for down bedding and down clothing. Gross profit for down has

recorded a decrease from 33.1% in FY2013 to 32.1% in FY2014 as a result of softened overall high grade down prices during the second half of the year.

FY2014 as compared to the Group's expectations

Due to the higher actual revenues in 2014 compared to the forecast the gross profit in 2014 is higher than planned. The gross profit margin in 2014 is slightly lower than planned (39.8%).

**Other income**

Other income consists basically of government grants and subsidies, interest income and sales of residuals.

**Selling and distribution expenses**

	2014 EUR'000	2013 EUR'000	Changes %
Sales rebates	11,834	7,670	54.3%
Sales exhibition	521	468	11.3%
Salaries and bonuses	686	560	22.5%
Others	658	385	71.0%
	13,699	9,083	50.8%

FY2014 as compared to FY2013

Selling and distribution expenses have been increased by 50.8%. The main costs are sales rebates, which is a customer loyalty program that we reward our loyal domestic customers who achieved the sales targets for the down clothing and down bedding products. Sales exhibition costs relate to the annual fashion show that we conduct during the second quarter of every year to launch our new fashions whereby existing and potential customers are invited to attend and place their orders.

FY2014 as compared to the Group's expectations

For reaching the higher revenues in 2014 compared to the forecast, additional selling and distribution effort was necessary. Therefore the selling and distribution expenses in 2014 are higher by 47.3% than planned.

### Administrative and other expenses

	2014	2013	Changes
	EUR'000	EUR'000	%
Salaries and related cost	4,812	3,565	35.0%
Depreciation	223	218	2.3%
Research and Development	1,328	670	98.2%
Amortisation of intangible assets	1	1	9.6%
Amortisation of land use rights	72	45	60.3%
Exchange losses	-	597	-100.0%
Withholding tax	240	-	-
Others	2,255	1,064	111.9%
	8,931	6,161	45.0%

#### FY2014 as compared to FY2013

General and administrative expenses increased by 45.0% due mainly to the increase in salaries and related cost, research and development expense and other administrative expenses which is in line with the increase in the business volumes.

#### FY2014 as compared to the Group's expectations

Actual Administrative and other expenses are in line with the forecast for 2014.

### Finance costs

	2014	2013
	EUR'000	EUR'000
Finance cost	753	823
Average bank borrowings	11,313	12,171
Average interest rate	6.7%	6.8%

### Earnings

The profit before tax was kEUR 53,262 in 2014, compared with kEUR 38,168 in 2013. Tax expenses rose from kEUR 9,941 in 2013 to kEUR 13,540 in 2014. The profit after taxation was kEUR 39,722 in 2014, compared with kEUR 28,227 in 2013. The planned profit after taxation for 2014 was kEUR 39,237 so the forecasted earnings could be slightly outperformed.

Since the currency translation resulted in a positive effect the comprehensive income increased from kEUR 27,231 in 2013 to kEUR 52,247 in 2014.



**2.3 Net asset and financial position of the Group**

	<b>2014</b>	<b>2013</b>
	<b>EUR'000</b>	<b>EUR'000</b>
<b>ASSETS</b>		
NON-CURRENT ASSETS		
Property, plant and equipment	20,629	16,982
Intangible assets	10	11
Lease prepayment – land use rights	4,660	1,963
	<u>25,299</u>	<u>18,956</u>
CURRENT ASSETS		
Inventories	18,952	10,778
Receivables and prepayments	74,577	54,829
Cash and cash equivalents	56,719	16,755
	<u>150,243</u>	<u>82,362</u>
<b>TOTAL ASSETS</b>	<u><b>175,547</b></u>	<u><b>101,318</b></u>
<b>EQUITY AND LIABILITIES</b>		
EQUITY		
Share capital	31,583	50
PRC Statutory reserve	6,679	6,386
Capital reserve	6,631	-
Foreign currency translation reserve	14,872	2,347
Merger reserve	(20,092)	11,119
Retained earnings	87,078	47,649
	<u>126,751</u>	<u>67,551</u>
NON-CURRENT LIABILITY		
Loans and borrowings	-	4,397
	<u>-</u>	<u>4,397</u>
CURRENT LIABILITIES		
Payables and accruals	34,167	19,090
Dividend payables	-	-
Loans and borrowings	10,039	8,190
Income tax payable	4,590	2,090
	<u>48,796</u>	<u>29,370</u>
<b>TOTAL LIABILITIES</b>	<u><b>48,796</b></u>	<u><b>33,767</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>175,547</b></u>	<u><b>101,318</b></u>

## Property, plant and machinery

	Building EUR'000	Building under construction EUR'000	Plant and machinery EUR'000	Motor vehicle EUR'000	Office equipment EUR'000	Total EUR'000
Net book value at 31 December 2013	7,538	2,258	6,958	204	24	16,982
Additions	-	2,025	911	19	40	2,995
Transferred	-	-	(2)	-	2	-
Depreciation	(417)	-	(878)	(63)	(8)	(1,366)
Exchange differences	914	285	797	20	2	2,018
Net book value at 31 December 2014	8,035	4,568	7,786	180	60	20,629

The additions in building under construction are for the second sewing plant and new office building, which have been completed in the first quarter of 2015. The additions in plant and machinery are mainly due to the 300 units of computerized sewing machines delivered for the second sewing plant in September 2014.

## Intangible assets

Intangible assets contain trademark registration and computer software. There is no addition during the period.

## Land use rights

	EUR'000
Net book value at 31 December 2013	1,963
Additions	2,528
Amortisation	(72)
Exchange differences	241
Net book value at 31 December 2014	4,660

The addition is due to the acquisition of the piece of land where the second down processing plant, second sewing plant and the new office building is located.

## Inventories

	2014 EUR'000	2013 EUR'000
Raw materials	4,967	5,837
Work-in-progress	371	112
Finished goods	13,614	4,829
	18,952	10,778

The increase in inventories especially finished goods is in line with the increase business volumes.

### Receivables and prepayments

	2014 EUR'000	2013 EUR'000
Trade receivables	67,305	47,867
Other receivables	10	1,087
Prepayments	6,258	5,875
Deposits	1,004	-
	74,577	54,829

Trade receivables remain stable at 110 days as compared to end of FY2013 of 105 days.

Deposit paid to acquire sewing machines for use in the second sewing plant upon its completion.

Prepayments relate mainly to advanced payment to the suppliers amounted to EUR6.3 million at end of September 2014 (December 2013: EUR3.5 million) to secure the source of our raw materials. At end of December 2014, prepayment for land use rights amounted to Nil (December 2013: EUR2,245k).

### Cash and cash equivalent

The increase is partially due to the IPO proceeds of EUR9.5 million received pertaining to the listing of the Company on 29 September 2014 and the current year profit.

### Equity

	2014 EUR'000	2013 EUR'000
Share capital	31,583	50
PRC Statutory reserve	6,679	6,386
Capital reserve	6,631	-
Foreign currency translation reserve	14,872	2,347
Merger reserve	(20,092)	11,119
Retained earnings	87,078	47,649
TOTAL EQUITY	126,751	67,551

The increase in share capital is due to the acquisition of the subsidiaries pertaining to the restructuring exercise amounted to EUR29.95 million prior to the listing exercise of the Company. New share issues from the Initial Public Offering ("IPO") amounted to EUR9.5 million made up of share capital of EUR1.583 million and capital reserve of EUR7.917 million less fund-raising cost of EUR 1.286 million.

The increase in exchange reserve is due to the weakened EUR against RMB from 8.4146 at 31 December 2013 to 7.4708 at 31 December 2014.

Merger reserve was created as a result of the reverse acquisition of the subsidiaries prior to the listing of the Company.

The increase in retained earnings is due to the current period profit.

### Loans and borrowings

	<b>2014</b>	<b>2013</b>
	<b>EUR'000</b>	<b>EUR'000</b>
Current portion:		
- Not later than one year	10,039	8,190
Non-current portion:		
- Later than one year and not later than two years	-	-
- Later than two years but not later than five years	-	4,397
- Later than five years	-	-
	-	4,397
	<u>10,039</u>	<u>12,587</u>

The reduction is due to the repayment during the period.

### Payables and accruals

	<b>2014</b>	<b>2013</b>
	<b>EUR'000</b>	<b>EUR'000</b>
Trade payables	8,318	5,145
Sales rebate payables	12,940	7,499
Salary payable	7,447	4,219
VAT payable	2,947	1,297
Withholding tax payable	263	-
Other payables and accruals	2,252	930
	<u>34,167</u>	<u>19,090</u>

Increase in trade payables is due to the increased purchases in order to meet the production during the peak season in the second half of the year.

Increase in sales rebate payable is due to the increase domestic sales for down clothing and down bedding. Sales rebate only be paid after year end upon full settlements of all the trade debts owed by the customers.

Salary payable is largely for the annual bonus to be paid out only after year-end.

The increase in withholding tax payable is due to the distribution of PRC dividend from a PRC subsidiary to a Hong Kong subsidiary subject to 10% withholding tax.

The increase in other payables and accruals is due mainly to the amount due to the director of the Hong Kong subsidiary amounted to EUR912k and additional accruals made as a result of the increased operating activities such as local taxes imposed by the Chinese government.

### **Income tax payable**

The increase is due to the higher income tax to be paid as a result of increased profit.

### **Cash flows of the Group**

	<b>2014</b>	<b>2013</b>
	<b>EUR'000</b>	<b>EUR'000</b>
NET CASH FROM OPERATING ACTIVITIES	30,793	5,832
NET CASH FOR INVESTING ACTIVITIES	(6,784)	(11,043)
NET CASH FOR FINANCING ACTIVITIES	5,665	(7,562)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	29,674	(12,773)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	16,755	30,465
Effects of currency translation differences	10,290	937
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	56,719	16,755

Net cash flows from operating activities recorded an increase as a result of higher operating profit and prudent cash flow management.

The negative cash flow for investing activities are mainly due to the addition in fixed assets amounted to EUR3.0 million and EUR11.1 million for 2014 and 2013 respectively, addition in prepayment for land use right for EUR2.5 million in 2014 and the cost of fund-raising amounted to EUR1.3 million in 2014.

The positive cash flow for financing activities for 2014 is due to the proceeds from issuance of new shares pertaining to the IPO of the Company amounted to EUR9.5 million offset by the repayment of bank borrowings amounted to EUR2.5 million. The negative cash flow for financing activities in 2013 is mainly due to the payment of dividend amounted to EUR8.4 million offset by the net proceeds from bank borrowings amounted to EUR0.8 million.

### **2.4 Key Financial Figures of the Snowbird AG**

Snowbird AG was founded in 2013 and is the German holding company of the Snowbird Group. The company is listed in the "Prime Standard" segment of the Frankfurt Stock Exchange since 2014. The Key Financial Figures of the Snowbird AG are as follows:

	2014 EUR'000	2013 EUR'000
OPERATING RESULT	1,712	(10)
NET RESULT	620	(10)
SHARES IN AFFILIATED COMPANIES	37,794	0
CURRENT ASSETS	2,496	55
EQUITY	40,106	36
BALANCE SHEET TOTAL	40,300	55

The operating result comprises primarily dividend income from affiliated companies in the amount of kEUR 2,078 (prior year: kEUR 0) and other operating expenses in the amount of kEUR 368 (prior year: kEUR 10) including legal and consulting fees of kEUR 142 (prior year: kEUR 0), accounting and auditing costs of kEUR 132 (prior year: kEUR 10) and other expenses of the amount of kEUR 94 (prior year: kEUR 0).

The net result in 2014 is influenced by extraordinary expenses in the amount of kEUR 1,092 including the expenses of the initial public offering in 2014.

The shares in affiliated Companies and participations involve 100% of the shares of Snow Bird (Hong Kong) Holding Company Limited, Hong Kong.

The current assets consist of receivables to related parties in the amount of kEUR 1,777 (prior year: kEUR 0) and bank balances in the amount of kEUR 720 (prior year: kEUR 55).

The statement of financial position of Snowbird AG shows a net equity of kEUR 40,106 (2013: kEUR 36), which equals an equity ratio of almost 100%.

## **2.5 Overall Assessment by the Management Board of the Results of Operations, Net Assets and financial position**

In the view of the Management Board of Snowbird AG, 2014 was a satisfactory year for the Snowbird group. The Group expanded further, lifting consolidated revenue by 39.9% and gross profits by 42.8%. The Group also recorded significant profit growth and achieved consolidated net income of EUR 39.7 million in 2014.

Net assets have been increased from kEUR67,551 in 2013 to kEUR126,751 in 2014 mainly due to the capital increase of kEUR38,164 and the current year profit offset by the negative merger reserve.

The Management Board is satisfied about the Group's financial position.

### 3. REMUNERATION SYSTEMS

#### 3.1 Remuneration of the Management Board

According to Sections 87 para. 1, 107 para. 3 sentence 3 of the German Stock Corporation Act (Aktiengesetz), the Supervisory Board determines the remuneration of the Management Board. The agreed remuneration structure is appropriate taking into account the size, the activity and the economic and financial situation of Snowbird AG. Remuneration for the members of the Management Board comprises both fixed remuneration and variable bonus during the period under review.

The detailed information regarding the remuneration of the Management Board is as follows:

	2014	2013
	EUR'000	EUR'000
YAN Changzai	286	214
QIU Duoxiang	215	146
LAM Kok Weng	74	11
	<hr/>	<hr/>
	575	371
	<hr/>	<hr/>

The members of the Management Board did not receive any remuneration from Snowbird AG, but from the subsidiary companies for their services provided to these companies.

#### 3.2 Remuneration of the Supervisory Board

The chairlady, deputy chairlady and member of the Supervisory Board shall receive an annual fee of kEUR50, kEUR12 and kEUR40 respectively. In addition, each Supervisory Board member will receive meeting allowance depending on the venue of the meeting. For European Supervisory Board members, each of them will receive EUR1,000 per meeting conducted in Europe and EUR2,000 per meeting conducted in China. For the Chinese Supervisory Board member, she will receive EUR1,000 per meeting conducted in China and EUR2,000 per meeting conducted in Europe.

The detailed information regarding the remuneration of the Management Board is as follows:

	2014	2013
	EUR'000	EUR'000
Viona Brandt, Chairlady	32	-
YAO Xiaoman, Deputy Chairlady	8	-
Thomas Andreas Bieri, member	16	-
	<hr/>	<hr/>
	56	-
	<hr/>	<hr/>

**4. 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 Corporate 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 2014. The corporate governance report is also available on the Internet at [www.snowbird-ag.de](http://www.snowbird-ag.de).



## **5. OTHER INFORMATION (ACCORDING TO §§315 SEC.4 HGB)**

### **Development of share capital**

The Company was established with a registered share capital of EUR 50,000 divided into 50,000 no par value ordinary bearer shares (Inhaber-Stückaktien).

On 13 June 2014, the share capital was increased by shareholders' resolution through contribution in kind (Sacheinlage) where the existing shareholders contributed the remaining 40% of the shares in Snowbird HK, i.e. 2,041 shares, each of HKD 1.00 (approx. EUR 0.09), against the issuance of 29,950,000 no par value ordinary bearer shares (Inhaber-Stückaktien) each with a notional amount of EUR 1.00.

On 24 September 2014, the share capital was increased by shareholders' resolution by issuance of 1,583,334 shares no par value ordinary bear shares (Inhaber-Stückaktien) each with issue price of EUR 6.00 per share.

The Company's current share capital, amounting to EUR 31,583,334.00 and divided into 31,583,334 no par value ordinary bearer shares (Inhaber-Stückaktien) with a notional amount of EUR 1.00 each, is fully paid in.

### **Restrictions on voting rights and the transfer of shares**

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

### **Shareholding exceeding 10% of the voting rights**

Under the provision of German securities trading legislation, every investor whose proportion of the voting rights in the company reaches, exceed or falls below certain threshold as a result of the purchase or sale of shares or in any other way must notify the company and the Federal Financial Supervisory Authority (BaFin) thereof, the lowest threshold for such disclosure is 3%. All notifications received by Snowbird AG are listed in the notes of this report.

### **Shares with special rights according rights of control**

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

### **Methods of controlling voting rights where employees hold shares in the company and do not directly exercise their right of control**

Snowbird AG does not have any employee stock programs.

### **Statutory provisions and regulations in the articles of association on the appointment and dismissal of members of the Management Board and changes to the articles of association**

The appointment and dismissal of members of the Management Board is governed by sec. 84 and sec. 85 of the German Stock Corporation (AktG). Pursuant to the statutory provisions (sec. 179 paragraph 1 AktG) any amendments to the articles of association requires a resolution of the General Shareholders' Meeting. Further their rules on amendments are contained in sec. 113 and sec. 119 AktG.

### **Authorisation of the Management Board to issue or buy back shares**

Under sec. 5 paragraph 1 of the articles of association, pursuant to the resolution of the general meeting dated June 13, 2014, the Management Board is authorized to increase the share capital of the company with the consent of the Supervisory Board until June 12, 2019 up to EUR 15,000,000.00 (in words: euro fifteen million) through issuance of up to a total of 15,000,000 (in words: fifteen million) new no par value shares, in either one or several tranches, in consideration of contributions in cash or in kind (Authorized Capital 2014) and to determine a commencement of profit entitlement deviating from law. In each case ordinary shares and/or preference shares may be issued.

Under sec. 5 paragraph 2 of the articles of association, in principle, shareholders are to be offered subscription rights; the statutory subscription rights may also be offered in such a way that the new shares are taken over by a bank or a syndicate of banks with the obligation to offer them to the company's shareholders for subscription within the meaning of sec. 186 para. 5 AktG (indirect subscription right). The board of managing directors is authorized, in each case with the consent of the Supervisory Board, to resolve on the exclusion of the subscription right of the shareholders in the following cases:

- (a) for fractional amounts;
- (b) if the capital increase of the share capital for contribution in kind is carried out to enable the company to acquire companies, parts of companies or participations in companies;
- (c) if shares are issued in consideration of contributions in cash not exceeding the proportion of 10% of the total amount of the share capital, neither at the time of coming into force nor at the point of time the authorization is exercised; the shares must be sold at an issue price which is not significantly lower (in terms of sec. 203 para. 1 and 2, sec. 186 para. 3 sentence 4 AktG) than the stock market price of same-category company shares at the day when the issue price is finally fixed by the board of managing directors; the 10% threshold shall include shares which were, or, as the case may be, will be issued with conversion or option rights to service the bonds, if such bonds were issued under exclusion of the subscription right by application *mutatis mutandis* of sec. 186 para. 3 sentence 4 AktG; the 10% threshold shall also include treasury shares of the company which were disposed under exclusion of the subscription right of the shareholders pursuant to sec. 71 para. 1 no. 8 sentence 5, sec. 186 para. 3 sentence 4 AktG during the term of the authorized capital;

The company is not authorized to acquire its own shares.

**Principal agreements entered into by the company that are governed by provisions on a change of control resulting from a takeover bid**

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

**Compensation agreement entered into by the company with members of the Management Board or employee in the event of a takeover bid**

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

## **6. RISKS AND OPPORTUNITIES**

Snowbird AG has not yet established a formal risk management system and early risk detection system as promulgated by Section 91 of the Germany Stock Corporation Law. Management recognises the need and importance of establishing such a risk management system, and will continue its effort to develop and implement a formal risk management system in 2015.

### **6.1 Risk management system**

The management is aware of the importance of a risk management system as part of good corporate governance. Management relies on day-to-day observations, constant feedback from its customers and suppliers as well as interest-related parties to identify and detect risk indicators for the environment in which the Groups operates. These risks are assessed particularly with regard to their likelihood of happening and the magnitude of their impact on the Group. This information will be considered in the Group's execution of strategies and policies.

### **6.2 Internal control system**

Snowbird AG has an internal control system in place. This system is designed to ensure timely, uniform and accurate accounting for all business processes and transactions.

The accounting and financial reporting process for Snowbird AG is managed by the Finance and Accounts Department of Snowbird with the assistance by an external German service provider supporting the IFRS-based financial reporting. The consolidated financial statements are prepared in co-operation with a German external service provider on the basis of the data supplied by the included subsidiaries. The consolidation, certain reconciliation operations from local Chinese GAAP to Group policies and monitoring of the related time schedules and procedures are performed by the Finance and Accounts Department of Snowbird and the German external service

provider. System-based controls are monitored by personnel and supplemented by manual inspection.

Defined approval procedures must be observed at all stages in the accounting process to ensure segregation of duties.

Apart from defined control mechanisms such as system-based and manual reconciliation processes, the fundamental principles of the internal control system include the separation of functions and compliance with directives and operating procedures.

### **6.3 Risk factors**

#### **6.3.1 Snowbird may not be able to continue competing successfully against present and future competitors**

The Company believes that the textile and bedding industry is highly competitive. Its major competitors include international and domestic textile producers and/or processors. They compete with each other based on, amongst other things, brand image, product variety, product design, product quality and price. Competitors may have significantly greater financial, technical and marketing resources, stronger brand name recognition and a larger existing customer base than Snowbird. In addition, competitors may have the ability to respond more quickly to new or emerging technologies, may adapt more quickly to changes in customer requirements and may devote greater resources to the development, promotion and sales of their products than Snowbird.

If Snowbird is unable to compete effectively with existing or new competitors in the future, in particular in light of the changing and competitive market environment, Snowbird's business and its net assets, financial condition and results of operations may be materially and adversely affected.

#### **6.3.2 Fluctuations in consumer spending caused by changes in macroeconomic conditions in the PRC and export countries may significantly affect Snowbird's prospects**

Snowbird sells its products to domestic and foreign wholesalers who sell the products within the PRC and the global market. Therefore the success of the business of Snowbird indirectly depends on the condition and growth of the PRC and foreign consumer market, which, in turn, depends on worldwide economic conditions and individual income levels and their impact on levels of consumer spending. The slowdown of gross domestic product ("GDP") growth rates in the PRC in 2013 and 2014 which is, amongst others, due to the development of the global economy, could lead to a toughened competition and increased pressure on prices. There are many factors affecting the level of consumer spending, including but not limited to interest rates, currency exchange rates, recession, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. There can be no assurance that historical growth rates of the PRC economy will continue or that projected growth rates of the PRC economy and the PRC consumer market will be realized. Any future slowdowns or declines in the PRC economy or



consumer spending may materially and adversely affect Snowbird's business and its net assets, financial condition and results of operations.

**6.3.3 Rapid changes in fashion trends, consumer preferences or spending patterns may affect Snowbird's business**

Snowbird believes that its success depends largely on its ability to originate and define products and fashion trends as well as to anticipate, gauge and respond to changing consumer demands in a timely manner. There can be no assurance that Snowbird will be able to continue to research, design and develop products, which appeal to consumers or successfully meet the constantly changing consumer demands in the future. Its failure to anticipate, identify and respond effectively to the changing consumer demands or fashion trends could adversely affect the level of acceptance of Snowbird's products by its customers and its end-consumers, which in turn could adversely affect Snowbird's brand image and business and its net assets, financial condition and results.

**6.3.4 Snowbird may be materially and adversely affected by seasonality and climate changes**

Snowbird has experienced seasonal fluctuations in its revenue as its products and business are sensitive to changes in temperature and unpredictable weather patterns in markets where Snowbird sells its products. Due to the strong seasonality of its business, Snowbird's sales are generally highest in autumn and winter, which is considered to be Snowbird's peak sales season. On the other hand, Snowbird sales are generally lowest in spring and summer when Snowbird mainly conducts its non-down OEM clothing business to keep its capacities at a relative stable level.

Furthermore, any changes in climate resulting in warmer winters (and in particular during Snowbird's peak sales period) in the PRC and overseas may adversely affect consumer demand for the down clothing and down bedding products ("**Down Products**"), which in turn may affect Snowbird's sales. Snowbird cannot assure that adverse climate changes in markets where it sells its products will not adversely affect Snowbird's business and its net assets, financial condition and results.

**6.3.5 Snowbird's business may be materially and adversely affected by the export dependency**

Snowbird's export business was historically concentrated on major customers in Taiwan. A continued diversification of foreign customers is planned, but not already implemented. The dependence of Snowbird of these agents could adversely affect Snowbird's business and its net assets, financial condition and results.

**6.3.6 Snowbird may not be able to comply with customers' specifications**

Snowbird produces for Original Equipment Manufacturers ("OEM") products based on designs and samples provided by its customers. Snowbird might not be able to produce the products according to its customers' specifications. It can also not be excluded that Snowbird's customers demand other design, color or functionality of the Down Products, which are produced according to Snowbird's own design. In case Snowbird is not able to comply with its customers' specifications, Snowbird's business, financial condition and results of the operations may be adversely affected.

**6.3.7 Snowbird operates in an environmental hazardous industry and may fail to comply with environmental protection laws and regulations in the PRC**

Businesses in China like Snowbird that generate pollutants in the production process, such as waste water, are subject to environmental laws and regulations. These laws and regulations require enterprises engaged in the manufacturing that may cause environmental pollution to adopt effective measures to control and properly dispose of industrial waste.

If Snowbird should fail to comply with the applicable environmental protection laws and regulations, this may result in penalties and other sanctions like a shut down. As a result, Snowbird's business and its net assets, financial condition and results of operation may be materially and adversely affected.

**6.3.8 The current PRC environmental protection laws and regulations may change to the detriment of Snowbird**

There can be no assurance that the PRC government will not change the existing environmental laws and regulations or impose additional or stricter laws and regulations. Compliance with any of these additional or stricter laws or regulations may cause Snowbird to incur additional capital expenditure, which Snowbird may be unable to pass over to the customer through higher prices for Snowbird's products. This could have a material adverse effect on Snowbird's business and its net assets, financial condition and results of operations.

Furthermore, if Snowbird should be unable to comply with more stringent environmental protection standards, penalties may be imposed on it and/or its operations and business may be shut down or adversely impaired, which would also have a material adverse effect on Snowbird's net assets, financial condition and results of operations.

**6.3.9 Snowbird's operation may cause damage to human health and the insurance coverage may not be adequate for Snowbird's operations**

For the processing of feathers and down ("Down") and the production of Down Products and non-down OEM clothing, Snowbird operates several machines at its processing and production facilities. Furthermore, the employees can suffer from inhaling dust in the down processing and filling process. Although Snowbird has implemented precautionary measures and safety procedures in its operations, it cannot be assured that the process does not endanger the human health of the employees involved. Any major industrial accident can result in a permanent damage of the employees, whether due to Snowbird's fault or not, and may give rise to potential claims against Snowbird.

The social security covers health damage of the employees. However, it cannot be assured that the social security is sufficient to cover all potential claims against Snowbird. In the event any claims are not covered by the social security, Snowbird may be liable to cover the amounts claimed, and its business and profitability might be adversely affected.

**6.3.10 Snowbird may be affected by complaints from its customers and negative publicity**

Snowbird may be subject to complaints, whether valid or invalid, from its customers with regard to the quality of its products. Snowbird may also be affected by factors such as negative publicity resulting from the publication of industry findings and research reports concerning its products (regardless of their accuracy or validity); this may also relate to any negative publicity due to the slaughter of geese and ducks as part of the process of obtaining down as raw material from Snowbird's suppliers. Such complaints and negative publicity will affect Snowbird's brand image and the sale of its products. In such event, Snowbird's business and its net assets, financial condition and results of operations may be materially and adversely affected.

**6.3.11 Snowbird might fail to execute its expansion plans successfully and manage its growth efficiently**

Snowbird has expanded its business significantly in recent years. For FY 2013 and FY 2014, Snowbird recorded total sales of EUR 136.89 million and EUR191.5 million respectively. Snowbird intends to further advance such growth, in particular by increasing its production capacities. There can be no assurance that Snowbird may, in part or at all, be successful in these activities. Many investments, which are planned by Snowbird, require high initial expenditures. Such investments can only be operated profitably if their sufficient utilization is warranted by corresponding demands.

Snowbird may be unable to manage its growth effectively and any failure to do so may have a material and adverse effect on Snowbird's business and its net assets, financial condition and results of operations.

**6.3.12 The implementation of Snowbird's growth strategy is capital intensive and Snowbird could be unable to secure additional financing**

In order to finance its growth strategy, Snowbird may have to raise additional capital in the future through debt or equity offerings, if Snowbird cannot maintain sufficient working capital for its expansion plans. Snowbird 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 expose Snowbird to general adverse economic conditions. In addition, the terms of any financing agreement could limit Snowbird's ability to pay dividends or restrict Snowbird's flexibility in planning for, or reacting to, changes in its business or its industry. In particular, the PRC economy is currently exposed to increasing inflation and increasing interest rates. Therefore, any future debt financing by Snowbird from PRC lenders may incur significant interest payments, which would have an adverse impact on its profitability and ability to pay dividends.

Snowbird is also subject to foreign exchange registration and approval, if it intends to borrow funds from entities outside of the PRC. In addition, Snowbird needs to obtain approval or registration from Chinese government agencies, if it intends to secure financing through equity contributions from non-PRC residents. In the event that



Snowbird cannot obtain necessary financing on reasonable terms, or at all, it may be forced to scale back its plans for future business expansion.

The occurrence of any of the aforementioned risks, restrictions or exposure could have material and adverse effects on Snowbird's business and its net assets, financial condition and results of operations.

**6.3.13 Snowbird cannot ensure long-term business relationships with its existing customer base**

Snowbird sells its processed Down as well as its Down Products to approx. 47 customers who as wholesalers in turn sell through their own distribution network and/or their retail shops. Snowbird does not control nor participate in the operations of their sales distribution network nor retails shops. Since Snowbird does not have long-term contracts with its customers of more than one year, Snowbird's customers may, at any point in time, cease or alter to Snowbird's disadvantage the present arrangements with Snowbird, in particular in case they start their own production in the PRC. This may have a material and adverse effect on Snowbird's business and its net assets, financial condition and results of operations.

**6.3.14 Snowbird is exposed to the credit risks of its customers**

Snowbird's business and Snowbird's financial results are dependent on the credit worthiness of its major customers. Snowbird's contracts with its customers generally provide specific payment terms, i.e. 60-90 days.

Any deterioration in the financial position of Snowbird's customers, particularly its major customers, may affect Snowbird's profits and cash flow, as these customers may default on their payments to Snowbird. Although Snowbird reviews the credit risk of its customers on a yearly basis, Snowbird cannot assure that such defaults will not take place in the future or that it will not experience cash flow problems as a result of such defaults.

The occurrence of any default in payment may materially and adversely affect Snowbird's business and its net assets, financial condition and results of operations.

**6.3.15 Snowbird may be subject to fluctuations in the prices of raw materials and is dependent on the continuous and timely supply of quality raw materials**

The costs of raw materials accounted for approximately 85.1% and 85.0% of Snowbird's total costs of goods sold for the Financial Year ("FY") FY 2013 and FY2014 respectively, which included in particular raw down and feathers as well as clothing accouterments or accessories. As Snowbird does not have long-term arrangements with its suppliers for such key raw materials, in particular the annual supply contract does not contain any pricing for the period due to the volatility of raw down and feather prices, there is no assurance that Snowbird will be able to obtain, or continue to obtain, quality raw materials at competitive prices. Although Snowbird's raw materials turnover days are maintained at 30 days, the continuous and timely supply of quality raw materials is, however, the basis for quality products. Market prices of such raw materials may fluctuate due to the outbreak of the bird flu or other similar diseases or due to changes in the level of global demand and supply. Any substantial increase in the prices of these raw materials is likely to have a material adverse impact on Snowbird's production costs.



In the event of any significant increase in the costs of such materials and should Snowbird be unable to pass on such costs to Snowbird's customers or do so on a timely basis, Snowbird's business and its net assets, financial condition and results of operations may be materially and adversely affected.

**6.3.16 Snowbird's business depends substantially on the continuing efforts of its management and other key personnel**

Snowbird's future success substantially depends upon the continued services of its management and other key employees. Snowbird's success to date has been largely attributable to the efforts of its management team, in particular Mr. YAN Changzai as chairman of the Management Board (*Vorstandsvorsitzender*) of the Company, who has more than 20 years of experience in the down industry.

There can be no assurance that Snowbird will be successful in retaining its management or key employees or will be able to hire qualified management personnel to replace them, should such a need arise. The demand for such experienced personnel is intense and the search for personnel with the relevant skills set can be time consuming.

In any of the abovementioned events, Snowbird's business may be severely disrupted and its net assets, financial condition and results of operations may be materially and adversely affected.

**6.3.17 Labor costs in the PRC have risen significantly in recent years and could continue to rise significantly**

The increases in minimum wages affect the wages, which Snowbird must pay in order to remain an attractive employer. This may also result in increased prices for its products and services, making Snowbird potentially less competitive, even though Snowbird's labor costs account only for approx. 10.5% and 10.2% of the total costs of goods sold in FY2013 and FY2014 respectively. In addition, new obligations imposed on employers and enhanced employee protection measures, such as restrictions on the dismissal of employees, and the requirement to pay a severance payment in case of prior termination of an employment agreement may also lead to an increase in Snowbird's labor costs.

In the future, labor costs could continue to increase significantly and additional legislation could be enacted that further increases an employer's obligation to pay employee benefits.

In case any of the above mentioned risks materialize, this could have a material and adverse effect on its business and its net assets, financial condition and results of operations.

**6.3.18 Snowbird is exposed to fluctuation in foreign exchange rates against the Renminbi ("RMB")**

Fluctuations in foreign exchange rates against the Renminbi ("RMB"), in particular a strengthening RMB, may cause the price of goods produced in the PRC to be relatively high as compared to products from other countries. Such fluctuations might harm the competitiveness of Chinese exporters, which could negatively affect the sale and export of goods and hence the growth of the PRC companies. Since Snowbird counts some of



these Chinese exporters as its distributors, fluctuations in the RMB exchange rate could also have a material and adverse effect on Snowbird's business and its net assets, financial condition and results of operations.

**6.3.19 Snowbird may be materially and adversely affected if counterfeit products are sold in the market**

Snowbird believes the recognition of its Snowbird brand to be vital in the sale of its products and an effective enforcement of intellectual property rights to be important for the protection of its interests. Besides the products manufactured by Snowbird on the basis of OEM contracts, Snowbird's Down Products are manufactured and marketed under its own brands "Snow Bird" and "Xueniao". Snowbird's brands have been registered as a trademark in the PRC and in Hong Kong, Taiwan and the EU.

Snowbird cannot assure that there will not be any unauthorized usage or misuse of the Snowbird brand as it may be difficult and costly to monitor any infringements in the PRC, although Snowbird employed full time staff to inspect its products in the market and pays the quality inspection authority an annual fee of RMB 100,000 (approx. EUR 12,155) to assist Snowbird to detect fake products by performing random inspection. If Snowbird cannot adequately protect its brand, Snowbird's business and its net assets, financial condition and results of operations and reputation could be adversely affected.

In addition, Snowbird believes the branding of its products and the brand equity in Snowbird's brand is critical to Snowbird's expansion effort and the continued success of its business. Snowbird's efforts to build its brand may be undermined by the sale of counterfeit goods. In order to preserve and enforce Snowbird's intellectual property rights, Snowbird may have to resort to litigation against the infringing or counterfeiting parties. Such litigation could result in substantial costs and diversion of management resources which may have a materially and adversely effect on Snowbird's business and its net assets, financial condition and results of operations.

**6.3.20 Snowbird may be materially and adversely affected if fake down products are sold in the market**

Many companies in the down industry use only 70% down in textiles. Canada's Competition Bureau determines that products need to have at least 75% down content to be labeled as "down", whereas goose down products must contain at least 90% goose down. (Source: The Down Association of Canada, [http://downmark.ca/consumer\\_information/fraud.htm](http://downmark.ca/consumer_information/fraud.htm)).

Cheap copies with low-grade materials are therefore a major worldwide challenge for the down industry. If fake down products are sold in the market, Snowbird would have to compete in price with fake products and loose market share. In such case, Snowbird's business and its net assets, financial condition and results of operations and reputation could be adversely affected.

**6.3.21 Snowbird relies on the effective protection of its patents and its confidential technical know-how**

Snowbird believes that the expertise and technical know-how in the manufacturing of its products contributes to its business success. Besides Snowbird's utility model patents, inter alia, the grading process is part of the patents and Snowbird's technical know-how

in the down processing. Effective protection of this information in its production process is critical to Snowbird's business. Certain patents are registered, which however may not sufficient to protect the respective rights. Also, since other technical know-how is not patented, Snowbird relies on confidentiality restrictions to protect such intellectual property rights. Snowbird is thus exposed to unauthorized disclosure of such proprietary information to its competitors. There is no assurance that Snowbird's controls to maintain confidentiality will be effectively implemented.

In the event that any of its technical know-how should be leaked to its competitors, Snowbird's business and its net assets, financial condition and results of operations may be materially and adversely affected.

#### **6.3.22 Snowbird may inadvertently infringe third-party intellectual property rights**

Snowbird is not aware of, nor has Snowbird received any claims from third parties for any violations or infringements of intellectual property rights of third parties by Snowbird as of the date of this report. Nevertheless, there can be no assurance that new product designs developed by Snowbird (including those which are developed or reproduced in accordance with Snowbird's customers' requirements and specifications) would not inadvertently infringe the intellectual property rights of others, or others would not assert infringement claims against Snowbird or claim that Snowbird has infringed their intellectual property rights. Such claims against Snowbird, even if untrue or baseless, could result in significant costs, legal or otherwise, cause product shipment delays, require Snowbird to develop non-infringing products, enter into licensing agreements or seriously harm the reputation of Snowbird and its brand image. Licensing agreements, if required, may not be available on terms acceptable to Snowbird or at all. In the event of a successful claim of intellectual property rights infringement against Snowbird and its failure or inability to develop non-infringing products or to license the infringed intellectual property rights in a timely or cost-effective basis, Snowbird's business and its net assets, financial condition and results of operations may be materially and adversely affected.

#### **6.3.23 Snowbird's operational, trading and financial planning, internal key control and management reporting systems may be inadequate and its management resources may be insufficient to successfully manage and support its future growth and to ensure accurate financial management**

Snowbird's operational, trading and financial planning, internal key control and management reporting systems may not be fully adequate and thus not provide Snowbird's management with as much or accurate information as required, or not provide the required information in time. Also, the bookkeeping and accounting department may not be able to fully comply with all accounting or trading standards and procedures, such as proper documentation for all transactions, as the basis for reporting and accounting, in particular the bookkeeping and accounting department might fail to fully comply with IFRS standards since these differ from those standards in the PRC. Moreover, the shortage of qualified management and accounting personnel in the PRC in general and in the Henan region in particular may hinder Snowbird from building sufficient personnel resources to ensure accurate financial management.

Any inability to maintain operational, trading and financial planning and management reporting systems, as well as any inability to hire further qualified personnel, may hinder

Snowbird's future successful growth. This may have a material and adverse effect on Snowbird's business and net assets, financial condition and results of operations.

**6.3.24 The Company's Management Board (*Vorstand*) is not experienced in complying with German legal requirements for listed companies and Snowbird currently does not have a comprehensive risk management system in place**

Snowbird has until recently operated as a private Chinese group and maintains a small finance and accounting department. Snowbird is therefore not experienced in dealing with increased legal, accounting transparency, in particular with respect to the International Financial Reporting Standards and International Accounting Standards and Interpretations as endorsed for application in the EU ("IFRS"), and administrative requirements imposed on a publicly listed company in Germany. The obligation to comply with certain reporting, notification, documentation and publication obligations resulting from the admission of the Company's shares to trading in the sub-segment of the regulated market with additional post-admission requirements (Prime Standard) of the Frankfurt Stock Exchange will put increased demand on its finance and accounting departments. In addition, the preparation of quarterly financial reports and annual consolidated financial statements in accordance with IFRS, which the Company will be required to produce after the listing of its shares on the Frankfurt Stock Exchange and the additional reporting requirements it will face as a publicly listed company may pose problems for Snowbird's current financial reporting system. Snowbird may not have an adequate number of management and accounting personnel sufficiently qualified to assist with the preparation of the IFRS financial statements, to install and operate adequate management reporting systems and to meet reporting requirements as a publicly listed company. If the Company should fail to timely issue complete and correct financial statements and reports, it will potentially be exposed to fines and penalties and a decrease in investor confidence thus resulting in a decrease of its share price.

In addition, Snowbird has not yet established a formalized risk reporting system and risk management system as may be customary in European or US listed companies, as such risk management systems are not standard in the PRC. The lack of such formalized systems increases Snowbird's susceptibility to the aforementioned risks. In addition, any gaps or shortcomings of the existing compliance system or the Company's policies and procedures could lead to a restriction of Snowbird's ability to timely recognize and respond to risks and future developments.

If Snowbird fails to comply with its obligations as a publicly listed company or if any risks materialize which could have been prevented by a formalized risk management system, this could have a material adverse effect on Snowbird's business and its net assets, financial condition and results of operations.

**6.3.25 The Company's Supervisory Board (*Aufsichtsrat*) may have difficulties in adequately supervising the Management Board (*Vorstand*) since the management is located in the PRC and the majority of the members of the Supervisory Board reside outside the PRC**

Snowbird's business is located in the PRC and all of its senior management members and directors reside there. The Company is currently a holding company without any significant operational business of its own. The chairlady of the Supervisory Board (*Aufsichtsratsvorsitzende*) resides in Germany and Mr. Bieri resides in Switzerland and

they are, together with the other member of the Supervisory Board (Aufsichtsrat), responsible for the supervision of the Company's Management Board (Vorstand).

However, it may be more difficult for her to fulfill her supervisory duties arising from the German Stock Corporation Act (AktG) vis-à-vis the management residing in the PRC, e.g. according to section 111 AktG, and/or to receive the reports required from the Management Board (Vorstand), e.g. according to section 90 AktG. It may in particular be difficult for the chairlady of the Supervisory Board (Aufsichtsratsvorsitzende) to organize the supervision and to communicate with the Management Board (Vorstand) and to receive at any time all documents that are required to inspect and examine the books and the records of the Company.

These circumstances could have a material and adverse effect on Snowbird's business and its net assets, financial condition and results of operations.

**6.3.26 Mr. YAN Changzai and Mr. CHOI Siu Hung are major direct and indirect shareholders of the Company, respectively, as well as hold management positions in Snowbird. These positions will enable them to exercise significant control over the Company and the entities in the PRC and could subject them to conflicts of interest.**

After the IPO at the Frankfurt Stock Exchange, Mr. YAN Changzai and Mr. CHOI Siu Hung still have major shareholdings in the Company and holding 29.0% and 34.7% of the voting rights respectively. Through these shareholdings, they will be in a position, irrespective of the voting behavior of other shareholders, to exercise considerable influence over all major decisions and developments of the Company. In particular, they will be able to exercise considerable influence at general shareholders' meetings (Hauptversammlungen), and consequently, over decisions regarding measures which are presented for a vote at the general shareholders' meeting (Hauptversammlung) (including the election of the Supervisory Board (Aufsichtsrat) and the approval for important capital measures). Mr. YAN Changzai is chairman of the Management Board (Vorstand) of the Company and legal representative of Snowbird Henan. Mr. CHOI Siu Hung is director of Snowbird HK and legal representative of Snowbird WFOE. Their interests as major shareholders could conflict with their duties as members of the management in Snowbird to act in the best interests of Snowbird and/or the interests of other investors.

Also, as legal representatives of the respective entities in the PRC, Mr. YAN Changzai and Mr. CHOI Siu Hung have full control over all business affairs of Snowbird PRC. The position of legal representative is crucial for the ongoing operations of Snowbird PRC. Under the laws of the PRC and given that Mr. YAN Changzai and Mr. CHOI Siu Hung as major shareholders of the Company have ultimate control over the business of Snowbird, any changes in the position of the legal representative potentially required due to any conflicts of interests between Mr. YAN Changzi and Mr. CHOI Siu Hung personally and the business operations of Snowbird PRC are very difficult to implement.

Any conflicts of interest described above could have a material and adverse effect on Snowbird's business and its net assets, financial condition and results of operations.

**6.3.27 Snowbird does not have the insurance coverage that is customary in more economically developed countries for a business of its type and size and the insurance may not be adequate for Snowbird's operations**

In the PRC, it is not customary to take out an extensive insurance protection for businesses as in more developed economies. Snowbird has taken out two property insurances covering basic risks for its real estate, equipment, current assets (inventory) and Down Products located at Industrial Park of Sunkou Town, Taiqian County, Puyang City, Henan Province, PRC.

However, Snowbird may become subject to liabilities for events that cannot be insured against, e.g. natural disasters, riots, general strikes, acts of terrorism, bird flu or against which it may elect not to be so insured because of high premium costs or other reasons.

A lack of insurance coverage may expose Snowbird to substantial financial risks, for which it may not be adequately compensated. Snowbird does not maintain separate funds or otherwise set aside reserves for these types of events. Any uninsured occurrence of loss or damage, litigation or business disruption may result in Snowbird incurring substantial costs and the diversion of resources, which could have a material and adverse effect on Snowbird's business and its net assets, financial condition and results of operations.

**6.3.28 Snowbird may not be able to maintain and/or obtain approvals and licenses from PRC authorities necessary to carry out or expand its business, to own real property or use land or to cope with future regulatory requirements**

Snowbird requires certain licenses (in particular business license and environmental certificates) to conduct its business. The licenses are subject to periodic renewal by the competent PRC authorities, and the standards of compliance required may change. Snowbird is subject to the supervision of the authorities, each of which may be able to revoke or refuse to grant and/or to extend the licenses. Snowbird has obtained all required certificates. However, there can be no assurance that Snowbird will obtain all necessary licenses or permits in the future.

If any of the activities carried out by Snowbird fails to meet the requirements of current rules or regulations and Snowbird is held liable or responsible, or if Snowbird fails to obtain the grant or renewal of the required licenses, such failure and any potential penalties could have a material and adverse effect on Snowbird's business and its net assets, financial condition and results of operations.

**6.3.29 The Company is a holding company the liquidity of which depends upon having access to the liquid funds of Snowbird Henan, which might not be able to remit profits**

The Company is a holding company without any operating business of its own. Snowbird's assets and operations are located in the PRC. The Company's liquidity therefore depends upon having access to dividend distributions from its indirect PRC subsidiaries through the Company's direct subsidiaries, which are holding companies based in Hong Kong. Current PRC regulations permit the payment of dividends only out of accumulated profits determined in accordance with PRC accounting standards and regulations. In addition, a PRC company is required to set aside at least 10% of its after-tax profits each year to fund a statutory capital reserve fund until such reserves in aggregate reach 50% of its registered capital and may be required to further set aside a portion of its after-tax profits to fund the employee welfare fund. These reserves are not distributable as cash dividends.



Further, under PRC foreign exchange rules and regulations, payments of recurring account items, including profit distributions and operating-related expenditures, may generally be made in foreign currencies without prior approval but are subject to procedural requirements. Strict foreign exchange controls generally apply to certain capital account transactions. These transactions must be approved by and/or registered with the State Administration of Foreign Exchange (“SAFE”) or its local counterparts.

There can be no assurance that the entities of Snowbird will be able to meet all of their foreign currency obligations under PRC laws or to remit profits out of PRC. Should Snowbird Henan be, or become, restricted and/or legally prohibited from and/or unable to pay dividends or to make other distributions outside the PRC, this could have a material and adverse effect on the net assets, financial condition and results of operations of the Company.

**6.3.30 The tax burden of Snowbird may increase as a result of tax audits**

In the past two years, none of the entities of Snowbird has undergone a special tax investigation from the relevant tax authorities. A future tax investigation or tax review may reveal that the tax authorities have views on tax regulations and circumstances that are different from those of Snowbird. In particular, the possibility cannot be excluded that Snowbird PRC will be required to make additional tax payments.

**6.3.31 Snowbird may be materially and adversely affected by the bird flu or other similar communicable diseases**

Snowbird’s business and industry depends on the continued acceptance by its consumers for down products and the continued availability of down at commercially reasonable prices. As a result, an outbreak of the bird flu and similar communicable diseases may result in a mass extermination of ducks and geese which will lead to a decline in the availability of down. In addition, there may be generally a decline in the supply of workers who are willing to work with ducks and geese during the period of a bird flu outbreak, which could also lead to a decline in down supply. Any significant decline in down supply in the market will generally lead to increases in down prices. Furthermore, Snowbird’s sales may decline significantly if its consumers perceive down products as unsafe. Thus, an outbreak of the bird flu or other similar communicable diseases may adversely affect Snowbird’s business and its net assets, financial condition and results.

**6.3.32 There can be no assurance that Snowbird will not encounter disruptions in the supply of electricity and water which could cause a disruption to its production and affect its overall operation efficiencies**

Snowbird’s production facilities consume substantial amount of electricity and water. The water is supplied from Taiqian County and the electricity is also supplied from a power plant in Taiqian County.

There can be no assurance that Snowbird will not encounter disruptions in the supply of electricity and water caused by problems in the hydroelectricity power plant itself, problems with electricity supply lines, contamination of its source of water, natural calamities such as droughts or earthquakes, governmental acts such as prohibition from or withdrawal of the approval on the use of the water resources or any other factors which could cause a disruption to its production and affect its overall operation

efficiencies. Force majeure events may also materially and adversely affect the operations, performance of its suppliers, distributors and/or the sales and demand of its products in the relevant markets. In any of these events, Snowbird may not be able to obtain alternative supply in time or at all, the Group's business and its net assets, financial condition and results might be materially adversely affected.

#### **6.4 Risks and opportunities specific to Snowbird AG**

Snowbird AG is a holding company without any operating business of its own. The Group's assets are largely located in China. Accordingly, Snowbird Group is facing risks related to the political, social and legal environment of the China. Those risks include inherent uncertainties and inconsistencies in the country's legal system including national taxation laws, a potential destabilization of the political and/or economic system and China regulations pertaining to loans and capital investments by offshore parent companies delaying or preventing Snowbird from using proceeds for investments in the China.

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

Should any of the Chinese subsidiaries of Snowbird be, or become, restricted and/or legally prohibited from and/or unable to pay dividends or other distributions outside of China, this could have material adverse effects on the Group's subsidiaries/holding company outside China.

Management recognise these risks and will continue to monitor the development of the political and legal environment in China. Any adverse or potential changes will be dealt according and if necessary, external assistance will be sought to mitigate the risk mentioned.



## **OPPORTUNITIES OF SNOWBIRD GROUP**

Opportunity of Snowbird AG is to receive dividend or interest income from its subsidiaries. Hence the opportunities of Snowbird Group depend on the positive development of the Chinese subsidiaries, which are described in this section and section 9.1 (Outlook) of this report.

### **6.5 Assessment of Overall Risk Situation**

The main potential risks to the future developments of the Group are posed in particular by risks arising from the macroeconomic and legal conditions in the PRC as well as from the on-going demand of the adaption of the internal organisation and financing to the intended growth of Snowbird Group.

Overall risk and overall opportunities are assessed based on information from the risk and the opportunity management systems, which are not yet formalized and not able to measure risks and opportunities that could arise for the Company. The Management Board of Snowbird AG believes that the current organizational structures and processes make early identification and assessment of risks possible, but is aware that the establishment of formal risk management and early risk detection system to evaluate the risks and opportunities independently and thus permit suitable compensation measures to be used is necessary.

## **7. DEPENDENT COMPANY REPORT (RELATED PARTY TRANSACTIONS)**

No dependent company report is required given the existing shareholder structure in Snowbird AG.

## **8. EVENTS AFTER THE REPORTING PERIOD**

There are no significant events occurred subsequent to the reporting period that could have a significant impact on earnings, assets and financial position of Snowbird AG.

Snowbird AG plans a secondary listing on Singapore Stock Exchange. It is envisaged to take place in the second half of this year. The listing shall be combined with a capital increase aiming at collecting up to EUR 50 million for further expansion of the business of Snowbird in China. Management and Supervisory Board have agreed to pursue the transaction with all efforts. Details of the transaction structure are however still to be decided. The transaction is also subject to the fulfillment of further regulatory and other capital market requirements.

## 9. OUTLOOK

### 9.1 Market development and sector trends

Snowbird is targeting at both domestic and international market. The favorable recent trends affecting Snowbird's business and the down industry in which it operates include:

#### **Rising industry**

Down and down products industry in China has been on rising strong trend. Market size for down, down garments and down bedding had been growing tremendously at 22.0%, 16.0% and 21.0% respectively in 2013 as compared to 2012. (Source: National Bureau of Statistics, Respect Marketing Research Inc., 2013).

#### **Growth in international demand for Down**

China is a large nation cultivating geese and ducks and outputs 200,000t down and feathers annually, taking up 80% of the world total. (Source: "Down Industry in China", by Respect Marketing Research Inc. in February 2014). Export of down and feathers had been growing at 30.8% in 2013 as compared to 2012. (Source: General Administration of Customs, 2013).

#### **Growth in domestic demand for down garment**

Rise in the living standard, especially of the small towns and rural residents, and the relatively lower price and warmth-retention property of down garments have great market appeal, which will expand the total demand and market size of China down garments. In addition, China has a population of 1.3 billion, a majority of whom live in areas where down garments are needed in winter. The Chinese down garment market is far from saturation and has great development potential (Source: Market Research Report, 2014).

#### **Rise in popularity of down bedding in China**

According to the China Feather & Down Industrial Association, in developed countries, almost every person has one duvet; the popularization rate of duvet in Japan, US and Europe is 104%, 86.7% and 89.3% respectively while in China it is less than 1%. Rising popularity of down bedding has created huge opportunity for Snowbird's down bedding products.

### 9.2 Earnings, net assets and financial position of the Group

Barring unforeseen circumstances, with reference to the expected market development and the sector trends, the Management Board expects to at least to maintain the 2014's revenues and gross profit in 2015. The Management Board expects increasing selling and

administrative expenses for 2015 in order to continue to be able to achieve our sales targets

Barring unforeseen circumstances, the Management Board expects that net assets and financial position to grow in 2015.

### **9.3 Future development of Snowbird AG**

Since Snowbird AG is the holding company of the Snowbird Group and the main business operations are performed in the PRC, the future development of Snowbird AG depends not simply on macroeconomic developments, but also on the development of the operational entities in the PRC. With accounting for expected dividend payments and other compensations from affiliated companies, Snowbird AG expects to post a significant increased net profit in FY 2015.

### **9.4 Overall statement of future business development**

Since Snowbird's products are targeted mainly at the domestic market, the economic development of the PRC is of central importance for its business. Although annual growth in China's GDP recently slipped to 7%, the accompanying increasing in income, ongoing urbanisation, higher productivity and the growth of added value are continuing. The company assumes that consumer spending will be the main growth driver in the future. Chinese consumers are becoming increasingly quality-conscious and fashion trends and brand awareness are becoming more significant for purchasing decisions. Snowbird therefore sees good prospects of raising its share of the market for down clothing and fashion in the coming years.

Hamburg, 28 April 2015

Snowbird AG

The Management Board

YAN Changzai (CEO)

QIU Duoxiang (COO)

LAM Kok Weng (CFO)



## **RESPONSIBILITY STATEMENT**

We hereby declare that, to the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and that the management includes a fair view of the development and performance of the business and position in the Group, together with a description to the principal opportunities and risks associated with the expected development of the Group.

Hamburg, 28 April 2015

Snowbird AG

The Management Board

YAN Changzai (CEO)

QIU Duoxiang (COO)

LAM Kok Weng (CFO)

**SNOWBIRD AG**

**CONSOLIDATED FINANCIAL STATEMENTS**  
*For The Financial Years Ended*  
**31 December 2014**

**CONTENTS**

Statement of Financial Position

Statement of Comprehensive Income

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

Auditors Opinion

# SNOWBIRD AG

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014 AND 2013

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		2014	2013
	NOTE	EUR'000	EUR'000
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Property, plant and equipment	4	20,629	16,982
Intangible assets	5	10	11
Lease prepayment – land use rights	6	4,660	1,963
		<u>25,299</u>	<u>18,956</u>
CURRENT ASSETS			
Inventories	7	18,952	10,778
Receivables and prepayments	8	74,577	54,829
Cash and cash equivalents	9	56,719	16,755
		<u>150,248</u>	<u>82,362</u>
TOTAL ASSETS		<u>175,547</u>	<u>101,318</u>
<b>EQUITY AND LIABILITIES</b>			
EQUITY			
Share capital	10	31,583	50
PRC Statutory reserve	10	6,679	6,386
Capital reserve	10	6,631	-
Foreign currency translation reserve	10	14,872	2,347
Merger reserve	10	(20,092)	11,119
Retained earnings	10	87,078	47,649
		<u>126,751</u>	<u>67,551</u>
TOTAL EQUITY		<u>126,751</u>	<u>67,551</u>

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# SNOWBIRD AG

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014 AND 2013

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NON-CURRENT LIABILITY			
Loans and borrowings	11	<u>-</u>	<u>4,397</u>
		-	4,397
CURRENT LIABILITIES			
Payables and accruals	12	34,167	19,090
Dividend payables	18	-	-
Loans and borrowings	11	10,039	8,190
Income tax payable		4,590	2,090
		<u>48,796</u>	<u>29,370</u>
TOTAL LIABILITIES		<u>48,796</u>	<u>33,767</u>
TOTAL EQUITY AND LIABILITIES		<u>175,547</u>	<u>101,318</u>

**The figures for 2013 concern the Consolidated Financial Statements of Snowbird AG are presented for the purpose of comparison. Please refer to explanation in Note 2.2.**



# SNOWBIRD AG

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014 AND 2013

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	NOTE	2014 EUR'000	2013 EUR'000
REVENUE	13	191,453	136,888
COST OF SALES	14	(115,802)	(83,913)
GROSS PROFIT		75,651	52,975
OTHER INCOME	13	994	1,260
SELLING AND DISTRIBUTION EXPENSES	15	(13,699)	(9,083)
ADMINISTRATIVE AND OTHER EXPENSES	16	(8,931)	(6,161)
FINANCE COSTS		(753)	(823)
PROFIT BEFORE TAXATION		53,262	38,168
INCOME TAX EXPENSE	17	(13,540)	(9,941)
PROFIT AFTER TAXATION		39,722	28,227
OTHER COMPREHENSIVE INCOME			
- Foreign currency translation differences		12,525	(996)
TOTAL COMPREHENSIVE INCOME		52,247	27,231

TOTAL COMPREHENSIVE INCOME

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# SNOWBIRD AG

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014 AND 2013

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ATTRIBUTABLE TO: OWNERS OF THE COMPANY	52,247	27,231
	<hr/>	<hr/>
EARNINGS PER SHARE	<b>EUR</b> 1.31	<b>EUR</b> 0.94

# SNOWBIRD AG

## STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014 AND 2013

	NOTE	SHARE CAPITAL EUR'000	PRC STATUTORY RESERVE EUR'000	CAPITAL RESERVE EUR'000	FOREIGN CURRENCY TRANSLATION RESERVE EUR'000	MERGER RESERVE EUR'000	RETAINED EARNINGS EUR'000	TOTAL EQUITY EUR'000
Balance at 1.1.2013		50	4,362	-	3,343	11,059	21,446	40,260
Profit for the financial year		-	-	-	-	-	28,227	28,227
Foreign currency translation difference		-	-	-	(996)	-	-	(996)
Total comprehensive income for the financial year		-	-	-	(996)	-	28,227	27,231
Acquisition of subsidiary		-	-	-	-	60	-	60
Transfer to statutory reserve		-	2,024	-	-	-	(2,024)	-
Balance at 31.12.2013 / 1.1.2014		50	6,386	-	2,347	11,119	47,649	67,551
Profit for the financial year		-	-	-	-	-	39,722	39,722
Foreign currency translation difference		-	-	-	12,525	-	-	12,525
Total comprehensive income for the financial year		-	-	-	12,525	-	39,722	52,247
Issue of new shares		31,533	-	6,631	-	-	-	38,164

The annexed notes form an integral part of these financial statements.

# SNOWBIRD AG

## STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014 AND 2013

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Acquisition of subsidiary	-	-	-	-	(31,211)	-	(31,211)
Transfer to statutory reserve	-	293	-	-	-	(293)	-
Balance at 31.12.2014	<u>31,583</u>	<u>6,679</u>	<u>6,631</u>	<u>14,872</u>	<u>(20,092)</u>	<u>87,078</u>	<u>126,751</u>

# SNOWBIRD AG

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014 AND 2013

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	NOTE	2014 EUR'000	2013 EUR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		53,262	38,168
Adjustments for:			
Depreciation of property, plant and equipment		1,366	1,095
Plant and machinery written off		-	1
Amortisation of land use rights		72	45
Amortisation of intangible assets		1	1
Interest expense		753	823
Interest income		(97)	(83)
Operating profit before working capital changes		55,357	40,050
Increase in inventories		(8,174)	(6,991)
Increase in receivables and prepayments		(19,748)	(20,009)
Increase in payables and accruals		15,043	2,290
<b>CASH FROM OPERATIONS</b>		42,478	15,340
Interest received		97	83
Interest paid		(753)	(823)
Income tax paid		(11,029)	(8,768)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		30,793	5,832
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(2,995)	(11,102)
Acquisition of intangible assets		-	(1)
Lease prepayment for land use rights		(2,528)	-
Acquisition of subsidiary companies		(1,261)	60
<b>NET CASH FOR INVESTING ACTIVITIES</b>		(6,784)	(11,043)
<b>BALANCE CARRIED FORWARD</b>		24,009	(5,211)

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# SNOWBIRD AG

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014 AND 2013

(CONT'D)

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	NOTE	2013 EUR'000	2013 EUR'000
BALANCE BROUGHT FORWARD		24,009	(5,211)
CASH FLOWS FOR FINANCING ACTIVITIES			
Proceeds from issuance of shares		8,214	-
Net (repayment) / proceeds from bank borrowings		(2,549)	834
Dividends paid		-	(8,396)
NET CASH FOR FINANCING ACTIVITIES		5,665	(7,562)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		29,674	(12,773)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		16,755	30,465
Effects of currency translation differences		10,290	937
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		56,719	16,755

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## **1. GENERAL INFORMATION**

### **1.1 The Company**

The legal name of the Company is Snowbird AG. The Company acts under the commercial name "Snowbird AG". Snowbird AG is the parent company.

The registered office (Satzungssitz) of the Company is in Cologne, Germany and the Company is registered with the commercial register of the local court (Amtsgericht) of Cologne under the registration number HRB 76323. The business address is c/o HRG Hansische Revisions-Gesellschaft mbH, Wirtschaftsprüfungsgesellschaft, Ferdinandstraße 25, 20095 Hamburg, Germany.

The Company is a German stock corporation (Aktiengesellschaft). The legislation under which the Company operates is German Law. Country of incorporation is Germany.

The shares of Snowbird AG have been admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange on 29 September 2014. The first trading price is EUR6.40 per share.

Snowbird AG is principally engaged in the manufacturing of down, down clothing, down bedding and non-down OEM clothing. There have been no significant changes in the nature of these activities during the financial year ended 31 December 2014.

The consolidated financial statements were approved by the Management Board on 28 April 2015.

The consolidated financial statements are expressed in Euro ("EUR"). Amounts are stated in thousands of Euro (kEUR) except where stated otherwise.

The business and operations of the Company and its subsidiaries are mainly conducted in Renminbi (RMB). Therefore, Group functional currency is RMB.

Dividends to be paid by the operating PRC subsidiaries are subject to the approval of the relevant Chinese government authorities. In addition, dividends are payable only if Chinese statutory reserve (PRC statutory reserve) satisfy the relevant legal requirements. Please refer to Note 10.2 for further details.

Transfer of cash out of China required approval from the State Administration of Foreign Exchange ("SAFE").

## 1.2 Group structure

The Company is as the ultimate holding company of the Group.

Name of the company	Shares held by the Company	Equity at 31 Dec 2014 (kEUR)	Net profit / (loss) FY2014 (kEUR)	Nature of investment
Snowbird (Hong Kong) Holding Company Limited ("Snowbird HK")	100%	8,160	2,169	Direct
Puyang Snowbird Trading Co., Ltd ("Snowbird Puyang")	100%	8,417	2,778	Indirect
Henan Snowbird Enterprise Co., Ltd ("Snowbird Henan")	100%	117,385	40,454	Indirect

### Snowbird HK

Snowbird HK is a limited liability company incorporated under the laws of Hong Kong. Snowbird HK is an intermediate holding company and is the sole direct shareholder of Snowbird Puyang.

The current paid up share capital is HKD78,005,103 divided into 78,005,103 share of HKD1.00 each has been fully paid.

Existing directors are Mr. CHOI Siu Hung, Mr. YAN Changzai and Mr. XU Beifang.

### Snowbird Puyang

Snowbird Puyang is incorporated as a limited liability company under the laws of the PRC. Snowbird WFOE is a further intermediate company with very few operative activities and the sole direct shareholder of Snowbird Henan.

The current registered share capital is USD10,082,000 has been fully paid.

Existing sole director is Mr. CHOI Siu Hung.

### Snowbird Henan

Snowbird Henan is incorporated as a limited liability company under the laws of the PRC. The operational business of the Group is almost exclusively carried out by Snowbird Henan with its business addresses located at Taiqian Industrial Park, Puyang City, Henan Province, PRC.



The current registered share capital is RMB108,490,000 has been fully paid.

Existing sole director is Mr. YAN Changzai.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU IFRS”) as well as within the regulations under the commercial law set forth in Section 315a (I) of the German Commercial Code (Handelsgesetzbuch – HGB). The Group adopted EU IFRS that were effective on or before 1 January 2015. The Financial statements have been prepared under historical cost convention, except as disclosed in the accounting policies below.

The company has adopted IFRS for the first time and has not prepared consolidated financial statements before either under IFRS nor under local GAAP. The company is a first time adopter in accordance with IFRS 1 and has applied all standards and interpretations that were mandatory at 31 December 2014. Reconciliation according to IFRS 1.24 is not applicable because there were no consolidated financial statements of the reporting unit according to the international or local accounting standards.

The requirement of Section 315a of the German Commercial Code (HGB) regarding the preparation of consolidated financial statements in accordance with IFRS, as endorsed by EU, are met.

The following new or revised IFRS, 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.

<b>IFRSs and Interpretations</b>		<b>Effective Date</b>
IFRS 9	Financial Instruments	1 January 2018
IFRS 10 and IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IFRS 10, IFRS 12 and IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Consolidation Exemptions for Investment Entities	1 January 2016
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accruals	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 1	Presentation of Financial Statements	1 January 2016

IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16 and IAS 41	Agriculture – Bearer Plants	1 January 2016
IAS 19	Employee Benefits: Defined Benefit Plans – Contributions from Employees *	1 January 2016
IAS 27	Separate Financial Statements: Equity Method	1 January 2016
	Improvements to International Financial Reporting Standards 2012 *	1 January 2016
	Improvements to International Financial Reporting Standards 2013 *	1 January 2015
	Improvements to International Financial Reporting Standards 2014	1 January 2016
IFRIC 21 *	Levies	1 January 2015

\* already endorsed by the EU

The significant accounting policies that have been used in the preparation of these financial statements are summarized below.

Assets and liabilities that are included in the balance sheet, are distinguished between short term and long term, and are described in details in the notes to the financial statements. The consolidated statement of comprehensive income is prepared using the cost of sales method. Profits are compared with the cost incurred for their realization. The costs are allocated to the functional areas: production, sales and administration.

### **Effects of new and revised standards**

The company has applied all standards and interpretations that were mandatory at 31 December 2014.

IFRS 10 governs the determination of the entities to be included in consolidation and the form of inclusion of subsidiaries in the consolidated financial statements. IFRS 10 has resulted in a standardized control concept. Control exists when decision-making rights are held with respect to the relevant activities that can be used to affect own variable returns. Nearly all control relationships in Snowbird AG are based on voting or similar rights. All of the material special purpose entities and/or structured entities are already consolidated. The revision of the control concept therefore does not result in any changes.

IFRS 11 governs the definition and reporting of joint arrangements. The standard distinguishes between joint operations and joint ventures. A joint operation exists when the companies with joint control have rights to the assets and obligations to the liabilities resulting from the joint activity. With joint ventures, by contrast, the companies are only entitled to share of the net assets. Applying IFRS 11 does not result in any changes of the Snowbird Group.

IFRS 12 dealing with the disclosure requirements for subsidiaries, joint arrangements, associated companies and structured entities. The extent of the information that must be disclosed is increased by IFRS 12.

## 2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary companies. The Company has power over the business and operations of the subsidiary companies, has the rights to variable returns from its involvement with the subsidiaries and has the ability to use its power to affect its returns.

Should facts and circumstances indicate that there are changes to one or more of elements above, the Company reassess whether or not it controls the subsidiaries. The company consider all relevant facts and circumstances in assessing whether or not the company's voting rights in the subsidiary is sufficient to give it power and any additional facts and circumstances to indicate that the company has or does not has the ability to direct the relevant activities at the time that decision need to be made, including voting pattern of the previous shareholders' meeting.

Consolidation of a subsidiary company begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the company gains control until the date the company ceases to control the subsidiary.

Profit and loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the company's owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carry amounts of the controlling and non controlling interests are adjusted to reflect changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the parent.

Snowbird Group was formed in July 2014 when Snowbird AG eventually acquired 100% of the shares in Snow Bird (Hong Kong) Holding Company Limited ("Snowbird HK") by a contribution in kind. Because of the shareholding structure before and after the transaction, the transaction is considered to be transaction under common control within the meaning of IFRS 3.B1, for which IFRS 3 is not applicable and reverse acquisition in term of IFRS 3.B19 is also not applicable, because the presence of a business in the Snowbird Group prior to the transaction would have been a precondition.

Due to the complexity of the issue as well as missing explicit framework of regulation within IFRS, the contribution of shares of the Snowbird HK into the Snowbird Group have been recognised, considering the economic substance of the transaction analogous to a reverse acquisition.

## 2.3 Property, plant and equipment

### (a) Recognition and measurement

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

### (b) Depreciation

Depreciation is provided on the straight-line basis so as to write off the cost of property, plant and equipment net of the estimated residual values over their estimated useful lives as follows:

	<b>Estimated Useful Lives</b>	<b>Estimated Residual Value as a Percentage of Cost</b>
Building	20 years	10%
Plant and machinery	10 years	10%
Office equipment	5 years	10%
Motor vehicles	5 years	10%

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

### (c) Subsequent Cost

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing part of an item of equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of the equipment are recognised in profit or loss when incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of

dismantling and removing the asset and restoring the site on which it is located for which the Company is obligated to incur when the asset is acquired, if applicable.

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

## **2.4 Lease Prepayment**

Lease prepayments represent prepayments of land use rights paid to the various PRC land bureaus. Lease prepayments are carried at cost less amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the period of the land use rights, which are 50 years from the respective dates that they are available for use.

## **2.5 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting and adjusted, if appropriate.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

## **2.6 Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible assets, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit and loss when the asset is derecognised. It is recognised in other income or other expenses.

## **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 is determined on an individual asset basis unless that 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 by the cash flows 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 the recoverable amount is recognised as an impairment loss in the profit and loss. If the asset is carried as revalued amount, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if there is a change in the estimates used to determine the assets’ recoverable amount since the last impairment loss was recognised. The carrying amount of these assets is increased to its revised recoverable amount provided that this amount does not exceed the carrying amount that would have been determined if no impairment loss have been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in the profit and loss unless the asset is carried at revalued amount.

Until now, the revaluation method has not been used.

## **2.8 Financial instruments**

Financial assets and financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

## 2.8.1 Financial Assets

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

At the end of the financial year, the Group holds solely financial assets classified as loans and receivables.

### **Effective Interest Method**

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instruments or where appropriate, a shorter period. Income or expense is recognised on an effective interest basis for debt instruments.

### Loans and Receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

### Available-For-Sale Financial Assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve in equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit or loss. The fair value of investments that are actively traded in organised financial

markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business in the end of the reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions by reference to the current market value of another instrument, discounted cash flow analysis and option pricing models.

#### Impairment of financial assets

The Company makes allowance for impairment based on an assessment of the recoverability of trade and other receivables. Allowance is applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and the allowance for impairment in the financial year in which such estimate has been changed.

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

#### 2.8.2 Financial Liabilities and equity

Financial liabilities are classified as either financial liabilities measured at amortised costs such as interest-bearing liabilities and trade and other payables, or financial liabilities designated at fair value through profit or loss.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities.

#### **Effective Interest Method**

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees on points paid or received that form an integral part of the



effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instruments or where appropriate, a shorter period. Income or expense is recognised on an effective interest basis for debt instruments.

Interest expense is recognised on effective interest basis.

Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

The Group's financial liabilities include trade and other financial payables.

## **2.9 Other provisions and contingent liabilities**

Provisions are recognised when the Group has a present obligation as a result of a past event where it is probable that it will result in an outflow of economic benefits that can be reasonably estimated. Provisions are not recognised for future operating losses. Where the Group expect some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually clean. However, the 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.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

All provisions and contingent liabilities are reviewed at each reporting date and adjusted to reflect the current estimate.

## **2.10 Inventories**

Inventories are carried at the lower of cost and net realisable value. Cost is determined on the weighted average method and comprises all cost of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes direct labor and an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any

write-down of inventories, arising from an increase in net realisable value, is recognised in profit or loss in the period in which the reversal occurs.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses the estimations at the end of the reporting period.

## **2.11 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Group has not entered into finance leases in the reporting period and in preceding periods.

The Group leases office space over a period of two years under operating leases. Substantial risks and rewards incidental to ownership of the leased assets are retained by the lessors.

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease.

## **2.12 Recognition of revenues and other income**

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

### *Sale of Goods*

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

### *Interest Income*

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

*Government grants*

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

**2.13 Employee benefits – retirement benefits scheme**

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

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

The company has no direct or indirect pension obligations, which would be classified as defined benefit obligation.

**2.14 Income tax**

Income tax expense comprises current tax and income tax. Current and deferred tax are recognised in the income statement unless they are relate to items that are recognised either in other income or directly in equity.

*Current tax*

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 substantially enacted by the end of the reporting period in the respective countries in which the Group is operating.

### *Deferred tax*

Deferred tax is recognised for all temporary differences arising between the tax bases of the assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible taxable temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred income tax is not recognised when the deferred income tax arising 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 and 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 differences and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred 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:

- 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 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.

The carrying amount of the deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

## **2.15 Foreign currency translation**

### **2.15.1 Functional and reporting currency**

The items in the financial statements are measured in 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 in Renminbi ("RMB").

The financial statements of the Group are presented in EUR, being the presentation currency with respect to the ultimate German domiciled legal parent and holding company and therefore the financial statements of the PRC subsidiary companies have been translated from RMB to EUR and the Hong Kong subsidiary company has been translated from HKD to EUR at the following rate:

	Period end rates	Average rates
31 December 2014	EUR1.00=RMB 7.4708	EUR1.00=RMB 8.1685
31 December 2014	EUR1.00=HKD 9.4302	EUR1.00=HKD 10.3069
31 December 2013	EUR 1.00=RMB 8.4146	EUR 1.00=RMB 8.2270
31 December 2013	EUR1.00=HKD 10.6774	EUR1.00=HKD 10.3019

The results and financial positions in functional currency are translated into the presentation currency for purpose of presentation in the listing prospectus of its intended ultimate legal parent as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) Income and expenses for each income statement are translated at average exchange rate (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 transaction); and
- (c) All resulting exchange differences are recognised in translation reserve, a separate component of equity.

Other comprehensive income comprises only gains and losses arising from translating the financial statements of the foreign operations. The currency translations do not imply any current or deferred tax effects.

#### 2.15.2 Translations and balances

Transactions in foreign currencies are translated at foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into RMB at foreign exchange rates ruling at those dates. Non-monetary assets and liabilities measured at cost in a foreign currency are translated using exchange rates that existed when the values were

determined. Foreign exchange differences arising from translation are recognised in profit or loss.

## **2.16 Critical accounting judgements and estimates of uncertainty**

### 2.16.1 Critical accounting judgements in applying accounting policies

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

### 2.16.2 Estimation of uncertainty

#### *Income taxes*

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

#### *Depreciation of Property, Plant and Equipment*

The cost of equipment is depreciated on a straight-line basis over their economic useful lives estimated to be within 5-20 years, net of residual value. The carrying amounts of these assets of the Company were kEUR20,629 and kEUR16,982 as at 31 December 2014 and 2013 respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation could be revised.

### *Inventories*

Inventories are carried at the lower of cost and net realisable value. Cost is determined on the weighted average method and comprises all cost of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes direct labor and an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

In the process of applying the policies as described above, the management is of the opinion that there are no instances of application of judgements which are expected to have a significant affect on the amounts recognized in the financial statements.

### *Impairment of trade receivables*

The Group reassesses the collectability of trade receivables. The 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 make a provision, if any.

## **3. 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 down, down clothing, down bedding and non-down OEM clothing, which are the Company's four 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 use for segment reporting under IFRS 8 are the same as those used in its financial statements.



#### 4. PROPERTY, PLANT AND EQUIPMENT

	Building EUR'000	Building under construction EUR'000	Plant and machinery EUR'000	Motor vehicle EUR'000	Office equipment EUR'000	Total EUR'000
<b>Cost</b>						
At 1 January						
2013	3,543	1,412	4,589	308	100	9,952
Additions	12	6,317	4,715	50	8	11,102
Transferred	5,458	(5,458)	-	-	-	-
Written off	-	-	(1)	-	-	(1)
Exchange differences	(32)	(13)	(42)	(3)	(1)	(91)
At 31 December 2013	8,981	2,258	9,261	355	107	20,962
Additions	-	2,025	911	19	40	2,995
Transferred	-	-	(2)	-	2	0
Exchange differences	1,134	285	1,170	45	13	2,647
At 31 December 2014	10,115	4,568	11,340	419	162	26,604
<b>Accumulated</b>						
<b>Depreciation</b>						
At 1 January						
2013	1,140	-	1,630	97	69	2,936
Depreciation	321	-	703	56	15	1,095
Exchange differences	(18)	-	(30)	(2)	(1)	(51)
At 31 December 2013	1,443	-	2,303	151	83	3,980
Depreciation	417	-	878	63	8	1,366
Exchange differences	220	-	373	25	11	629
At 31 December 2014	2,080	-	3,554	239	102	5,975

#### 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Building EUR'000	Building under construction EUR'000	Plant and machinery EUR'000	Motor vehicle EUR'000	Office equipment EUR'000	Total EUR'000
<b>Net Book Value</b>						
At 31 December 2013	7,538	2,258	6,958	204	24	16,982
At 31 December 2014	8,035	4,568	7,786	180	60	20,629

All property, plant and equipment held by the Group are located in the PRC. They are recorded at cost less accumulated depreciation.

The buildings and certain items of plant and equipment of the Company with a total carrying amount of kEUR3,722 and kEUR3,765 for the financial years ended 31 December 2014 and 2013 respectively, have been pledged to bank as security for term loan facilities granted to the Company (Note 11).

## 5. INTANGIBLE ASSETS

	Accounting software EUR'000	Trademark EUR'000	Total EUR'000
<b>Cost</b>			
At 1 January 2013	7	5	12
Additions	1	-	1
At 31 December 2013	8	5	13
Additions	-	-	-
At 31 December 2014	8	5	13
<b>Accumulated amortisation</b>			
At 1 January 2013	1	-	1
Amortisation	1	-	1
At 31 December 2013	2	-	2
Amortisation	-	1	1
At 31 December 2014	2	1	3
<b>Net Book Value</b>			
At 31 December 2013	6	5	11
At 31 December 2014	6	4	10

The Company registered its trademark "Xueniao" under Community Trade Marks on 15<sup>th</sup> February 2012 with a 10 year licence period.

The Company acquired the rights for using the Kingdee accounting software during 2012 with a licence period of 10 years.

## 6. LEASE PREPAYMENT - LAND USE RIGHTS

	2014 EUR'000	2013 EUR'000
<b>Cost</b>		
At 1 January	2,209	2,229
Additions	2,528	-
Exchange differences	280	(20)
At 31 December	<u>5,017</u>	<u>2,209</u>
<b>Accumulated amortisation</b>		
At 1 January	246	203
Amortisation	72	46
Exchange differences	39	(3)
At 31 December	<u>357</u>	<u>246</u>
<b>Net Book Value</b>		
At 31 December	<u>4,660</u>	<u>1,963</u>

Lease prepayment – land use rights represent cost of land use rights in respect of land located in the PRC with a lease period of 50 years when granted.

## 7. INVENTORIES

	2014 EUR'000	2013 EUR'000
Raw materials	4,967	5,837
Work-in-progress	371	112
Finished goods	13,614	4,829
	<u>18,952</u>	<u>10,778</u>

There are no write-down or write-up on inventories have been carried in both financial year 2014 and 2013.

## 8. RECEIVABLES AND PREPAYMENTS

	2014 EUR'000	2013 EUR'000
Trade receivables	67,305	47,867
Other receivables	10	1,087
Prepayments	6,258	5,875
Deposits	1,004	-
	74,577	54,829

(i) The Company's normal trade credit terms range from 30 to 90 days.

(ii) As at 31 December, prepayments comprised:

- (a) Lease prepayment for land use rights for new factory location amounting to Nil and kEUR2,245 for the financial years 2014 and 2013 respectively; and
- (b) Amount of kEUR6,258 and kEUR3,512 as advance payment to suppliers for purchase of stock for financial years 2014 and 2013; and
- (c) Professional fee prepaid to lawyer and auditor relates to IPO exercise amounting kEUR119 for financial year 2013.

(iii) As at 31 December 2013, other receivables comprise subsidy granted from the Chinese government authority.

(iv) As at 31 December 2014, deposits comprise of the deposits paid to acquire sewing machines.

Trade receivables aging based on invoice date are as follows:

	2014 EUR'000	2013 EUR'000
Not past due and not impaired	64,408	46,857
Past due but not impaired:		
- less than 3 months	2,897	1,010
- between 3 to 6 months	-	-
- more than 6 months	-	-
	67,305	47,867

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

*Trade receivables that are past due but not impaired*

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

*Trade receivables that are neither past due nor impaired*

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

## 9. CASH AND CASH EQUIVALENTS

	2014 EUR'000	2013 EUR'000
Cash at bank	56,710	16,748
Cash on hand	9	7
	56,719	16,755

Cash and bank balances are denominated in the following currencies:

	2014 EUR'000	2013 EUR'000
Chinese Renminbi	55,603	16,396
US Dollar	205	304
Hong Kong Dollar	192	-
EURO	719	55
	56,719	16,755

The Chinese Renminbi carried in the Chinese subsidiary companies' book is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations the Company is permitted to exchange Chinese Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

## 10. EQUITY

### 10.1 Share capital

The movements in the paid-in capital are as follows:-

	EUR'000
At date of incorporation on 23.04.2012 (1)	50
Issuance of new ordinary shares on 10.07.2014 (2)	29,950
Issuance of new ordinary shares on 25.09.2014 (3)	1,583
	31,583

(1) At date of incorporation, issued capital consist of 50,000 new no par value ordinary bearer shares in the Company.

(2) On 6 June 2014, pursuant to a Contribution Agreement, our Company acquired Snowbird HK from its other shareholders against the issue of 29,950,000 new no par value ordinary bearer shares in the Company to the respective shareholders in relation to their shareholding ratio. The Contribution Agreement and the capital increase by way of contribution in kind (Sachkapitalerhöhung) were approved by a shareholders' meeting of the Company on 13 June 2014 and have been registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Cologne on 10 July 2014.

(3). The general meeting held on 24 September 2014 resolved the increase of the share capital by issuing total of 1,583,334 new no par value ordinary bearer shares in the Company to the respective shareholders in relation to their shareholding ratio and have been registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Cologne on 25 September 2014.

#### (4) Authorised Capital

Persuant to the resolution of the general meeting dated June 13, 2014, the board of management directors is authorised until June 12, 2019 to increase the share capital of the company with the consent of the Supervisory Board through issuance of up to a total of 15,000,000 new no par value shares, in either one or several tranches, in consideration of contributions in cash or in-kind by up to EUR 15,000,000 (Authorised Capital 2014) and to determine the commencement of profit entitlement deviating from law. In each case ordinary shares and/or preference shares may be issued.

## **10.2 PRC Statutory Reserve**

In accordance with relevant PRC regulations, the China subsidiary companies are required to maintain certain statutory reserve by appropriating from the profit after taxation in accordance with the relevant laws and regulations in the PRC and Articles of Association of the Company before declaration or payment of dividends. The reserves form part of the equity of the Company. The statutory reserve fund can be used to increase the registered capital and eliminate future losses of the Company, but it cannot be distributed to shareholders except in the event of a solvent liquidation of the Company.

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

The statutory reserve can only be used to set off against losses or to increase the capital of the Company. However such balance of statutory reserve must be maintained at a minimum of 25% of the share capital of the Company after such usages.

The statutory reserve of the Group amounted to kEUR6,679 as at 31 December 2014 and kEUR6,386 as at 31 December 2013.

## **10.3 Capital reserve**

Capital reserve represent the share premium arising from the capital increase at issue price above the nominal value of EUR1.00 and netted off with the expenses related to the raising of capital.

Capital reserve amounted to kEUR6,631 arising from the issuance of new shares on 25 September 2014 pertaining to the initial public offering of the Group netted off with the expenses related to the raising of capital.

## **10.4 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 Company from its functional currency to the presentation currency and is the component of other comprehensive income.

## **10.5 Merger reserve**

Snowbird Group was formed in July 2014 when Snowbird AG eventually acquired 100% of the shares in Snow Bird (Hong Kong) Holding Company Limited (“Snowbird HK”) by a contribution in kind. Because of the shareholding structure before and after the transaction, the transaction is considered to be a transaction under common control within the meaning of IFRS 3.B1, for which IFRS 3 is not applicable and reverse acquisition in term



of IFRS 3.B19 is also not applicable, because the presence of a business in the Snowbird Group prior to the transaction would have been a precondition.

Due to the complexity of the issue as well as missing explicit framework of regulation within IFRS, the contribution of shares of the Snowbird HK into the Snowbird Group have been recognised, considering the economic substance of the transaction analogous to a reverse acquisition.

## 10.6 Retained Earnings

The retained earnings reserve comprises the cumulative net gains and losses recognised in the Group's profit or loss.

## 11. LOANS AND BORROWINGS

	2014 EUR'000	2013 EUR'000
Current portion:		
- Not later than one year	10,039	8,190
Non-current portion:		
- Later than one year and not later than two years	-	-
- Later than two years but not later than five years	-	4,397
- Later than five years	-	-
	-	4,397
	<u>10,039</u>	<u>12,587</u>

- (a) The Company's interest-bearing bank loans are secured by buildings and certain items of plant and machinery (Note 4) and appointed a third party financial guarantor from the Bank and bear effective interest rates of 6.72% and 6.45% per annum for the financial years ended 31 December 2014 and 2013 respectively. Finance costs relating to these loans amounted to kEUR753 and kEUR823 for the financial years ended 31 December 2014 and 2013 respectively.
- (b) As at 31 December and 2014, secured short-term loans and borrowings of kEUR6,425 (2013: kEUR8,190) are guaranteed by Mr Yan Chang Zai, chairman of the Management Board and the Group's CEO.
- (c) As at 31 December 2014, current portion of loans and borrowings consist of Export Commercial Invoice Discounting (ECID) amounting to Nil (2013:kEUR1,179).

## 11. LOANS AND BORROWINGS (CONT'D)

(d) The repayment terms of the term loans are as follows:-

Term loan 1 at floating rate (2014- 5.96%; 2013- 6.26%)	kEUR3,614 is repayable upon maturity on 28 <sup>th</sup> October 2015.
Term loan 2 at floating rate (2014- 6.30%)	kEUR2,543 is repayable upon maturity on 27 <sup>th</sup> May 2015.
Term loan 3 at floating rate (2014- 6.00%)	kEUR2,677 is repayable upon maturity on 25 <sup>th</sup> August 2015.
Term loan 4 at floating rate (2014- 7.8%)	kEUR1,205 is repayable upon maturity on 10 <sup>th</sup> November 2015.

## 12. PAYABLES AND ACCRUALS

	2014 EUR'000	2013 EUR'000
Trade payables	8,318	5,145
Sales rebate payables	12,940	7,499
Salary payable	7,447	4,219
VAT payable	2,947	1,297
Withholding tax payable	263	-
Other payables and accruals	2,252	930
	<u>34,167</u>	<u>19,090</u>

The normal trade credit term granted to the Company is 30 to 60 days.

Payables and accruals are all due within one year.

### 13. REVENUE AND OTHER INCOME

The Company's revenue is as follows:

	2014 EUR'000	2013 EUR'000
<b>Revenue:</b>		
Sale of goods	191,453	136,888
<b>Other income:</b>		
Interest income	97	83
Government subsidy	621	1,158
Exchange gain	269	-
Other income	7	19
	994	1,260
	994	1,260

Government subsidy were those grants awarded by the government after achieved certain targets or achievements and are not required to be refunded.

### 14. COST OF SALES

Cost of sales comprise purchasing materials, labour costs for personnel employed in production, depreciation of non-current assets used for production purposes, factory utilities, maintenance charges and other production overheads.

The following table shows a breakdown of costs of sales for the period under review for each category:

	2014 EUR'000	2013 EUR'000
Material costs	98,474	71,447
Wages and related costs	11,848	8,847
Production overheads		
- Salaries and related costs	1,017	809
- Depreciation of property, plant and equipment	1,144	878
- Others	900	360
Export levy	844	1,015
Total self-production cost	114,227	83,356
Sales supplement taxes (business tax)	1,575	557
Cost of sales	115,802	83,913

**15. SELLING AND DISTRIBUTION EXPENSES**

	2014	2013
	EUR'000	EUR'000
Sales rebate	11,834	7,670
Salaries and related costs	686	560
Others	1,179	853
	<u>13,699</u>	<u>9,083</u>

**16. ADMINISTRATIVE AND OTHER EXPENSES**

	2014	2013
	EUR'000	EUR'000
Salaries and related costs	4,812	3,565
Depreciation of property, plant and equipment	223	218
R&D expenses	1,328	670
Amortisation of intangible assets	1	1
Amortisation of land use rights	72	45
Exchange loss	-	597
Withholding tax on dividend	240	-
Others	2,255	1,064
	<u>8,931</u>	<u>6,161</u>

## 17. INCOME TAX EXPENSE

	2014 EUR'000	2013 EUR'000
Current tax - PRC:		
- for the financial year	13,538	9,765
- underprovision in prior period	2	176
	13,540	9,941

The following tax rates are applicable to the Group:

	2014 EUR'000	2013 EUR'000
PRC	25.0%	25.0%
Hong Kong	16.5%	16.5%
Germany	31.2%	31.2%

The reconciliation between tax expense and accounting profit at applicable tax rates is as follows:

	2014 EUR'000	2013 EUR'000
Profit before taxation	53,262	38,168
PRC tax at applicable tax rate of 25%	13,316	9,542
Non taxable gains	(298)	-
Tax effect of non-deductible expenses	460	132
Deferred tax unrecognised for the year	-	91
Tax effect on Withholding tax on dividend	60	-
Underprovision in prior period	2	176
Income tax	13,540	9,941

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

## Withholding Tax on Dividends and Capital Gains

The PRC Enterprise Income Tax (“EIT”) law became effective on 1 January 2008 and a withholding tax rate of 10% now applies to such dividends, subject to reductions by the relevant tax treaties, if applicable. The EIT Implementing Rules provide that, (i) if the enterprise that distributes dividends is domiciled in the PRC; or (ii) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends or capital gains are treated as China-sourced income and subject to PRC withholding tax. The Chinese tax authorities have granted a special tax concession, which state that dividend distributed out of earnings from 1 January 2008 onwards, shall be subject to withholding tax. The management has considered the above tax exposure and has not provided for any deferred tax liabilities as at 31 December 2014 and 2013 in respect of its retained earnings as they are of the opinion that the profit accumulated will not be distributed as future dividends will depend upon the Group’s operating results, financial conditions, other cash requirements and other factors in the near future. The total temporary differences from the aforementioned retained earnings of the PRC subsidiaries without consideration of a deferred tax liability are as follows:

	2014	2013
	EUR'000	EUR'000
Temporary differences in respect of withholding tax	86,976	47,706

## Taxation of Dividends received from PRC in Hong Kong

In Hong Kong no tax is imposed on dividends under the Inland Revenue Ordinance (Cap 112). Therefore, no tax is payable in Hong Kong in respect of the dividends paid to a Hong Kong corporation, whether the dividends have a source in Hong Kong or outside of Hong Kong. Dividends distributed to the shareholders of a Hong Kong corporation are not subject to Hong Kong withholding tax.

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

## 18. DIVIDENDS

The Company intends to distribute dividends to the minority shareholders, which have not waived in advance their right for dividend for 2014. This results into 25 cents euro per share for the minority shareholders.

	2014 EUR'000	2013 EUR'000
Intended Dividend	387	-

## 19. SEGMENT INFORMATION

### BUSINESS SEGMENT

The Company's primary format for reporting segment information is business segments, with each segment representing a product category. The Company's business segments are organized into four operating segments:

- (I) Design, manufacture and sale of down clothing
- (II) Produce and sale of down
- (III) Design, manufacture and sale of down bedding
- (IV) Non-down OEM clothing

**19. SEGMENT INFORMATION (CONT'D)**
**BUSINESS SEGMENT (CONT'D)**

	Down clothing EUR'000	Down EUR'000	Down bedding EUR'000	Non-down OEM clothing EUR'000	Total EUR'000
<b>2014</b>					
<b>Revenue</b>					
External revenue	74,172	96,017	13,023	8,241	191,453
<b>Results</b>					
Segment results	34,443	30,827	7,787	2,594	75,651
Other income					994
Selling and distribution expenses					(13,699)
Administrative expenses					(8,931)
Finance costs					(753)
Income tax expense					(13,540)
Profit after taxation					39,722
<b>Assets</b>					
Segment assets	63,332	38,135	10,689	2,002	114,158
Unallocated assets:					
Lease prepayment					4,660
Land use right					
Other receivables					10
Cash and bank balances					56,719
Total assets					175,547

All long term assets are located at People's Republic of China.



**19. SEGMENT INFORMATION (CONT'D)**
**BUSINESS SEGMENT (CONT'D)**

	Down clothing EUR'000	Down EUR'000	Down bedding EUR'000	Non-down OEM clothing EUR'000	Total EUR'000
<b>2014</b>					
<b>Liabilities</b>					
Segment liabilities	18,137	10,100	3,678	839	32,754
Unallocated liabilities:					
Loans and borrowings					10,039
Other payables and accruals					1,413
Income tax payable					4,590
					48,796
<b>Other segment items</b>					
Additions to non-current assets other than financial instruments:					
- Property, plant and equipment	1,141	1,527	200	127	2,995

## 19. SEGMENT INFORMATION (CONT'D)

### BUSINESS SEGMENT (CONT'D)

	Down clothing EUR'000	Down EUR'000	Down bedding EUR'000	Non-down OEM clothing EUR'000	Total EUR'000
<b>2013</b>					
<b>Revenue</b>					
External revenue	49,923	71,040	7,891	8,034	136,888
<b>Results</b>					
Segment results	22,491	23,529	4,250	2,705	52,975
Other income					1,260
Selling and distribution expenses					(9,083)
Administrative expenses					(6,161)
Finance costs					(823)
Income tax expense					(9,941)
Profit after taxation					28,227
<b>Assets</b>					
Segment assets	32,080	38,698	4,272	4,099	79,149
Unallocated assets:					
Prepayment to acquire					2,245
land use rights					
Lease prepayment					1,963
—					
Land use right Government					
subsidy					1,032
receivables					
Professional fee					119
prepaid					
Other receivables					55
Cash and bank balances					16,755
Total assets					101,318

## 19. SEGMENT INFORMATION (CONT'D)

	Down clothing EUR'000	Down EUR'000	Down bedding EUR'000	Non-down OEM clothing EUR'000	Total EUR'000
<b>2013</b>					
<b>Liabilities</b>					
Segment liabilities	10,573	5,983	1,795	677	19,028
Unallocated liabilities:					
Loans and borrowings					12,587
Other payables					62
Income tax payable					2,090
					<u>33,767</u>
<b>Other segment items</b>					
Additions to non-current assets other than financial instruments:					
- Property, plant and equipment	4,049	5,761	640	652	11,102

## GEOGRAPHICAL SEGMENT

	2014 EUR'000	2013 EUR'000
PRC	141,139	82,318
Taiwan	28,544	43,638
Hong Kong	17,385	5,037
Russia	4,342	5,895
Germany	43	-
	<u>191,453</u>	<u>136,888</u>

## MAJOR CUSTOMERS

Revenue from major customers, with revenue equal to or more than 10% of total revenue, refer to one customer only and amounted to kEUR21,250 and kEUR22,362 for the financial years ended 31 December 2014 and 2013 respectively, arising from sales of high rated down.

## 20. SIGNIFICANT RELATED PARTY TRANSACTIONS

A related party is a person or entity where the Group can exercise influence or significant influence, or which is controlled by the Group. In particular, this comprises non consolidated subsidiaries, joint controlled entities and associated companies and other participants as well as members of both Management Board and Supervisory Board and other personnel considered a key management.

The Group has related party relationships with its directors, key management, entities of which the directors and/or by management have significant financial interest.

<u>Related party</u>	<u>Relationship with the Group</u>
Mr. CHOI Siu Hung	Major shareholder, a director of Snowbird HK and a director of Snowbird Puyang
Mr. YAN Changzai	Chairmand of the Management board, Chief Executive Officer and a major shareholder
Mr. QIU Duoxiang	Member of the Management board and Chief Operating officer
Mr. LAM Kok Weng	Member of the Management board and Chief Financial officer
Mr. CHEN Yijun	Deputy General Manager of Snowbird Henan
Mr. YAN Zhaorui	Deputy General Manager of Snowbird Henan and son of Mr. YAN Changzai

### Key Management Personnel Compensation

	2014 EUR'000	2013 EUR'000
Management board's remuneration:-		
- salaries and bonuses	567	368
- social security insurance	8	3
	<u>575</u>	<u>371</u>
Other key management personnel:-		
- salaries and bonuses	418	291
- social security insurance	2	2
	<u>420</u>	<u>293</u>

420	293
<hr/>	
995	664
<hr/>	

The detailed information regarding remuneration for Management Board and Supervisory Board are outlined in Note 22.

## 21. CAPITAL COMMITMENT

	2014	2013
	EUR'000	EUR'000
Approved and contracted for:-		
Purchase of property, plant and equipment	8,734	5,241
	<hr/>	

## 22. REMUNERATION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

The chairlady, deputy chairlady and member of the Supervisory Board shall receive an annual fee of kEUR50, kEUR12 and kEUR40 respectively. An amount of kEUR56 has been recorded as liability for unpaid remuneration.

The detailed information regarding the remuneration of the Management Board is as follows:

	2014			2013		
	Fixed remuneration EUR'000	Variable bonus EUR'000	Total EUR'000	Fixed remuneration EUR'000	Variable bonus EUR'000	Total EUR'000
YAN Changzai	41	245	286	32	182	214
QIU Duoxiang	31	184	215	24	122	146
LAM Kok Weng	69	5	74	11	-	11
	<hr/>					
	141	434	575	67	304	371
	<hr/>					

## 23. EARNINGS PER SHARE

Earnings per share were calculated on the profit after taxation and allocated to the shareholders of the parent company Snowbird AG on 31 December 2014 and 2013. The basic earnings per share and the diluted earnings per share are identical because there are no dilutive equity instruments.

Under analogous application of the principles of reverse acquisition, consequently the special requirements of IFRS 3.B27 have to be applied for the calculation of the earnings per share for the comparative period.

	2014	2013
Profit after taxation (kEUR)	39,722	28,227
Average number of outstanding ordinary shares	30,425	30,000
Earnings per share (EUR)	1.31	0.94

## 24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern whilst maximising the return to shareholders through an optimum of the debt and equity structure.

The capital structure of the Group consists of net debts, which include borrowings, cash and cash equivalents and equity attributable to equity holders of the Group, comprising issued capital, reserves and retained earnings.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

The debt-to-equity ratios of the Group at the end of the reporting periods were as follows:-

	2014 EUR'000	2013 EUR'000
Total borrowings	10,039	12,587
Trade and other payables	34,167	19,090
	<u>44,206</u>	<u>31,677</u>
Less: Cash and bank balances	(56,719)	(16,755)
Net debt / (Net cash)	<u>12,513</u>	<u>14,922</u>
Total equity	<u>126,751</u>	<u>67,551</u>
Net debt / (Net cash) to equity ratio	<u>-10%</u>	<u>22%</u>

## 25. FINANCIAL INSTRUMENTS

The financial instruments are as follows:

	Category	Carrying amounts EUR'000	At amortised costs EUR'000	Fair value EUR'000
<b>2014</b>				
Receivables and prepayments	Loans and receivables	74,577	74,577	74,577
Cash and cash equivalents	Loans and receivables	56,719	56,719	56,719
		<u>131,296</u>	<u>131,296</u>	<u>131,296</u>
<b>2013</b>				
Receivables and prepayments	Loans and receivables	54,829	54,829	54,829
Cash and cash equivalents	Loans and receivables	16,755	16,755	16,755
		<u>71,584</u>	<u>71,584</u>	<u>71,584</u>
<b>2014</b>				
Loans and borrowings	Loans and receivables	10,039	10,039	10,039
Payables and accruals	Financial liabilities measured at amortized costs	33,904	33,904	33,904
Other current financial liabilities	Financial liabilities measured at amortized costs	4,590	4,590	4,590
		<u>48,533</u>	<u>48,533</u>	<u>48,533</u>
<b>2013</b>				
Loans and borrowings	Loans and receivables	12,587	12,587	12,587
Trade and other payables	Financial liabilities measured at amortized costs	19,090	19,090	19,090
Other current financial liabilities	Financial liabilities measured at amortized costs	2,090	2,090	2,090
		<u>33,767</u>	<u>33,767</u>	<u>33,767</u>

## 26. FINANCIAL RISKS MANAGEMENT

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

### 26.1 Market Risk

#### Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Chinese Renminbi. The currency giving rise to this risk is primarily the United States Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

#### Foreign currency exposure

	United States Dollar EUR'000
<b>2014</b>	
<b>Financial assets</b>	
Trade receivables	15,287
<b>2013</b>	
<b>Financial assets</b>	
Trade receivables	12,704

The Group prepares its financial statements in the reporting currency EUR as such as the results and net assets are exposed to a retranslation risk due to changes of RMB to EUR.

If RMB strengthened against EUR by 10% then this would be have had the following impact:

	2014 EUR'000	2013 EUR'000
Net profit	4,142	2,824
Equity	4,142	2,824



If RMB weakened against EUR by 10% then this would have had the following impact:

	2014	2013
	EUR'000	EUR'000
Net profit	(4,142)	(2,824)
Equity	(4,142)	(2,824)

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Company's policy is to obtain the most favourable interest rates available. Any surplus funds of the Company will be placed with licensed financial institutions to generate interest income.

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

	<b>2014</b>	<b>2013</b>
	Increase/ (Decrease)	Increase/ (Decrease)
	EUR'000	EUR'000
<b>Effect on profit after taxation</b>		
Increase of 100 bp	312	31
Decrease of 100 bp	(312)	(31)
<b>Effect on equity</b>		
Increase of 100 bp	312	31
Decrease of 100 bp	(312)	(31)

## 26.2 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 trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debt is not significant. As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the total carrying amounts of these financial assets at the end of the reporting period reduced by the effects of any netting arrangements with counterparties.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group typically gives the existing customers credit terms ranging from 30 to 90 days. In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. In relation to new customers, the sales and marketing department will prepare credit proposals for approval by the general manager.

There is no impairment loss recognised in the profit or loss for the reporting periods as all the receivables were subsequently settled or within credit term.

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

The exposure of credit risk for trade receivables by geographical region is as follows:

	2014 EUR'000	2013 EUR'000
PRC	52,017	35,163
Hong Kong	10,324	1,575
Taiwan	2,945	11,129
Russia	2,018	-
Germany	1	-
	<u>67,305</u>	<u>47,867</u>

#### *Ageing analysis*

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Group of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. No allowance for specific or collective impairment was made based on past experience.

### **26.3 Liquidity Risk**

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by regularly monitoring their current and expected liquidity requirements and maintaining sufficient cash balances and the availability of funding through certain committed credit facilities

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period:

	Carrying amounts	Less than one year	Between one and five year
	EUR'000	EUR'000	EUR'000
<b>2014</b>			
Loans and borrowings	10,039	10,039	-
Payables and accruals	33,893	33,893	-
Other current financial liabilities	4,601	4,601	-
	<b>48,533</b>	<b>48,533</b>	<b>-</b>
<b>2013</b>			
Loans and borrowings	12,587	8,190	4,397
Trade and other payables	19,090	19,090	-
Other current financial liabilities	2,090	2,090	-
	<b>33,767</b>	<b>29,370</b>	<b>4,397-</b>

## 27. HEADCOUNTS AND EMPLOYEES BENEFITS

	2014	2013
Office of General Manager	5	5
Sales/Marketing Department	19	17
Finance/Administrative Department	135	134
Production Department	2,013	1,457
Total	<b>2,172</b>	<b>1,613</b>
	2014	2013
	EUR'000	EUR'000
Salaries and bonuses	16,856	12,537
Social security insurance	1,507	1,244
	<b>18,363</b>	<b>13,781</b>

## 28. SHAREHOLDINGS IN SNOWBIRD AG

Up to the date of approval of the financial statements, Snowbird AG received the following notices from shareholders of the company pursuant to the Securities Trading Act (WpHG)

On 30 September 2014, Zhen Sheng Limited, British Virgin Island, has informed Snowbird AG according to Article 21, Section 1a of the WpHG that its voting rights on Snowbird AG, Hamburg, Germany, on 26 September 2014 amounted to 4.179% (this correspond to 1,320,000 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 4.179% of the voting rights (this correspond to 1,320,000 voting rights) is to be attributed to Mr. LO Kin Nam from Zhen Sheng Limited, British Virgin Island.

On 30 September 2014, Big Business Global Holdings Limited, British Virgin Island, has informed Snowbird AG according to Article 21, Section 1a of the WpHG that its voting rights on Snowbird AG, Hamburg, Germany, on 26 September 2014 amounted to 34.67% (this correspond to 10,950,000 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 34.67% of the voting rights (this correspond to 10,950,000 voting rights) is to be attributed to Mr. CHOI Siu Hung from Big Business Global Holdings Limited, British Virgin Island.

On 30 September 2014, Mr. YAN Changzai, People's Republic of China, has informed Snowbird AG according to Article 21, Section 1a of the WpHG that his voting rights on Snowbird AG, Hamburg, Germany, on 26 September 2014 amounted to 23.958% (this correspond to 7,566,666 voting rights).

On 30 September 2014, Yield Trade Limited, British Virgin Island, has informed Snowbird AG according to Article 21, Section 1a of the WpHG that its voting rights on Snowbird AG, Hamburg, Germany, on 26 September 2014 amounted to 4.654% (this correspond to 1,470,000 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 4.654% of the voting rights (this correspond to 1,470,000 voting rights) is to be attributed to Mr. XU Beifang from Yield Trade Limited, British Virgin Island.

On 30 September 2014, United Talent Investment Limited, British Virgin Island, has informed Snowbird AG according to Article 21, Section 1a of the WpHG that its voting rights on Snowbird AG, Hamburg, Germany, on 26 September 2014 amounted to 3.325% (this correspond to 1,050,000 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 3.325% of the voting rights (this correspond to 1,050,000 voting rights) is to be attributed to Ms. CHEN Ling from United Talent Investment Limited, British Virgin Island.

On 30 September 2014, Alrai S.a.r.l, Luxembourg, has informed Snowbird AG according to Article 21, Section 1a of the WpHG that its voting rights on Snowbird AG, Hamburg, Germany, on 26 September 2014 amounted to 4.274% (this correspond to 1,350,000 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 4.274% of the voting rights (this correspond to 1,350,000 voting rights) is to be attributed to Mr. YAN Zhaorui from Alrai S.a.r.l, Luxembourg.

On 30 September 2014, Alrakis S.a.r.l, Luxembourg, has informed Snowbird AG according to Article 21, Section 1a of the WpHG that its voting rights on Snowbird AG, Hamburg, Germany, on 26 September 2014 amounted to 4.274% (this correspond to 1,350,000 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 4.274% of the voting rights (this correspond to 1,350,000 voting rights) is to be attributed to Mr. CHEN Yijun from Alrakis S.a.r.l, Luxembourg.

On 30 September 2014, Mystic Topaz S.a.r.l, Luxembourg, has informed Snowbird AG according to Article 21, Section 1a of the WpHG that its voting rights on Snowbird AG, Hamburg, Germany, on 26 September 2014 amounted to 4.274% (this correspond to 1,350,000 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 4.274% of the voting rights (this correspond to 1,350,000 voting rights) is to be attributed to Mr. LIU Deling from Mystic Topaz S.a.r.l, Luxembourg.

On 30 September 2014, Imperial Topaz S.a.r.l, Luxembourg, has informed Snowbird AG according to Article 21, Section 1a of the WpHG that its voting rights on Snowbird AG, Hamburg, Germany, on 26 September 2014 amounted to 4.274% (this correspond to 1,350,000 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 4.274% of the voting rights (this correspond to 1,350,000 voting rights) is to be attributed to Ms. WANG Qingmei from Imperial Topaz, Luxembourg.

On 1 October 2014, Mr. LO Kin Nam, Hong Kong, has informed Snowbird AG according to Article 21, Section 1a of the WpHG that his voting rights on Snowbird AG, Hamburg, Germany, on 26 September 2014 amounted to 4.179% (this correspond to 1,320,000 voting rights)

On 1 October 2014, Mr. XU Beifang, Hong Kong, has informed Snowbird AG according to Article 21, Section 1a of the WpHG that his voting rights on Snowbird AG, Hamburg, Germany, on 26 September 2014 amounted to 4.654% (this correspond to 1,470,000 voting rights)

On 1 October 2014, Mr. CHOI Siu Hung, Hong Kong, has informed Snowbird AG according to Article 21, Section 1a of the WpHG that his voting rights on Snowbird AG, Hamburg, Germany, on 26 September 2014 amounted to 34.67% (this correspond to 10,950,000 voting rights)

On 1 October 2014, Mr. CHEN Yijun, People's Republic of China, has informed Snowbird AG according to Article 21, Section 1a of the WpHG that his voting rights on Snowbird AG, Hamburg, Germany, on 26 September 2014 amounted to 4.274% (this correspond to 1,350,000 voting rights)

On 1 October 2014, Mr. LIU Deling, People's Republic of China, has informed Snowbird AG according to Article 21, Section 1a of the WpHG that his voting rights on Snowbird AG, Hamburg, Germany, on 26 September 2014 amounted to 4.274% (this correspond to 1,350,000 voting rights)

On 1 October 2014, Ms. WANG Qingmei, People's Republic of China, has informed Snowbird AG according to Article 21, Section 1a of the WpHG that her voting rights on Snowbird AG, Hamburg, Germany, on 26 September 2014 amounted to 4.274% (this correspond to 1,350,000 voting rights)

On 1 October 2014, Mr. YAN Zhaorui, People's Republic of China, has informed Snowbird AG according to Article 21, Section 1a of the WpHG that his voting rights on Snowbird AG, Hamburg, Germany, on 26 September 2014 amounted to 4.274% (this correspond to 1,350,000 voting rights)

On 9 October 2014, Mr. YAN Changzai, People's Republic of China, has informed Snowbird AG according to Article 21, Section 1a of the WpHG that his voting rights on Snowbird AG, Hamburg, Germany, on 26 September 2014 amounted to 28.97% (this correspond to 9,150,000 voting rights).

**29. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE**

The annual declaration of conformity with the German Corporate Governance Code according to Section 161 of the German Stock Corporation Act was signed by the Management Board and Supervisory Board of Snowbird AG on 28 April 2015 and is published online at [www.snowbird-ag.de](http://www.snowbird-ag.de).

**30. AUDITORS FEE**

(a) Audit fee                      EUR110,000 (2013: Nil)

(b) Other service                EUR193,000 (2013: Nil)

**31. EVENTS AFTER THE BALANCE SHEET DATE**

There are no other significant non-adjusting events or any significant events to report after the reporting date.

Hamburg, 28 April 2015

Management Board  
Snowbird AG

## AUDITOR'S OPINION

We have audited the consolidated financial statements prepared by Snowbird AG, Cologne – comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements – and the group management report of Snowbird AG, which is combined with the management report of the company for the financial year from 01 January to 31 December 2014. 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 German commercial law pursuant to section 315a, paragraph 1 of the German Commercial Code (HGB) are the responsibility of the company's executive board of management. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities, the economic and legal environment of the Snowbird Group and the expectation of 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 the consolidation, the determination of entities to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by the company's executive board of management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our audit opinion.

Our audit has not led to any reservations.



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

Munich, 28 April 2015

**CROWE KLEEBERG AUDIT GMBH**

AUDIT & ACCOUNTANCY COMPANY

Schmidt

Prechtl

Public Accountant

Public Accountant