Naibu Global International Company plc

Annual Report 2013

Our Mission

Naibu was set up by its founder, Huoyan Lin, in 2005, and is headquartered in Fuzhou, the capital city of Fujian Province, China. Naibu is one of the leading Chinese manufacturer and supplier of branded sportswear with a wide distribution network and an extensive chain of branded Naibu outlets.

"The Board is pleased to announce another strong set of results, which show significant growth in revenue and profit before tax. The Group's strategy of focusing on third and fourth tier cities has continued to drive growth during the period, as these cities expand as a result of ongoing urbanisation in China."

"The Naibu brand now enjoys a strong market position within this targeted demographic, and the Group's increased investment in marketing initiatives, such as the sponsoring of sporting events, will assist in strengthening the brand further. Against the backdrop of the Chinese government's focus on increasing domestic consumption and encouraging urbanisation, the Board has confidence in the future of the sportswear industry and the Group's growth potential within the market."

Contents


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Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present our audited annual results for the Group for the year ended 31 December 2013.

Naibu has continued to achieve excellent sales growth and profitability, despite China's sportswear industry experiencing intense competition during 2013. In the period, Group revenues increased by 15.0% to RMB1,928 million, with operating profit growing by 16.3% to a record RMB419 million and a net profit margin of 16.1% being achieved.

During 2013, Naibu has continued to reinforce its brand position by differentiating the Group from its peers through positioning Naibu as an affordable leading fashion sportswear brand. The Group has continued with focusing its sales and marketing efforts on China's third and fourth tier cities, benefiting from China's continued drive towards urbanisation, a fundamental driver of growth for Naibu's industry. However, competition is likely to intensify in Nabiu's markets in 2014 as other branded sportswear companies continue their push into tier three and tier four cities.

To further strengthen the competitiveness of the Group's distribution channels, the Group has stepped up its effort in monitoring its sales network and providing guidance and training to its distributors' retail channels and thereby reinforcing operational management. The Group has also adopted a more prudent approach in assessing its plan for opening new stores focusing on organic growth with second-to-fourth-tier cities remaining the focus for development. The Group plans to expand its market in Western China and consolidate its presence in Northern, Eastern and Southern China to further optimise its nationwide network.

Chairman's Statement (Continued)

With regard to Naibu's manufacturing operations, production efficiency continues to be a key area of focus to achieve margin improvement. Operations at the Group's new Quangang plant have not yet commenced as planned; this is due to an unexpected shortage of labour which has driven labour costs upwards. However, the Group is taking various measures to recruit workers and is hopeful that it will be able to commence manufacturing in the summer. If sufficient number of workers cannot be recruited for at least six production lines to begin production by August 2014, the Company will then consider a number of alternative options, one of which may include the decision to abandon the commencement of production at Quangang and to dispose of the Quangang factory. In the meantime, the Company will continue to produce shoes at its Jinjiang facility, and the majority of shoe production will have to be out-sourced to OEM suppliers until the Dazhu factory becomes operational. Naibu has and continues to maintain extremely good relationships with a number of OEM suppliers and consequently does not anticipate that there will be any change in flexibility or disruption to supply.

Naibu is also continuing with its expansion strategy of investing into Central and Western China, which are the two regions that the Board considers to have the greatest potential for consumer growth. The Group has now purchased the land use rights for a new factory to include twelve production lines in Dazhu county, Sichuan Province. The land is in the process of being prepared for construction to commence by local government and this is expected to be finished by July 2014. The Board believes the Dazhu factory is on track to be operational in early 2016.

In terms of R&D, to maintain Naibu's leading leisure sports marketing position and to build stronger brand equity, the Group will further strengthen its product portfolio to satisfy a range of consumer needs.

The Group continues to improve management systems and develop a strong corporate culture to attract talented staff. Naibu continues to offer additional staff training and promotion opportunities so as to help the Company's employees develop professionally as the business expands.

The Board will take further action and measures to ensure the steady development of the Group's business, working closely with our supply chain partners and distributors in order to create value for our stakeholders.

I would like to thank my fellow Board members and all of our staff for their dedication, commitment and efforts over the past year.

On behalf of the Board, I would like to express my heartfelt gratitude to our shareholders for their continued support and trust they place in us. Given the performance and capital requirements of our business, I am delighted to announce that the Group proposes to maintain its dividend and pay a final dividend of 4 pence per share to our shareholders. The dividend is subject to shareholder approval and the appropriate approvals of the Chinese authorities. The final dividend of 4 pence per share is expected to be paid on 15 August 2014 to shareholders on the register at the close of business on 4 July 2014. The shares will trade ex-dividend on 2 July 2014 following approval at the AGM. The Company is proposing to operate a Scrip Dividend Alternative. The Scrip Dividend Alternative provides shareholders with an opportunity to invest the whole of, or part of, the cash dividend they receive to buy further shares in the Company without incurring stamp duty or dealing expenses.

The Scrip reference price is calculated by taking the average of the middle market quotations for the Company's Ordinary shares for the day on which they are quoted ex-dividend and the four subsequent business days. The Scrip Dividend Alternative will be subject to shareholder approval at the Annual General Meeting.

Naibu continues to have a strong position in the market and the Board remains confident of Naibu's future growth and prospects.

Huoyan Lin
Executive Chairman
2 June 2014


PROFESSIONAL
PROFESSIONAL

Operational Review

FINANCIALS

2013 produced another set of solid results for Naibu, with pre-tax profits rising 15.7% to RMB417 million (2012: RMB360 million) on record sales of RMB1,928 million up 15.0% on the prior year (2012: RMB1,677 million).

This strong increase reflected growing popularity and rising demand for branded leisurewear, sportswear and equipment in Naibu's target Chinese market. This consumer led demand was met by the Group over the course of the year through a broadening of Naibu's product range through, and its continued investment in, research and development ("R&D") and advertising, sales and distribution.

PRODUCT RANGE AND SALES

During the year, Naibu made significant progress in terms of brand positioning, product design and marketing.

Throughout the year, the Group continued with the manufacture of Naibu-branded leisure and sports shoes, which were sold through its nationwide Naibu outlets alongside Naibu-branded leisurewear, sportswear, sports accessories and equipment sourced from original equipment manufacturer ("OEM") suppliers. In all, the Group offered a total of 556 Naibu-branded products in 2013 (2012: 414) including 197 types of shoes, 303 types of clothing, and 56 types of accessories and sports equipment. Sales and marketing of these items remained focused on mass-market buyers and, in particular, young, innovative consumers aged between 12 and 35, under the Company's three separate product lines: "Vital Campus", "Urban Business" and "Holiday Leisure".

The sale of shoes amounted to RMB1,033 million, up 12.4% from the previous year, and continued to account for most of the Group's sales, representing 53.6% of total revenue. Increased sales price per unit, rather than sales volume, accounted for over half of the total sales increase.

Operational Review (Continued)

Strong revenue growth was also achieved from the sale of clothes and accessories, which together accounted for the remaining 46.4% of total revenues, up 1.2% from 45.2% in 2012. This was achieved primarily through increasing the number of Naibu-branded outlets by 4.9% during the year from 3,040 stores in 2012 to 3,188 stores in 2013, increasing the display area for clothes and accessories, and focusing on higher-margin products.

Sales have also benefited from the introduction of higher-quality in-store sales teams. The Group has continued to provide both training to staff at Naibu branded stores on how to constantly improve services, exhibit the various series of accessories and also providing rigorous guidance to in-store sales teams. In addition, the increase in unit price for each category contributed significantly to revenue growth for the Group.

RESEARCH AND DEVELOPMENT

During the year, Naibu continued to strengthen its design and product development capacity and capability, as stronger brand identity and innovation capabilities will make Naibu products more desirable to consumers, which will in turn generate higher sales revenue for Naibu's distributors and boost their confidence in the Group.

The Group has maintained a strong R&D team of 93 employees who are responsible for the design of all shoes and clothing. The R&D team comprises three divisions respectively covering product design, product development and technology development. It creates two seasonal collections each year ("Spring and Summer" and "Autumn and Winter") which during 2013 included 556 new product designs which were successfully launched at two seasonal fairs. Naibu's distributors remained crucial to the R&D process during the year, providing market feedback and opinions on forward sales potential. The Group is constantly striving to offer value-added quality products at affordable prices for its target customers. The R&D department plans to launch over 560 new Naibu products in 2014.

Innovation is the key to Naibu's success. The Group is developing a new brand, "NIBO", based on a European fashion concept and this new brand is targeted to be launched in 2015. In addition to this, the Group has incorporated up to date designs into its apparel products in response to its consumers' increasingly sophisticated tastes.

During the year, R&D expenditure amounted to RMB25.9 million or 1.3% (2012: 1.6%) as a proportion of Group. Naibu will further strengthen investment in R&D in the future.

MANUFACTURING

Naibu's production centers were located in Jinjiang and Shishi, both in Fujian Province, where the Group leased two purpose-built production facilities operating a total of eight shoe production lines — four at each plant where workers are engaged in stamping, sewing and stitching, and moulding. The lease on the Shishi plant expired at the end of 2013 and the Company vacated the site. The four relatively old lines at Jinjiang ceased production and were replaced with two lines previously at Shishi.

The Group also completed the acquisition of its new plant in Quangang and transferred the remaining two lines previously installed at Shishi, to Quangang where they have now been installed. However, operations at the Group's new Quangang plant have not yet commenced as planned due to an unexpected shortage of labour which has driven the cost of labour upwards. After the Chinese New Year holiday, many workers did not return to the coastal cities to work but chose to stay in their hometowns, as many central and western provinces persuaded their workers to stay and work through various preferential job and welfare policies. Naibu is taking various measures to recruit enough workers and is hopeful that it will be able to commence manufacturing in the summer. If a sufficient number of workers cannot be recruited so that at least six production lines can begin production by August, the Group will then consider a number of alternative options, one of which may include the decision to abandon the commencement of production at Quangang and subsequently, to dispose of the Quangang factory. In the meantime, Naibu will continue to produce shoes at its Jinjiang facility, whilst the majority of shoe production will have to be outsourced to OEM suppliers until the Dazhu factory becomes operational. Naibu has and continues to maintain extremely good relationships with a number of OEM suppliers and has made arrangements with its OEM suppliers such that should production at Quangang not commence, there will not be any disruption to production and any impact on the Company's results will be minimal.

As previously announced, the Group has entered into an agreement with the People's Government of Dazhu County in Sichuan Province to purchase land use rights, for 13.3 hectares of land, to develop a Naibu Industrial Zone. The Naibu Industrial Zone will include R&D, manufacturing and logistic facilities relating to the development of shoes, apparel, sports equipment, outdoor exercise goods and other sporting goods. It is anticipated that the Naibu Industrial Zone will include other relevant upstream and downstream industries in the supply chain for such goods.

The Group will pay RMB60 million for the land use rights, of which RMB8 million has already been paid as a deposit. It is anticipated that the total cost of investment for the project will be RMB300 million. A new factory with an additional 12 production lines will be built and is expected to be fully operational by early 2016.

At the year-end, the Group employed 1,777 production staff (1,949 in 2012). 54.2% of the shoes sold and distributed by the Group during the year were produced by the Group at its manufacturing plants. The balance of shoes delivered, and all the Group's clothes and accessories were sourced from OEM suppliers.

The Board believes that the change of production facilities will allow it to respond with greater flexibility to market changes whilst providing the Group with enhanced control over the production process.

SALES AND DISTRIBUTION

The Group continued to strengthen its management of sales and distribution during the course of the year, and now has a team of 70 staff responsible for product promotion and sales. Six Regional Sales Managers were in charge of individual geographic areas across Naibu's established Chinese distribution network, communicating regularly with key customers, and monitoring consumer trends and competitor performance.

The Group adopts a distributor model that is prevalent in the sportswear industry in China. Under this model, the Group sells products exclusively to its distributors at a uniform discount to the suggested retail price. The distributors in turn sell these products to their sub-distributors or authorised retailers at a price that is at a discount (within 60%) to the suggested retail price that has been approved by the Company. The authorised retailers then sell the Group's products to consumers in authorised retail outlets. The Board considers this model has the benefit of enabling the business to grow by leveraging the resources of its distributors, their expertise in retail distribution and management, and their local relationships. It also enables the Group to focus on designing and developing new and innovative leisure sportswear products, to dedicate resources to developing the brand and marketing its products. The Group's distribution agreements with its distributors are reviewed on an annual basis.

All of the Group's sales were made through distribution agreements with 25 independent corporate and individual retail distributors across China. These distributors are prohibited from distributing or selling any products that compete with Naibu products. At 31 December 2013, there were 3,188 Naibu-branded stores and sales outlets operated by our distributors, in 21 provinces and three municipalities. This represented an increase of 148 outlets over the number at the end of 2012, most of them in third and fourth tier cities in China. Some stores were directly owned by the distributors, with most of the others owned by their sub-distributors some of whom also operated sales outlets in department stores and supermarkets. Our distributors are responsible for making their own delivery arrangements with the risk of loss of or damage to products during transport being borne by the distributors. Distributors will only be able to return goods sold to them where there are issues relating to quality. No goods were returned during the year ended 31 December 2013. In addition, distributors are only allowed to use the Group's intellectual property in connection with the sale of Naibu products and they are prohibited from participating in or assisting any activities that may infringe upon Naibu's intellectual property rights.

To protect Naibu's brand image and to promote high standards of service quality, the Group continued to provide retail distributors with guidance on how products should be best presented and marketed. Distributors are required to comply with the Group's sales policies, to adhere to our pricing policies, and to adopt our standardised outlet design and layout in authorised retail outlets. New store locations continue to be selected jointly by distributors and the Group, and the selections are based on market research, estimated costs and local sales potential.

In 2013, Northern, Eastern and Southern China remained Naibu's key markets with total revenues from these three regions accounting for 67.0% and 65.9% during the years 2012 and 2013 respectively. However, the Group continues to strengthen its sales in Central and Western China, as the rapid growth in disposable income in these regions will provide Naibu with strong sales potential in the near future.

MARKETING

Naibu continued to invest significantly in brand marketing and product promotion during the year, spending RMB30.2 million (2012: RMB29.5 million) in advertising. The Group maintained its effort in building its brand and on marketing in order to differentiate itself from its peers and consolidate its foothold on the market. This was especially important as industry players could not rely on sales volume for growth amid the market glut. In addition, the marketing function was supported by "front-line" information on consumer and competitor trends supplied by the Group's team of regional sales managers.

The marketing and sales teams analyse retail data and share market information on a timely basis with distributors. The Group also endeavours to keep its retailers competitive by offering comprehensive training and guidance for store openings and ordering plans. In order to help network partners reduce their operating cost pressures, the Group granted subsidies to distributors for the renovation of store outlets at the end of 2012 to standardise store layout and improve brand image. This has benefited sales through offering a refreshing new shopping experience for customers.

During the year, the Group also sponsored local sports events and activities, such as the "Outlook Cup" annual invitational golf tournament that took place in Fujian Province, to highlight the Naibu brand.

EMPLOYEES AND EMOLUMENTS

As at 31 December 2013, the Group employed a total of 1,989 (2012: 2,310) full time employees in the PRC which included management and administrative staff, R&D staff, salespersons and workers. The reduction in staff numbers compared with the year end 2012 was due to the factory relocation. In November 2013, the lease of the Shishi plant expired and the Group closed the Shishi factory with the intention of moving to the newly acquired Quangang plant. Some of the employees chose not to move, and they agreed to terminate their labour contracts with the Group. The Group is now in the process of hiring new skilled workers locally in Quangang. However, due to labour cost pressures, this is taking longer than anticipated.

For the year ended 31 December 2013, the Group's total remuneration of employees (including non-executive directors) was RMB105.8 million, representing 5.5% of the turnover of the Group (2012: 6.2%). The Group's emolument policies, based on the performance of individual employees, are formulated to attract talent and retain quality staff. Discretionary bonuses are awarded to employees according to individual performance. The Group believes its strength lies in the quality of its employees and has placed a great deal of emphasis on benefits offered to employees.

OUTLOOK

Against the backdrop of the Chinese government's determination to restructure its economy by encouraging domestic consumption and to continue the process of urbanisation, the sportswear industry has good growth potential in the coming years. The Group is optimistic about the future development of the sportswear industry. However, competition is likely to intensify in Nabiu's markets in 2014 as other branded sportswear companies continue their push into tier three and tier four cities. Given all these challenges, the Group will continue to use its competitive edge to seize every market opportunity. Naibu will also enhance its execution capabilities at all levels to gain market share and prudently mitigate future business risks. Achieving sustainable business growth and creating value for stakeholders in the long term are objectives that the Board continues to focus on.

Financial Review

KEY FINANCIALS

	2013 (RMB)	2012 (RMB)
Revenue	1,928 million	1,677 million
Profit before tax	417 million	360 million
Earnings per share (basic)	5.54	4.94
Cash generated from operations	217 million	147 million
Proposed final dividend per share	4 pence	4 pence

REVENUE

Naibu's revenue increased by 15.0% during the year, rising to a record RMB1,928 million thanks to increases in unit prices, a successful broadening of Naibu's product range and a steady expansion of the Group's distribution network.

In 2013, shoes were still the greatest revenue contributor while revenue derived from Naibu's higher margin branded clothing and accessories lines continued to increase as a proportion of total sales.

While Sales in the Group's principal markets of North, East and South China accounted for 65.9% of total revenues in 2013, a slight fall of 1.1% from 67.0% in 2012, this reflected the Group's progress in building its distribution channels in South West and Central China.

	Year to 31 December 2013		Year to 31 December 2012		
Category	(RMB'000)	% of turnover	(RMB'000)	% of turnover	**% increase**
Shoes	1,033,431	53.6%	919,271	54.8%	12.4%
Clothing	828,789	43.0%	706,457	42.1%	17.3%
Accessories	65,747	3.4%	50,885	3.1%	29.2%
Total	1,927,967	100.0%	1,676,613	100.0%	15.0%

	Year to 31 December 2013		Year to 31 December 2012		
Area	(RMB'000)	% of turnover	(RMB'000)	% of turnover	**% change**
North China	494,647	25.7%	447,534	26.7%	10.5%
East China	454,416	23.6%	390,076	23.3%	16.5%
South China	321,051	16.7%	285,298	17.0%	12.5%
Central China	238,246	12.3%	195,537	11.7%	21.8%
North-West China	172,895	9.0%	151,890	9.0%	13.8%
South-West China	246,712	12.7%	206,278	12.3%	19.6%
Total	1,927,967	100.0%	1,676,613	100.0%	15.0%

Financial Review (Continued)

COST OF SALES

Cost of sales of the Group for the year 2013 increased by 15.3% year on year to RMB1,392 million, which is in line with revenue growth.

	Year to 31 December 2013		Year to 31 December 2012		
	Operating Cost (RMB'000)	**% sales cost**	Operating Cost (RMB'000)	% sales cost	**% change**
Group Manufacturing (Shoes)					
Raw material	**277,822**	**20.0%**	304,096	25.2%	–8.6%
Direct Wages	**87,931**	**6.3%**	97,483	8.1%	–9.8%
Indirect costs	**46,878**	**3.4%**	45,943	3.8%	2.0%
Subtotal	**412,631**	**29.6%**	447,522	37.1%	–7.8%
OEM Supplies					
Shoes	**348,534**	**25.0%**	230,400	19.0%	51.3%
Clothing	**587,305**	**42.2%**	494,800	41.0%	18.7%
Accessories	**44,013**	**3.2%**	34,502	2.9%	27.6%
Subtotal	**979,852**	**70.4%**	759,702	62.9%	29.0%
Total	**1,392,483**	**100.0%**	1,207,224	100.0%	15.3%

During the year, the percentage of OEM supplies increased significantly compared with the previous year, a result of internal production capacity constraints.

The Group spent RMB25.9 million on R&D during the year, a fall of 5.1% from RMB27.3 million in 2012, with R&D expenditure accounting for 1.3% of Group turnover (2012: 1.6%). The reduction in R&D expense was mainly due to reduced material consumption of around RMB2.0 million in the R&D process as a result of improved efficiency. The Group will continue to increase investment in R&D to further improve product quality and adapt to consumer preferences.

GROSS PROFIT

The overall gross profit margin was 27.8% during 2013, down from 28.0% compared with the year 2012. Whilst, the gross profit margin for accessories increased from 32.2% to 33.1% compared with the previous year, the gross profit margin for shoes increased slightly by 0.1%, while the gross profit margin of clothing fell by 0.9% during the year.

The reduction in gross profit margin was mainly due to two reasons: the first was the increased delivery of shoe products during the year with shoes having a lower gross profit margin than the other two product categories; and the second was the increase in OEM costs for clothing during the year, mainly a result of cost pressures in the industry. In addition, as mentioned above, the percentage of self-produced shoes was less than in the prior year. This situation will be alleviated once the Group expands its production facilities to meet the strong market demand which will also lead to further margin improvement.

	2013		2012	
Category	gross profit RMB'000	gross profit margin %	gross profit RMB'000	gross profit margin %
Shoes	272,265	26.4%	241,350	26.3%
Clothing	241,483	29.1%	211,657	30.0%
Accessories	21,735	33.1%	16,382	32.2%
Total	535,483	27.8%	469,389	28.0%

OTHER INCOME

Other income includes interest income and material disposal income of the Group. During the year, interest income was RMB1.7 million, and material disposal income was RMB0.3 million.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by 14.4% to RMB90.4 million during the year, primarily as a result of an increase in amortisation expenses related to the store decoration subsidy for distributors' retail outlets.

At the end of 2012, the Group granted subsidies of RMB54 million to distributors for the renovation of store outlets. These stores were mostly opened before 2009 and are therefore relatively old. In order to standardise store layout, and to improve the brand image and profile of the Group as a listed company, the Group decided to grant a renovation subsidy to distributors for store refurbishment. The distributors have signed three year contracts to keep these Naibu branded shops open and the Group believes that the provision of such a subsidy has been of direct assistance in upgrading the retail stores and improving its competitive advantage in the market. The amount of amortisation expenses for the store decoration subsidy during the year was RMB24.4 million (2012: RMB8.7 million).

Advertising and marketing expenses increased by 2.4% year-on-year to RMB30.2 million (2012: RMB29.5 million). Advertising and marketing expenses as a percentage of turnover was 1.6% (2012: 1.8%), and the Group will continue to consolidate brand image and strengthen market awareness in order to further increase market share.

ADMINISTRATIVE EXPENSES

Administrative expenses fell by 8.9% to RMB29.0 million for the year ended 31 December 2013 (2012: RMB31.9 million), a result of effective cost management and partly due to the higher IPO related expenses during the year ended 31 December 2012.

Labour as a percentage of turnover decreased by 0.7% in the year, primarily as a result of the termination of labour contracts due to relocation of plant facilities.

	Year ended 31 December		
	2013 (%)	2012 (%)	Change (%)
Advertising expenditures as proportion of turnover	1.6%	1.8%	–0.2%
Labor cost as proportion of turnover	5.5%	6.2%	–0.7%
R&D expenditure as proportion of turnover	1.3%	1.6%	–0.3%

FINANCE EXPENSES

Finance expense during the year refers to foreign exchange losses. The Group incurred an exchange loss of RMB0.9 million during the year, as a result of the depreciation of the Hong Kong Dollar. In 2012, the Group had a foreign exchange gain of RMB0.4 million which was booked in the account of other income.

INCOME TAX EXPENSE

During the year, income tax expenses for the Group amounted to RMB109.3 million (2012: RMB95.3 million), including current income tax of RMB107.6 million and deferred income tax of RMB1.7 million. The current income tax charge for the year ended 31 December 2013 has been based on the standard corporate income tax rate of PRC 25%, being the same as 2012.

	Year ended 31 December		
Item	2013	2012	Change
Profit margin before tax	21.6%	21.5%	0.1%
Impact of income tax expense on net profit margins	–5.6%	–5.5%	0.1%
Impact of deferred tax on net profit margins	–0.09%	–0.15%	0.06%
Net profit margins	16.0%	15.8%	0.2%

Deferred tax for the Group is a result of the tax treatment for dividend payments. Pursuant to prevailing PRC tax laws and regulations, dividends distributed to a foreign investor by Foreign Invested Enterprises ("FIE") in the PRC are subject to a withholding tax of 5% to 10%. Deferred tax liabilities arising from such tax rules are recognised to the extent that the management intends to distribute dividends from retained earnings. The PRC corporate rules stipulate that FIE should provide 10% of the current year profit for the reserve fund, and the remaining 90% can be used for distribution to investors. In 2012 and 2013, the deferred tax calculation of the Group is based on 10% of the retained earnings which can be distributed to investors. Considering the profit before tax margin is about 22%, the normalised income tax expense level (including current tax and deferred tax) is around 6% of turnover, or about 35% of net profits.

RESULTS FOR THE YEAR

Profit for year increased to RMB307.8 million, representing an increase of 16.1% year-on-year. Basic earnings per share for 2013 was RMB5.54, an increase of 12.1% compared with the 2012 level. The net profit margin was 16.0% compared to 16.8% in 2012. This was a result of reduced gross profit margins and higher selling and distribution expenses compared with 2012.

BALANCE SHEET AND CASH FLOW

As at 31 December 2013, the total assets of the Group stood at RMB1,491 million, with current assets amounting to RMB1,273 million. Total liabilities were RMB219 million and total shareholders' equity rose to RMB1,273 million. The Group has no outstanding bank loans or overdue debt.

	Year ended 31 December		
Category	**2013**	2012	**Change**
Asset-liability ratio	**14.7%**	17.0%	–2.3%
Current ratio	**609.4%**	589.8%	19.6%
Proportion of current assets	**85.4%**	96.3%	–10.9%
Proportion of shareholders' equity	**85.3%**	83.0%	2.3%

The Group's year-end cash and cash equivalents amounted to RMB468.3 million, RMB15.4 million higher than the RMB452.9 million as at 31 December 2012. The Group's cash was mainly deposited with the Agriculture Bank of China, which is one of the four largest stated-owned banks in China. The effective interest rate for Renminbi current deposits during the year was 0.35%.

	Year-ended 31 December		
	2013	2012	**Change**
Category	**RMB'000**	RMB'000	**RMB'000**
Net cash inflow from operations	**217,254**	146,958	70,296
Net cash outflow from investments	**(195,102)**	(36,208)	(158,894)
In which: (1) Acquisition of property, plant and equipment	**(89,602)**	(17)	(89,585)
(2) Purchase of land use rights	**(105,500)**	—	(105,500)
(3) Renovation prepayments for distributions	**—**	(36,191)	36,191
Net cash inflow/(outflow) from financing activities	**(6,777)**	55,355	(62,132)
In which: (1) Share issue proceeds, net of issue costs	**—**	54,314	(54,314)
(2) Dividend	**(9,946)**	—	(9,946)
(3) Advances from a director/shareholder	**3,169**	1,041	2,128
Total	**15,375**	166,105	(150,730)

WORKING CAPITAL MANAGEMENT

During the year the Group further consolidated its working capital management. The average working capital cycle for the year ended 31 December 2013 was 91 days (2012: 95 days). This was mainly due to a reduction in both accounts receivable and trade payable days compared to a year ago.

Trade receivables rose by 21.2% to RMB624.5 million as at 31 December 2013 compared to 2012, although the average trade receivable turnover days fell to 106 days from 121 days in 2012. None of the trade debtors were considered impaired and 90% of trade debts were within 90 days. The Group believes that the support it provides to its distributors and retailers in running their stores network is important and it maintains close contacts with all the distributors and will continue to monitor all the debts. Therefore, the Group extends the payment terms to 120 days to certain of its clients.

The average inventory turnover cycle was 20 days for the year ended 31 December 2013, a reduction from the 21 days seen in 2012, which reflects good stock control and management. Inventory amounted to RMB91.6 million, an increase of 41.4% when compared with the RMB64.8 million at 31 December 2012, and which is in line with the business' scale and sales growth for the year under review.

The average trade payable cycle was 35 days for the year ended 31 December 2013, compared with 47 days for the year ended 31 December 2012. This was due to timely payment to suppliers to secure quality and cost of raw materials.

	Year ended 31 December		
	2013	2012	**Change**
Accounts receivable (average debtor days)	**106**	121	–15
Inventory (days)	**20**	21	–1
Accounts payable (days)	**35**	47	–12

As at 31 December 2013, the balance of prepayments to suppliers was RMB65.2 million, a slight decrease when compared with the RMB65.5 million at the year ended 31 December 2012. The prepayments were upfront deposits paid to suppliers for the acceptance of orders and to establish long-term cooperation. The main reason for the relatively high level of prepayments to trade suppliers was to lock in favourable purchase prices with suppliers and to guard against unfavourable fluctuations in raw material cost (the inflation level in China is relatively higher) to secure gross margins.

COMMITMENTS AND CONTINGENCIES

As at 31 December 2013, the Group had not provided any form of guarantee for any company outside the Group. The Group is currently not involved in any litigation matters and is not aware of any current or pending litigation issues relating to the Group.

FINANCIAL MANAGEMENT POLICY

The Group continues to maintain a prudent approach to financial risk. The directors recognise the value of the UK Corporate Governance Code ("the Code"), and whilst under AIM rules full compliance is not required, the directors believe that the company applies the recommendations insofar as is practicable and appropriate for a public company of its size. Group business is principally conducted in RMB, so the impact of exchange rate risk on Group activities is limited. The Group does not take positions with financial instruments for hedging purposes. The Board does, however, continue to monitor foreign exchange risk, and is prepared to implement prudent risk-reduction measures such as hedging as and when necessary.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the year, the Group made some major capital investments. First, it acquired a factory in Quangang, Quanzhou, Fujian Province, for RMB160 million, which was paid in full during September and October 2013. The cost of office decoration and the machinery during the year was RMB2.6 million in total.

Secondly, in September 2013, the Group entered into an agreement with the People's Government of Dazhu County in Sichuan Province to purchase land use rights, for 13.3 hectares of land, to develop a Naibu Industrial Zone. The Naibu Industrial Zone will include R&D, manufacturing and logistic facilities relating to the development of shoes, apparel, sports equipment, outdoor exercise goods and other sporting goods. It is anticipated that the Naibu Industrial Zone will include other relevant upstream and downstream industries in the supply chain for such goods. The Group will pay RMB60 million for the land use rights, of which RMB8 million has already been paid as a deposit. The total cost of investment for the project is expected to be exceeding RMB300 million.

During the year, the Group did not dispose of or acquire any significant subsidiaries or businesses. The Group will, however, continue to seek business opportunities such as cooperation with international business partners to increase returns on shareholders' equity.

DIVIDEND

The Board has decided to announce a final dividend payment of 4 pence per share to our shareholders. This dividend reflects the Board's positive outlook for the future of the Group, and also takes into consideration of the capital requirements for the Group. This dividend is subject to shareholder approval and the appropriate approvals of the Chinese authorities. The final dividend of 4 pence per share is expected to be paid on 15 August 2014 to shareholders on the register at the close of business on 4 July 2014. The shares will go ex-dividend on 2 July 2014.

Li Zhen
Chief Financial Officer
2 June 2014

Director's Report

The Directors of Naibu Global International Plc (the "Company") have pleasure in submitting their Report with the audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries (the "Group"), designs, manufactures and supplies Naibu branded sports shoes, and designs and supplies Naibu branded sport clothing and accessories. Naibu products target the mass-market, focussing primarily on students and young adults aged between 12 and 35, offering them branded sports fashion at a reasonable price. The Group has a strong research and development ("R&D") team, which in the Directors' opinion, is vital to the success of the brand. The Group has nearly 3,188 Naibu stores in cities across 21 of China's provinces and three of its municipal cities.

BUSINESS REVIEW & FUTURE DEVELOPMENTS

A summary of the Group's main business developments for the year ended 31 December 2013 and potential future developments is contained within the Chairman's Statement, Operational Review and Financial Review.

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards (as adopted by the EU).

FINANCIAL INSTRUMENTS

The Group uses financial instruments as part of its financial risk management. It is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company had no significant concentrations of interest rate risk in the period under review.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The Company had no significant concentrations of interest rate risk in the period under review.

Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

Foreign Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies. The management monitors its exposure to currency risk on an on-going basis and endeavours to keep the net exposure at an acceptable parameter.

DIRECTORS' REMUNERATION (INCLUDING RETIREMENT CONTRIBUTION)

		The Year ended 31 December	
	Name of Directors	2013 (RMB'000)	2012 (RMB'000)
1	Mr. Lin Huoyan	1,805	1,414
2	Mr. Lin Congdeng	1,601	1,239
3	Ms. Li Zhen	604	—
4	Mr. Giles Elliott	581	459
5	Mr. David Thomas	388	306
6	Mr. Stephen Cheung	388	306
7	Mr. Chi Keung (Kenny) Law	316	980
	Total	5,683	4,704

SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant transactions between the Company and its related parties during the period were as follow:

1. On 14 December 2010, a three-party rental agreement was signed between Fujian Jun Xiang Bags Co., Limited ("Jun Xiang"), Lin Zaiqin and Lin Huoyan, for leasing the manufacturing premises (including offices and accommodation facilities) to Naibu China from 1 January 2011 to 31 December 2013, for a monthly sum payment of RMB80,000. An original deposit of RMB100,000 was paid to Jun Xiang. In 2011, the Group would like to purchase the factory owned by the related party Jun Xiang and paid a deposit of RMB10 million. However, the transaction for the acquisition of factory premise did not take place and was cancelled in 2012. The deposit for the property acquisition RMB10 million has been partly returned and the rest of balance RMB5 million was transferred to the deposit of long-term lease payment for the property.

2. As at 31 December 2013, the Group owed the shareholder Central Win Global Investments Limited and the director/ultimate beneficiary Mr. Lin Huoyan with the amount of total RMB4,228,000, which is considered to be unsecured, interest-free and repayable on demand. As at 31 December 2012, the Group owed the shareholder Central Win Global Investments Limited and the director/ultimate beneficiary Mr. Lin Huoyan with the amount of total RMB1,059,000.

DIRECTORS AND THEIR INTERESTS

The table below sets out the interests of the Directors in Naibu Global International Plc. as at 31 December 2013.

Director	Number of Ordinary Shares	Percentage of existing share capital
Huoyan Lin	29,968,683	51.16%
Giles Elliott	103,392	0.18%
Stephen Cheung	21,934	0.04%
Congdeng Lin	0	0.00%
Zhen Li	0	0.00%
David Thomas	0	0.00%

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Director of the Company entered into a service contract with the Company for an initial term of three years and may only be terminated in accordance with the provisions of the service contract by giving to the other not less than three months' prior notice in writing.

The directors who served during the year were:

Mr. Lin Huoyan
Mr. Lin Congdeng
Ms. Li Zhen (appointed 22 January 2013)
Mr. Giles Elliott
Mr. David Thomas
Mr. Stephen Cheung
Mr. Chi Keung (Kenny) Law (resigned 22 January 2013)

On 22 January 2013, Mr. Kenny Law resigned from the board and the position of CFO and decided to return to Singapore. At the same day, the Company announced the appointment of Ms. Zhen Li, as Mr. Law's successor as CFO of the Company.

SHARE CAPITAL AND RESERVES

Details of the Company's authorised and issued share capital and reserves as at 31 December 2013 are contained in Note 22 and 24 of the financial statements respectively.

RESULTS AND DIVIDENDS

An overview of the Group's results, covering the year ended 31 December 2013, is provided in the Financial Review from page 11 to page 17. Detailed financial information is included from page 28 to page 68 of the report. The Directors have proposed the payment of a final dividend of 4 pence per share to shareholders.

GOING CONCERN

Based on the Group's budgets and cash flow projections for 2014, the Directors are satisfied that the Group has adequate resources to continue its operations and meet its commitments for the foreseeable future. The capital commitments will be financed by the Group's own cash flows generated from business operations.

RELATIONS WITH SHAREHOLDERS

The Directors attach importance to the provision of clear and timely information to shareholders and the broader investment community. Information about the company is available on its website (www.naibu.com). The Group's annual report will also be sent to shareholders and be made available through the Group's website.

ANNUAL GENERAL MEETING

The 2013 Annual General Meeting will be held at 11:00 am on 30 June 2014, at the office of Daniel Stewart & Company Plc at Becket House, 36 Old Jewry, London, EC2R 8DD.

AUDITORS

Crowe Clark Whitehill LLP has expressed its willingness to continue in office as auditors and a resolution for their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board

Huoyan Lin
Chairman
2 June 2014

Corporate Governance Report

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The directors recognise the value of the UK Corporate Governance Code ("the Code"), and whilst under AIM rules full compliance is not required, the directors believe that the company applies the recommendations insofar as is practicable and appropriate for a public company of its size.

THE BOARD

The Board of Directors is composed of six members, three Executive Directors and three Non-Executive Directors. The Board has established Audit and Remuneration Committees with formally delegated duties, responsibilities and written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues as and when the need arises.

The Group holds several meetings per annum, at which the Directors review the Group's performance and all other important issues to ensure control is maintained over the Group's affairs. The Directors are kept well informed of the Group's performance, and other matters that are relevant to the business of the Group and that should be brought to the attention of the Directors.

The Board has a breadth of experience relevant to the Group, and the Directors believe that any changes to the Board's composition can be managed without undue disruption. With any new appointment of a Director to the Board, consideration will be given as to whether a formal induction process is appropriate. The Board believes that the mix of the skills, experience, ages and lengths of service are appropriate to the requirements of the Group.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness and confirms that this review has been conducted during the period. However, the system of internal control is designed to manage the risk of failure to achieve the Groups strategic objectives. It cannot totally eliminate the risk of failure but will provide reasonable, although not absolute, assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, and that this process is regularly reviewed by the Board and accords with the guidance.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to set out its overall business strategies, tolerance of risk and general risk management philosophy. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Business plans and budgets are prepared annually by the management and subject to review and approval by the Board. Reforecasts for the current year are prepared on a regular basis, reviewed for variances to the budget and for approval. When setting budgets and reforecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

The executive directors review monthly management reports on the financial results and key operating statistics and discuss with the executive management team and senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies.

The main risks which the Group faces are market risk (comprising interest rate, foreign currency and price risk), credit risk and liquidity risk. Further details are given in note 27 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee comprises all three Non-Executive Directors, Giles Elliott, David Thomas and Stephen Cheung. It is chaired by Stephen Cheung.

The Audit Committee helps the Board discharge its responsibilities regarding financial reporting, external and internal audits and controls as well as reviewing the Group's annual financial statements. It also reviews and monitors the effectiveness of the Group's internal controls and risk management systems.

The Audit Committee is responsible for the scope and effectiveness of the external audit and compliance by the Group with statutory and regulatory requirements. The Audit Committee also advises the Board on the appointment of the external Auditors, reviews their fees and the audit plan. It approves the external Auditors' terms of engagement, their remuneration and any non-audit work.

The Audit Committee assessed the effectiveness of the external audit process by discussing the process with the Chief Financial Officer and the Auditors.

Auditor objectivity and independence is safeguarded through limiting non-audit services to tax and audit-related work that fall within defined categories. Non-audit work is approved by the Audit Committee if it concludes that it is in the interests of the Group to purchase non-audit work from the external Auditors (rather than another supplier).

The Audit Committee has reviewed the Group's risk management and internal control systems and believes that the controls are satisfactory, given the size and nature of the Group.

REMUNERATION COMMITTEE

The Remuneration Committee comprises David Thomas and Giles Elliott, and chaired by Giles Elliott.

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration. This includes making recommendations to the Board on the Group's policy on executive remuneration, determining the individual remuneration and benefits package of each of the Executive Directors and recommending and monitoring the remuneration of senior management below Board level.

The remuneration of the executive directors and senior management is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions.

The remuneration and terms and conditions of the Non-Executive Directors is determined by the Board with due regard to the interests of the Shareholders and the performance of the Group.

AIM COMPLIANCE COMMITTEE

The Company has established an AIM Compliance Committee which comprises Stephen Cheung and David Thomas, both of whom are non-executive directors of the Company. The AIM Compliance Committee is responsible for ensuring the Company's compliance with the AIM Rules. It is chaired by David Thomas.

SHARE DEALING

The Group has adopted a share dealing code for Directors' dealings. The Directors will comply with Rule 21 of the AIM Rules for Companies relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Group's applicable employees as well.

INVESTOR RELATIONS AND SHAREHOLDERS RIGHT

The Group actively promotes investor relations and communication with the investment community when the interim and year-end financial results are announced and during the course of the year. Through its Chairman, non-executive deputy Chairman and Chief Financial Officer, the Group responds to requests for information and queries from the investment community including institutional shareholders, analysts and the media through regular briefing meetings, conference calls and presentations. The other Directors, including Non-executive Directors, develop an understanding of the views of the major shareholders about the Company by periodic meetings on the subject with the Chairman and the Chief Financial Officer.

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, interim and annual reports. An updated version of the Memorandum and Articles of Association of the Company is published on the Company's website. Moreover, additional information on the Group is also available to shareholders through the Investor Relations page on the Company's website.

Shareholders are encouraged to attend all general meetings of the Company, such as the annual general meeting for which at least 21 working days notice is given and at which the Chairman and Directors are available to answer questions on the Groups businesses. All shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders by sending to the Company Secretary a written request for such general meetings together with the proposed agenda items. Regularly updated financial, business and other information on the Group is made available on the Company's website for shareholders.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions to the Board or the Company are welcome and can be addressed to the Company by e-mail.

Statement by Directors

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In the opinion of the directors, the accompanying consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date and at the date of this statement there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

Lin Huoyan
2 June 2014

Li Zhen
2 June 2014

Independent Auditor's Report to the Members of Naibu Global International plc

We have audited the financial statements of Naibu Global International plc for the period ended 31 December 2013 which comprise the Group Statement of Financial Position, the Group Statement of Comprehensive Income, the Group Statement of Cash Flows, the Group Statement of Changes in Equity and the related notes.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent Company, or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Leo Malkin
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor

St Bride's House
10 Salisbury Square
London
EC4Y 8EH

2 June 2014

Note: The maintenance and integrity of the Naibu Global International plc website is the responsibility of the directors. The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2013

	Notes	Year ended 31 December 2013 RMB'000	2012 RMB'000
Revenue	4	1,927,967	1,676,613
Cost of sales	5	(1,392,483)	(1,207,224)
Gross profit		535,484	469,389
Other income	4	1,985	1,976
Selling and distribution expenses	6	(90,403)	(79,044)
Administrative expenses	7	(29,027)	(31,868)
Finance expense	7	(924)	—
Profit before taxation	8	417,115	360,453
Income tax expense	9	(109,332)	(95,323)
Profit after taxation		307,783	265,130
Other comprehensive gain, net of tax			
—Translation differences arising from foreign currency financial statements recognised directly in equity		784	480
Total comprehensive income attributable to equity holders of the parent		308,567	265,610
Earnings per share — Basic (RMB)	11	5.54	4.94
Earnings per share — Diluted (RMB)	11	5.42	4.86

Consolidated Statement of Financial Position

For the financial year ended 31 December 2013

	Notes	As at 31 December 2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	105,202	10,568
Intangible assets	13	97,500	—
Long-term prepayment	14	15,179	33,275
		217,881	43,843
Current assets			
Inventories	15	91,606	64,829
Trade and other receivables	16	713,395	609,475
Cash and bank balances	17	468,281	452,906
		1,273,282	1,127,210
Total assets		1,491,163	1,171,053
LIABILITIES AND EQUITY			
Non-current liabilities			
Deferred income tax liabilities	18	9,564	7,861
		9,564	7,861
Current liabilities			
Trade payables	19	137,872	134,595
Other payables and accruals	20	42,674	35,009
Amount due to a director/shareholder	21	4,228	1,059
Income tax payable		24,168	20,446
		208,943	191,109
Total liabilities		218,507	198,970
Capital and Reserves			
Stated capital account	22	77,667	54,314
Reserves	24	183,186	150,621
Retained earnings		1,011,803	767,148
Total equity attributable to equity holders of the parent		1,272,656	972,083
Total liabilities and equity		1,491,163	1,171,053

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2013

	Attributable to the Company's equity holders					
	Stated Capital Account RMB'000	Re-Construction Reserve RMB'000	Currency Translation Reserve RMB'000	Statutory Reserve RMB'000	Retained Profits RMB'000	Total RMB'000
Balance at 1 January 2012	—	31,426	2,178	88,835	529,731	652,170
Issue of ordinary shares, net of share issue costs	54,314	(11)	—	—	—	54,303
Profit for the year	—	—	—	—	265,130	265,130
Other comprehensive income — Foreign currency translation differences	—	—	480	—	—	480
Total comprehensive income for the year	—	—	480	—	265,130	265,610
Transfer to statutory reserve	—	—	—	27,712	(27,712)	—
Balance at 31 December 2012	54,314	31,415	2,658	116,547	767,149	972,083
Profit for the year	—	—	—	—	307,783	307,783
Other comprehensive income — Foreign currency translation differences	—	—	784	—	—	784
Total comprehensive income for the year	—	—	784	—	307,783	308,567
Dividends	23,353				(33,300)	(9,947)
Share based payments	—	—	—	—	1,953	1,953
Transfer to statutory reserve	—	—	—	31,782	(31,782)	—
Balance at 31 December 2013	77,667	31,415	3,442	148,329	1,011,803	1,272,656

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2013

	Notes	Year ended 31 December 2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Profit before taxation	8	417,115	360,453
Adjustments for:			
Depreciation and amortisation		21,063	5,515
Interest income		(1,691)	(1,281)
Operating profit before working capital changes		436,487	364,687
Decrease/(increase) in inventories		(26,777)	14,145
(Increase) in trade and other receivables		(101,183)	(89,149)
(Decrease)/increase in trade payables		3,277	(47,743)
Increase in accruals and other payables		7,666	612
Net cash generated by operating activities		319,470	242,552
Interest received		1,691	1,281
Income tax paid		(103,907)	(96,875)
Net cash generated by operating activities		217,254	146,958
Cash flows from investing activities			
Acquisition of property, plant and equipment		(89,602)	(17)
Purchase of land use right		(105,500)	—
Refurbishment of property, plant and equipment		—	(36,191)
Net cash used in investing activities		(195,102)	(36,208)
Cash flows from financing activities			
Share issue proceeds, net of issue costs		—	54,314
Dividends paid		(9,946)	—
Advances from a director/shareholder		3,169	1,041
Net cash (used in)/generated from financing activities		(6,777)	55,355
Net increase in cash and cash equivalent		15,375	166,105
Cash and cash equivalent at beginning of the financial year		452,906	286,801
Cash and cash equivalent at end of the financial year	17	468,281	452,906

Notes to the Consolidated Financial Statements

1. INTRODUCTION

The Consolidated Financial Statements of the Group for financial year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Directors on the date of the Statement By Directors.

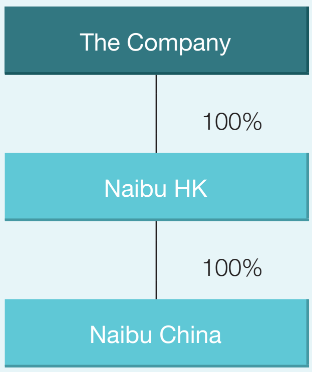
2. THE COMPANY AND THE GROUP

The Company (Registration No.109676) was incorporated in Jersey, Channel Islands, on 15 December 2011. The Company's registered office is at 26 New Street, St Helier, Jersey JE4 9WG, Channel Islands. The nature of the Company's operations and its principal activities are to act as the holding company of a group engaged in design, manufacture and supply of Naibu branded sports shoes and the design and supply of Naibu branded clothing and accessories.

On 13 February 2012 the Company entered into an agreement to acquire the entire issued and to be issued share capital of Naibu (HK) Investment International Limited ("Naibu HK") in a share for share transaction. Naibu HK owns 100% of Naibu China Co. Ltd ("Naibu China").

Naibu products target the mass-market, focussing primarily on students and young adults aged between 12 and 35, offering them branded sports fashion at a reasonable price. The Group has a strong research and development ("R&D") team, which in the Directors' opinion, is vital to the success of the brand. The Group has 3,188 Naibu stores in cities across 21 of China's provinces and three of its municipalities. The company completed its listing on London AIM on 5 April 2012.

The Group structure is shown as follows:



Notes: The consolidated financial statements have been prepared based on the audited financial statements of all the entities in the Group for the financial year ended 31 December 2013. The directors of the respective companies of the Group for the financial year ended 31 December 2013 are responsible for preparing these consolidated financial statements for the financial year ended 31 December 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") including related interpretations and have been consistently applied throughout the financial year ended 31 December 2013.

Basis of preparation of financial statements

The financial year of the Group is between 1 January and 31 December.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") issued by the International Accounting Standards Board ("IASB") including related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The company was incorporated on 15 December 2011 and entered into an agreement to acquire the entire issued and to be issued share capital of Naibu HK Investment International Ltd on 13 February 2012. The acquisition was effected by way of issue of shares.

In determining the appropriate accounting treatment for this transaction, the Directors considered IFRS 3 "Business Combinations" (Revised 2008). However, they concluded that this transaction fell outside the scope of IFRS 3 (revised 2008) since the transaction described above represents a combination of entities under common control.

In accordance with IAS 8 "Accounting Policies, changes in accounting estimates and errors", in developing an appropriate accounting policy, the Directors have considered the pronouncements of other standard setting bodies and specifically looked to accounting principles generally accepted in the United Kingdom ("UK GAAP") for guidance (FRS 6 — Acquisitions and mergers) which does not conflict with IFRS and reflects the economic substance of the transaction.

Under UK GAAP, the assets and liabilities of both entities are recorded at book value, not fair value (although adjustments are made to achieve uniform accounting policies), intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the legal acquirer in accordance within applicable IFRS, no goodwill is recognised, any expenses of the combination are written off immediately to the income statement and comparative amounts, if applicable, are restated as if the combination had taken place at the beginning of the earliest accounting period presented.

Therefore, although the Group reconstruction did not become unconditional until 13 February 2012, the consolidated financial statements were presented as if the Group structure has always been in place, including the activity from incorporation of the group's principal subsidiary. Both entities had the same management as well as majority shareholders.

On this basis, the Directors have decided that it was appropriate to reflect the combination using merger accounting principles as a group reconstruction under FRS 6 — Acquisitions and mergers in order to give a true and fair view. No fair value adjustments were made as a result of the combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation of financial statements (Continued)

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The consolidated financial statements have been generally prepared under the historical costs convention except as otherwise stated in the consolidated financial statements.

Adoption of IFRS

The Group has adopted all IFRS that were effective on or before 1 January 2013 for the preparation of the consolidated financial statements for the financial year ended 31 December 2013.

Standards, amendments and interpretations to published standards not yet effective

At the date of authorisation of these financial statements, the IASB and IFRIC have issued the following standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date:

IAS 32 Amendment — Financial instruments: Presentation

IFRS 10, 12 and IAS 27 Amendments — Investment entities

IAS 36 Amendment — Impairment of assets

IAS 39 Amendment — Novation of derivatives

IFRIC 21 Levies

IFRS 9 Financial instruments

IFRS 14 Regulatory deferral accounts

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies as described below, except for the critical judgements mentioned below, the Directors are of the opinion that there are no other instances of application of judgements which are expected to have a significant effect on the amounts recognised in the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical judgements made in applying accounting policies

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 10 years. The carrying amounts of the Group's property, plant and equipment as at 31 December 2012 and 31 December 2013 were RMB10,568,000 and RMB105,202,000 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 charges could be revised.

Withholding tax on dividends — deferred tax

The Group is subject to income taxes in the tax jurisdiction in the PRC. According to the New Corporate Income Tax Law ("CIT") and the Detailed Implementation Regulations ("DIR"), dividends distributed to a foreign investor by Foreign Invested Enterprises ("FIE") in the PRC would be subject to a withholding tax of 5% to 10%. The Chinese tax authorities have granted a special tax concession which states that dividends distributed out of the earnings from 1 January 2008 of a FIE's profit, arising in year 2008 and beyond, to be distributed to the foreign investors as dividends shall be subject to withholding tax. Deferred tax liabilities arising from such temporary differences as a result of the new CIT are recognised to the extent that the management intends to distribute dividends from the retained earnings.

Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are discussed below:

Income tax

The Group has exposure to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are also claims for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's income tax payables as at 31 December 2012 and 2013 were RMB20.4 million and RMB24.2 million, respectively.

Impairment of trade receivables

The Group's management assesses the collectability of trade receivables. This estimate is based on the credit history of the Group's customers and the current market condition. Management assesses the collectability of trade receivables at the balance sheet date and recognises an impairment if appropriate Once debtors have been identified as having evidence of impairment, it is regularly reviewed and appropriate impairment position applied. The carrying amounts of the Group's trade and other receivables as at 31 December 2012 and 2013 were RMB515.1 million and RMB624.5 million, respectively. No provisions to any of these debts have been provided for during any of these periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of property, plant and equipment and land use rights

The Group's management assesses the carrying amounts of the property, plant and equipment as well as land use rights to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. A discount rate of 19.4% is used which reflects current market assessments of the time value of money and the risks specific to the business in question. Growth rates and changes in prices and costs are based on expectations of future performance in the markets in which the Group operates. These are consistent with the Group's plans and forecasts for 2014 and 2015, and extrapolated projected cash flows for the following three years based on estimated growth rates. In 2013 this review resulted in no impairment charge to the Group's property, plant and equipment and land use rights balances of any of the CGUs making up the carrying amount of these balances in the Group financial statements. The carrying amount of the Group's property, plant and equipment and land use rights is disclosed in notes 12 and 13 in these financial statements.

Net realisable value of inventories

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale, if any. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of the Group's inventories as at 31 December 2012 and 2013 were RMB64.8 million and RMB91.6 million, respectively.

Commercial and business environment in the PRC

The Chinese system operates within a political framework of communist control. Although the Directors believe that political conditions in the PRC are generally stable, changes may occur in its political, fiscal and legal systems which might affect the ownership or operation of the Group's interests, including, inter alia, changes in exchange control regulations, changes in government and in legislative and regulatory regimes.

Activities, assets and entities based in the PRC within the group may be impacted by these evolving structures as well as other China related considerations, which could impact on the control of individual assets or the control of whole entities.

Consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Information on its subsidiary is given in Note 2.

All inter-company balances and inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated profit or loss from the effective date in which control is transferred to the Group or in which control ceases respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation (Continued)

With the exception for the transactions noted in the basis of preparation of note 3, business combinations are accounted for using the acquisition method. The consideration transferred for an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiaries. Costs attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially are their fair values at the acquisition date.

Any excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of previous equity interest in the acquiree over the fair value of the net identifiable assets acquired represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill. In instances where the latter amount excess the former, the excess is recognised as a gain from bargain purchase in the profit or loss on the date of acquisition.

When the control over a subsidiary is lost, the assets and liabilities of the subsidiary, including any goodwill, are derecognised. Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when the control is lost and its fair value is recognised in profit or loss.

Where accounting policies of a subsidiary do not conform to those of the Group, adjustments are made on consolidation when the amounts involved are considered insignificant to the Group.

Non-controlling interests represent the portion of profit or loss and net assets in a subsidiary not held by the Group. They are represented in the consolidate statement of financial position within equity, separately from the parent shareholder' equity, and are separately disclosed in the consolidated statement of comprehensive income. Total comprehensive income is attributed to the non-controlling interests based on their respective interest in a subsidiary, even if this results in the non-controlling interests having deficit balances.

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

Property, plant and equipment

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

Building	50 years
Office renovation	5 years
Plant and machinery	10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

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

For acquisition and disposal during the year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

The gain or loss on disposal or retirement of an item of property, plant and equipment recognised in profit or loss is the difference between the net sales proceeds and the carrying amount of the asset.

Intangible assets – land use rights

The land use rights are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis to write off the cost of the land use rights over the period for which the rights have been granted.

Impairment of non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill. Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors. Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial instruments are measured initially at cost, which is the fair value of whatever was paid or received to acquire or incur them. Acquisition costs include transaction costs. All purchases and sales of investments are recognised using trade date accounting.

After initial recognition, financial assets and liabilities are classified into the following categories: Fair value through profit or loss; held to maturity investments, available for sale financial assets, and loans and receivables. A description of these measurement bases is as follows:

Fair value through profit or loss

Investments which are held for trading are accounted for at fair value through profit or loss.

Investments are treated as held for trading if they are:

(i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(iii) a derivative (except for derivatives that designated as effective hedging instruments).

In addition, the Group classifies investments as financial assets at fair value through profit or loss where the investment eliminates or significantly reduces valuation or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognizing gains and losses on them, on different bases.

The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group positively intends, and is able, to hold until maturity.

Held-to-maturity investments are initially recorded at fair value plus any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Premiums and/or discounts arising on the purchase of such investments are included in the calculation of their effective interest rates.

"Available for sale" investments

All other investments are classified as available for sale and are carried at fair value. Unrealised gains and losses other than impairments are taken directly to equity. Upon sale or maturity, the net gains and losses are included in income. Dividends are recognised in the income statement when the right to receive payment has been established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and which are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are sold or impaired, as well as through the amortisation process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities

Financial liabilities are classified as either "financial liabilities at fair value through profit or loss" or as "other financial liabilities".

Financial liabilities at fair value through profit or loss are initially measured their fair value, and then remeasured to fair value at each reporting date. Changes in fair value are recognised in profit and loss and incorporate any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Subsequently they are measured at amortised cost, using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Trade receivables and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment is accounted for when management deems specific trade receivable balances not to be collectible. The amount of the impairment loss is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of 3 months or less at acquisition, less bank overdrafts which are repayable on demand.

Trade payables, other payables and accruals and amount due to a director/shareholder

Trade payables, other payables and accruals, and amount due to a director/shareholder are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method. Interest is recognised in profit or loss.

Equity

Equity instruments issued are measured at proceeds received, net of direct issue costs.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method, and in the case of work-in-progress and finished goods, comprises direct material, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the actual or estimated selling price less all further costs of completion and the estimated costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Provisions (Continued)

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long term provisions are discounted to their present values, where time value of money is material.

All provisions are reviewed at the balance sheet date and adjusted to reflect the current best estimates.

In cases where the possible outflow of economic resources as a result of present obligations is considered impossible or remote, or the amount to be provided for cannot be measured reliably, no contingent liability is recognised in the statement of financial position, unless assumed in the course of a business combination.

Recognition of revenue and cost of goods sold

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes on the following bases:

(i) Revenue is recognised when the products leave the warehouse. Prior to the products leaving the warehouse, the products undergo quality control checks by the Group's Quality Control Department and/or their customers' representatives. The Group generally does not accept returns of the goods arising from quality issues once the products leave the warehouse.

(ii) Interest income is recognised, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

Cost of goods sold includes direct material costs, direct labour costs, design costs and direct manufacturing overheads including depreciation of production equipment and rent consistent with revenue earned.

Research and development costs

Research costs are expensed as incurred, except for development costs which relates to the design and testing of new or improved products or processes which are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

Income tax

Income tax for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years. Corporate income tax is provided at rates applicable to an enterprise on income for financial reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Value-added-tax

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

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

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

- Receivables and payables are stated with the amount of VAT included.

Retirement benefits scheme

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiary of the Group in the PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary of the Group. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Key management personnel

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to profit or loss on a straight-line basis over the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Operating segments

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the director who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.

Foreign currencies

(i) Functional and presentation currency

The overall functional currency of the Group is Renminbi. The functional currency of the parent company is the Great British Pound, the functional currency of the subsidiary Naibu HK is Hong Kong Dollar and the functional currency of Naibu China is Renminbi. The consolidated financial statements are presented in Renminbi. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in Renminbi as the primary economic environment in which the Group operates is the People's Republic of China.

(ii) Transactions and balances

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

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

Notes to the Consolidated Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

(iii) Group companies

The results and financial position of all the entities (none of which has the currency of a hyperinflationary economy) within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities are translated at the closing exchange rates at the reporting date;

(b) Income and expenses are translated at average exchange rates (unless the 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 using the exchange rates at the dates of the transactions); and

(c) All resulting currency translation differences are recognised in the currency translation reserve in equity.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or significant influence. Related parties may be individuals or corporate entities.

Share based payments

Certain employees (including directors and senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of the options granted is measured using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share based payments (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders and declared, in which case they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, and consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

4. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of the Group's revenue and other income is as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Revenue	1,927,967	1,676,613
Other income:		
Interest income	1,691	1,282
Others	294	694
	1,985	1,976

5. COST OF SALES

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

The following table shows a breakdown of cost of sales for each category:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Materials	277,822	304,096
Labour cost	87,931	97,483
Production overheads	46,878	45,943
Total self-production cost	412,631	447,522
Subcontracted product cost	979,852	759,702
Total self-production and subcontracted cost	1,392,483	1,207,224

6. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses comprise the following:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Advertisement expenses	30,200	29,484
Labour cost	12,035	11,716
Renovation allowance	24,417	8,740
Travelling expenses	14,576	19,172
Others	9,175	9,932
	90,403	79,044

7. ADMINISTRATIVE EXPENSES AND FINANCE EXPENSES

Administrative expenses comprise, amongst others, personnel costs for management and administrative functions, depreciation, agency costs, travel and entertainment expenses and other miscellaneous expenses incurred for administrative purposes.

Finance expenses refer to the foreign exchange losses. The Group incurred an exchange loss of RMB0.9 million during the year, as a result of the depreciation of the Hong Kong Dollar. There was exchange gain (RMB357,000) instead of losses during the year ended 31 December 2013, which was included in other income.

8. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at:

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
After charging:			
Cost of inventories recognised as expenses		1,235,990	1,048,319
Minimum lease payments under operating leases for leasehold buildings		2,623	2,737
Depreciation and amortisation*	12,13	21,063	5,515
Research and development costs		25,904	27,261
Advertisement expenses		30,200	29,484
Renovation allowance		24,417	8,740
Fees payable to the company's auditor for the audit of the financial statements		729	701

* Depreciation expenses of approximately RMB1,594,000, RMB26,000 and RMB3,895,000, and RMB1,594,000, RMB26,000 and RMB19,443,000 have been charged in cost of sales, selling and distribution expenses and administrative expenses on the face of the consolidated statements of comprehensive income for the financial year ended 31 December 2012 and 31 December 2013 respectively.

9. INCOME TAX EXPENSE

	Year ended 31 December 2013 RMB'000	2012 RMB'000
PRC income tax	106,472	92,829
PRC withholding tax	1,158	—
Total current tax	107,629	92,829
Deferred tax (Note 16)	1,703	2,494
Total tax charge	109,332	95,323

9. INCOME TAX EXPENSE (Continued)

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

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Profit before taxation	417,115	360,453
Tax at the applicable tax rate of 25%	104,279	90,113
Tax effect of non-deductible expenses	575	567
Different tax rate in different jurisdictions	1,617	2,149
Effect of deferred tax on undistributed PRC earnings	1,703	2,494
Withholding tax expense	1,158	—
	109,332	95,323

Naibu HK:

Naibu HK incurred losses for the financial years ended 31 December 2012 and 31 December 2013 respectively. The statutory income tax rate applicable to the Company is 16.5%.

Naibu China:

On 16 March 2007, the National People's Congress promulgated the PRC Enterprise Income Tax Law (the "New Tax Law"), which became effective from 1 January 2008.

Based on the "Income Tax Law of the PRC for Enterprises with Foreign Investments and Foreign Enterprises", Naibu China is entitled to full exemption from income tax for the first two years and a 50% reduction in income tax for the next three years starting from its first profitable year of operations. The first profit-making year of Naibu China commenced in 2006. Naibu China has obtained written confirmation from the relevant PRC tax authorities confirming that its 5 year tax holiday period commenced from 1 January 2006. Naibu China was entitled to full exemption of income tax for two years from 1 January 2006 to 31 December 2007, followed by a three year 50% relief from 1 January 2008 to 31 December 2010. Effective from 1 January 2011, Naibu China will be subject to Enterprise Income Tax ("EIT") at a standard rate of 25%.

10. DIVIDENDS

Dividends disclosed represent dividends on ordinary shares declared and paid by the Company to its equity holders. The Company also operates a scrip dividend scheme, whereby shareholders can elect to receive their dividends in cash or new shares.

The Company has resolved to pay a final dividend in respect of the year ended 31 December 2013 of 4 pence per share, subject to shareholder approval and the appropriate approval of the Chinese authorities.

The Company has declared a final dividend for the year ended 31 December 2012 of 4 pence per share. The dividend had been paid on 30 September 2013 by the Company, of which GBP 441,139 was paid in cash and GBP 1,752,408 in new shares.

The Company has declared an interim dividend in respect of the period ended 30 June 2013 of 2 pence per share. The dividend had been paid on 16 December 2013 by the Company, of which GBP 558,168 was paid in cash and GBP 595,687 in new shares.

11. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period:

	Year ended 31 December	
	2013	2012
Profit attributable to equity holders of the Company (RMB'000)	307,783	265,130
Weighted average number of ordinary shares in issue ('000)	55,589	53,629
Profit per share (RMB)	5.54	4.94

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares during the period.

	Year ended 31 December	
	2013	2012
Profit attributable to equity holders of the Company (RMB'000)	307,783	265,130
Weighted average number of ordinary shares in issue ('000)	56,782	54,524
Profit per share (RMB)	5.42	4.86

The weighted average number of shares for the purposes of diluted earnings per share include approximately 1.2 million options of shares granted to Giles Elliott and Daniel Stewart Securities plc as part of the IPO process. The share options have an exercise price of £1.24 and expire after five years.

12. PROPERTY, PLANT AND EQUIPMENT

	Office renovation RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in Progress Quangang RMB'000	Total RMB'000
Year ended 31 December 2012						
Opening net book amount	1,553	9,763	768	1,066	—	13,150
Additions	—	—	17	—	—	17
Depreciation charge	(560)	(1,581)	(189)	(269)	—	(2,599)
Closing net book amount	993	8,182	596	797	—	10,568
At 31 December 2012						
Cost	2,800	17,568	1,601	1,813	—	23,783
Accumulated depreciation	(1,247)	(1,807)	(9,386)	(1,006)	—	(1,016)
Net book amount	993	8,182	596	797	—	10,568
Year ended 31 December 2013						
Opening net book amount	993	8,181	596	797	—	10,568
Additions	—	1,000	2	—	96,600	97,602
Depreciation charge	(860)	(1,649)	(190)	(269)	—	(2,968)
Closing net book amount	133	7,533	408	528	96,600	105,202
At 31 December 2013						
Cost	2,800	18,569	1,603	1,812	96,600	121,384
Accumulated depreciation	(2,667)	(11,036)	(1,196)	(1,284)	—	(16,182)
Net book amount	133	7,533	408	528	96,600	105,202

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

The recoverable amount of each asset is determined using the value in use calculations with key assumptions relating to discount rates, growth rates and expected changes to selling prices and costs during the period. The discount rate of 19.4% is used which reflects current market assessments of the time value of money and risks specific to the business in question.

Growth rates and changes in selling prices and costs are based on our expectations of future performance in the markets in which the Group operates. These are consistent with the Group's plans and forecast for 2014 and 2015 and extrapolated cash flows for the following three years, reflecting the long-term nature of the businesses, based on estimated growth rates of 5%. A fluctuation of 5% in the discount rate or an increase in the underlying costs associated with the use of these assets of 25% would not affect the carrying value of the property, plant and equipment, or the land use rights detailed in note 13.

13. INTANGIBLE ASSETS – LAND USE RIGHTS

The land use right refers to the acquisition of the land at the Quangang plant. As at 31 December 2013, the Group had paid for the full amount of land use rights but yet to obtain the land use right certificate to commence use of this parcel of land, and amortisation has not yet commenced on this land use right accordingly.

	Quangang RMB'000	Dazhu RMB'000	Total RMB'000
Year ended 31 December 2013			
Opening net book amount	–	–	–
Additions	97,500	–	97,500
Amortisation charge	–	–	–
Closing net book amount	97,500	–	97,500
Cost	97,500	–	97,500
Accumulated amortisation	–	–	–
Net book amount	97,500	–	97,500

14. LONG-TERM PREPAYMENTS

Long-term prepayment refers to the prepayment of store renovation for distributors, which is amortised for a period of three years.

The renovation prepayment of exclusive stores for distributors during the year has a total amount of RMB54,287,000, in which RMB25,348,000 was incurred in September 2012, and RMB28,939,000 was incurred in November 2012.

The amortisation amount of the renovation prepayment for the year was RMB18,096,000. Therefore, the carrying amount of the prepayment at the end of the year was RMB33,275,000. In which, the prepayment for current period (less than one year) is RMB18,096,000, and the long-term prepayment (more than one year) is RMB15,179,000.

15. INVENTORIES

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Raw materials	6,258	14,012
Work in progress	1,197	2,506
Finished goods	84,151	48,311
	91,606	64,829

16. TRADE AND OTHER RECEIVABLES

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Trade receivables	624,483	515,118
Other receivables	447	592
Prepayments	18,096	18,096
Advances to suppliers	65,200	65,500
Amount due from shareholders	68	69
Amount due from a related party	5,100	10,100
	713,395	609,475

Trade receivables are non-interest bearing and generally have credit terms ranging from 30 to 120 days.

Prepayments relates to the short term prepayment of renovation expenses.

Amount due from a related party includes deposit RMB100,000 for factory premise leased from Fujian Jun Xiang Co., Ltd. The amount in 2012 also included the deposits paid RMB10 million for the acquisition of factory premise and staff hostel which agreements were cancelled in 2012. During the year 2013, the Company received half of the deposit RMB5 million from Fujian Jun Xiang Co., Ltd. The rest of the deposit RMB5 million has been transferred to the deposit of property lease.

Advance to suppliers relates to deposit paid to suppliers to establish cooperation relationship.

The carrying amounts of trade and other receivables are denominated in Renminbi.

17. CASH AND BANK BALANCES

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Cash at bank	468,159	452,867
Cash on hand	122	29
	468,281	452,906

The cash at bank bears effective interest rates of 0.42% and 0.35% per annum during the years ended 31 December 2012 and 31 December 2013 respectively.

The Renminbi 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 Group is permitted to exchange Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

17. CASH AND BANK BALANCES (Continued)

Cash and bank balances are denominated in the following currencies:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Renminbi	468,147	452,485
Hong Kong Dollar	35	66
Great British Pound and Singapore Dollar	99	355
	468,281	452,906

18. DEFERRED TAX LIABILITIES

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Balance at beginning	7,861	5,367
Transfer (to)/from income statement (Note 9)	1,703	2,494
Balance at end	9,564	7,861

Deferred tax liability relates to the undistributed profits of Naibu China. According to the Corporate Income Tax Law and its implementation rules, withholding tax is imposed on dividends declared in respect of profit earned by PRC subsidiaries from 1 January 2008 onwards. For the Group, the applicable rate for the withholding tax is 10%. In estimating the withholding taxes on dividends expected to be distributed by the PRC subsidiary in respect of earnings generated from 1 January 2008, the directors have made an assessment based on the factors which included the dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future.

19. TRADE PAYABLES

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Trade payables	137,872	134,595

Trade payables generally have credit terms of 30 days. The carrying amounts of trade payables are denominated in Renminbi.

20. OTHER PAYABLES AND ACCRUALS

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Accruals	3,784	3,219
VAT payables	8,585	376
Salary payables	18,849	19,958
Deposits from customers	7,500	7,500
Withholding tax payable	3,956	3,956
	42,674	35,009

Accruals mainly comprise social security insurance payable, renovation allowance payable, and utilities payable.

The carrying amounts of other payables and accruals are denominated in Renminbi.

21. AMOUNTS DUE TO DIRECTORS/SHAREHOLDERS

The amounts due to directors/shareholders are unsecured, interest-free and repayable on demand. The fair value approximates their carrying amount as 31 December 2013.

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Mr. Lin Huoyan	1,208	1,058
Central Win Global Investments Limited	3,020	1
	4,228	1,059

The carrying amount of amounts due to a director/shareholder is denominated in Renminbi.

22. STATED CAPITAL ACCOUNT

Ordinary shares of no par value

	Year ended 31 December 2012/2013	
Issued and fully paid	Number	RMB'000
As at 1 January 2012		
Issue of shares on incorporation	2	—
Share issue (9 February 2012)	990,000	801
Share issue (13 February 2012)	9,998	8
Share split (27 February 2012)	49,000,000	—
Share issued on admission to trading on AIM, net of issue costs	4,838,716	53,505
As at 31 December 2012	54,838,716	54,314
Share issue due to scrip dividend (30 September 2013)	2,854,086	17,418
Share issue due to scrip dividend (16 December 2013)	883,809	5,935
As at 31 December 2013	58,576,611	77,667

On incorporation, the company issued 2 Ordinary shares of no par value. On 8 February 2012, the Company issued 990,000 Ordinary share of no par value. On 13 February 2012, the Company issued 9,998 Ordinary shares of no par value. On 27 February 2012, the Company subdivided each issued Ordinary share of no par value into 50 Ordinary shares of no par value at HKD0.02 per share.

The admission of the enlarged Share Capital to trading was effective on 5 April 2012 with a placing of 4,838,716 Ordinary shares of no par value at 124 pence per share (RMB60,131,478). The share issue costs associated with this transaction of RMB6,626,818 (GBP661,234) have been deducted from the Company's stated capital.

Under the Memorandum of Association, the Company is authorised to issue an unlimited number of Ordinary shares of no par value.

On 30 September 2013, a total of 2,854,086 new ordinary shares of the Company was admitted to trading on AIM, as a result of the final scrip dividend of 2012.

On 16 December 2013, a total of 883,809 new ordinary shares of the Company was admitted to trading on AIM, as a result of the interim scrip dividend of 2013.

23. SHARE OPTIONS AND WARRANTS

Share options

The Group has established a share option scheme for Directors of the Group. The share option scheme is administered by the Remuneration Committee.

Details of the share options outstanding at the year end are as follows:

	Number 31 Dec 2013	Exercise Price 31 Dec 2013	Number 31 Dec 2012	Exercise Price 31 Dec 2012
Outstanding at 1 January	645,161	124p	—	—
Granted during year	—	—	645,161	124p
Outstanding at 31 December	645,161	124p	645,161	124p
Exercisable at 31 December	—	—	—	—

The options were issued to Giles Elliott, and will vest in three equal tranches on 30 March 2014, 30 March 2015 and 30 March 2016. The options can be exercised from 30 March 2014 and will expire on 30 March 2022.

A charge of RMB 1,953,103 (2012: RMB nil) has been recognised in the statement of comprehensive income within administrative expenses on a pro-rata basis over the vesting period for the year relating to these options.

These fair values were calculated using the Black Scholes option pricing model. The inputs into the model were as follows:

	Share Options granted 30 March 2012
Options Granted	645,161
Stock price	124p
Exercise price	124p
Risk free rate	0.35%
Volatility	50.05%
Time to maturity	10 years

Warrants

On 30 March 2012, the Group executed a warrant instrument to create and issue warrants to Daniel Stewart Securities plc to subscribe for an aggregate of 548,387 ordinary shares. The warrants will expire five years after admission and were exercisable immediately at the placing price of 124p. The ordinary shares to be allotted and issued on the exercise of any or all of the warrants will rank for all dividends and other distributions declared after the date of the allotment of such shares but not before such date and otherwise pari passu in all respects with the ordinary shares in issue on the date of such exercise allotment.

23. SHARE OPTIONS AND WARRANTS (Continued)

Warrants (Continued)

These fair values were calculated using the Black Scholes warrant pricing model. The inputs into the model were as follows:

	Warrants issued 30 March 2012
Warrants Granted	548,387
Stock price	124p
Exercise price	124p
Risk free rate	0.35%
Volatility	50.05%
Time to maturity	5 years

A charge of RMB2,826,553 (2012: RMB nil) has been recognised in equity for the year within stated capital with an equivalent increase in stated capital.

24. RESERVES

(a) Reconstruction reserve

Reconstruction reserve arises from the reorganisation of the group structure in prior years.

(b) Currency translation reserve

Currency translation reserve represents translation differences arising from translation of functional currency financial statements into the Group's presentation currency.

(c) Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiary of the Company established in the PRC is required to transfer 10% of its profit after taxation prepared in accordance with the accounting regulation of the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to offset accumulated losses or increase the registered capital of the subsidiary, subject to the approval from the PRC authorities, and are not available for dividend distribution to the shareholders.

25. COMMITMENTS

(a) Capital commitments

During the year ended 31 December 2013, the capital commitments amounted to RMB52 million.

On 12 September 2013, Naibu Group signed an agreement with the People's Government of Dazhu County in Sichuan Province to the Group to purchase land use rights, for 13.3 hectares of land, to develop a Naibu Industrial Zone.

The Naibu Industrial Zone will include R&D, manufacturing and logistic facilities relating to the development of shoes, apparel, sports equipment, outdoor exercise goods and other sporting goods. It is anticipated that the Naibu Industrial Zone will include other relevant upstream and downstream industries in the supply chain for such goods.

The Group needs to pay RMB60 million for the land use rights, of which RMB8 million has already been paid as a deposit.

(b) Operating leases commitments

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

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Within one year	1,372	2,737
More than one year within 5 years	2,194	3,076
	3,566	5,813

As at 31 December 2013, the amounts include future aggregate minimum lease payments under non-cancellable operating leases in respect of properties located at (i) Bingyan Road, Chendai, Jinjiang, Fujian, PRC; (ii) No 12 Jinhua Road, Jinshan Industry Area, Cangshan District, Fuzhou, Fujian, PRC.

26. SEGMENT INFORMATION

Business segment

The Group's primary format for reporting segment information is business segments, with each segment representing a product category. The Group's business segments are organised as follows:

(i) Design, manufacture and sale of sports and leisure footwear

Design, manufacture and sale of sports and leisure footwear which comprise athletic footwear designed for specific sporting activities such as running, tennis, basketball and skate board as well as leisure footwear, marketed under the "Naibu" brand.

(ii) Design and sale of sports apparels and accessories

Sports apparels and accessories comprise apparels for specific sporting activities such as running, tennis, basketball and leisure; functional apparels such as t-shirts, polo shirts and windbreakers; and accessories such as sport bags, caps, socks, protective guards and basketballs, marketed under the "Naibu" brand.

Geographical segment

As the business of the Group is principally engaged in the PRC, no reporting by geographical location of operation is presented.

The segment information provided to the management for the reportable segments for the financial year from 1 January 2013 to 31 December 2013 is as follows:

(A) Financial Period from 1 January 2013 to 31 December 2013

	Shoes RMB'000	Apparels and Accessories RMB'000	Unallocated RMB'000	Total RMB'000
Revenue:				
Revenues from external customers[(1)]	1,033,431	894,536	—	1,927,967
Results:				
Interest income	906	785	—	1,691
Depreciation	12,030	9,033	—	21,063
Segment profit	212,799	211,490	(7,174)	417,115
Assets:				
Addition to non-current assets[(2)]	195,101	1	—	195,102
Reportable segment assets	575,358	442,356	473,449	1,491,163
Liabilities:				
Reportable segment liabilities	109,736	90,394	18,376	218,507

(1) Revenues from the Group's top two customers amounted to approximately RMB386,249,867, which contributed 10.5% and 9.5% of the Group's total revenue. These revenue are attributable for both the shoes and apparels and accessories segments.

(2) Additions to non-current assets relate to additions to property, plant and equipment.

26. SEGMENT INFORMATION (Continued)

(B) Reconciliation of reportable segment revenue, profit and loss, assets and liabilities

	For the financial year ended 31 December 2013 RMB'000
Profit or loss	
Total profit for reportable segments	424,289
Unallocated other income and expenses	
Administrative expenses	(7,174)
Profit before taxation	417,115
Assets	
Total assets for reportable segments	1,017,714
Unallocated	
Cash and cash equivalents	468,281
Amount due from a related party	5,169
Liabilities	
Total liabilities for reportable segments	200,130
Unallocated	
Deferred income tax liabilities	9,564
Other payables and accruals	5,761
Amount due to a director/shareholder	3,052

26. SEGMENT INFORMATION (Continued)

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

(C) Financial Period from 1 January 2012 to 31 December 2012

	Shoes RMB'000	Apparels and Accessories RMB'000	Unallocated RMB'000	Total RMB'000
Revenue:				
Revenues from external customers[1]	919,271	757,342	—	1,676,613
Results:				
Interest income	703	579	—	1,282
Depreciation	3,744	1,771	—	5,515
Segment profit	186,982	182,971	(9,500)	360,453
Assets:				
Addition to non-current assets[2]	19,853	16,355	—	36,208
Reportable segment assets	377,472	330,506	463,075	1,171,053
Liabilities:				
Reportable segment liabilities	85,801	100,172	12,997	198,970

(3) Revenues from the Group's top two customers amounted to approximately RMB356,127,551, which contributed 11% and 10% of the Group's total revenue. These revenue are attributable for both the shoes and apparels and accessories segments.

(4) Additions to non-current assets relate to additions to property, plant and equipment.

(D) Reconciliation of reportable segment revenue, profit and loss, assets and liabilities

	For the financial year ended 31 December 2012 RMB'000
Profit or loss	
Total profit for reportable segments	369,953
Unallocated other income and expenses	
Administrative expenses	(9,500)
Profit before taxation	360,453

26. SEGMENT INFORMATION (Continued)

(D) Reconciliation of reportable segment revenue, profit and loss, assets and liabilities (Continued)

	For the financial year ended 31 December 2012 RMB'000
Assets	
Total assets for reportable segments	707,978
Unallocated	
Cash and cash equivalents	452,906
Amount due from a related party	10,169
Liabilities	
Total liabilities for reportable segments	185,973
Unallocated	
Deferred income tax liabilities	7,861
Other payables and accruals	4,077
Amount due to a director/shareholder	1,059

27 . FINANCIAL RISK MANAGEMENT OBJECTIVES — POLICIES

The Group's overall financial risk management program seeks to minimise potential adverse effects of financial performance of the Group. Management has in place processes and procedures to monitor the Group's risks exposures whilst balancing the costs associated with such monitoring and management against the costs of risk occurrence. The Group's risk management policies are reviewed periodically for changes in market conditions and the Group's operations.

The Company and the Group are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

As at 31 December 2012 and 31 December 2013, the Group's financial instruments mainly consisted of cash and bank balances, trade and other receivables, trade payables, other payables and accruals and amount due from/to a shareholder.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES — POLICIES (Continued)

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rates on financial assets and liabilities are set out below:

	Weighted Effective Average Interest Rate	Variable Interest Rate	Non-interest Bearing	Total
	%	RMB'000	RMB'000	RMB'000
As at 31 December 2012				
Financial Assets				
Cash and bank balances	0.42	452,867	39	452,906
Trade and other receivables	—	—	609,475	609,475
		452,867	609,514	1,062,381
Financial Liabilities				
Trade and other payables	—	—	166,707	166,707
		—	166,707	166,707
As at 31 December 2013				
Financial Assets				
Cash and bank balances	0.35	468,159	122	468,281
Trade and other receivables	—	—	713,427	713,427
		468,159	713,549	1,181,708
Financial Liabilities				
Trade and other payables	—	—	180,546	180,546
		—	180,546	180,546

The Group's exposure to interest rate risk due to the fluctuation of the prevailing market interest rate is confined to bank deposits.

Interest rate sensitivity

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at reporting date would not affect profit and loss.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES — POLICIES (Continued)

(i) Interest rate risk (Continued)

Interest rate sensitivity (Continued)

Cash flow sensitivity analysis for variable rate instruments

For variable rate financial assets, the Group has determined that the carrying amounts of bank deposits based on their notional amounts, which reasonably approximate their fair value because these are mostly short term in nature or are repriced frequently. Below is the table which shows the impact on the interest income, using 100 basis points:

		Year ended 31 December	
		2013	2012
	Basis points	RMB'000	RMB'000
Interest income			
Increase in interest income	100	4,682	4,529
(Decrease) in interest income	(100)	(4,682)	(4,529)

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from bank balances and trade receivables. For trade receivables, the Group adopt the policy of dealing only with customers of appropriate credit history to mitigate credit risk. For other financial assets, the Group adopt the policy of dealing only with high credit quality counterparties.

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

Bank balances

The Group's bank deposits are placed with reputable banks in the PRC to mitigate credit risk.

Trade receivables

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 120 days in financial year 2012 and 2013 respectively. 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. The Group has significant concentration of credit risk as the Group's top three customers in aggregate formed 27.6% % and 25.9% of the trade receivables balance as at 31 December 2012 and 2013 respectively.

The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The provision for impairment loss is based upon a review of the expected collectibles of all trade and other receivables.

There is no past due trade receivables as at 31 December 2012 and 2013 respectively.

There is no impairment loss recognised in the profit or loss for the reporting periods as all the receivables were subsequently received.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES — POLICIES (Continued)

(iii) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk could arise as the Group extends its credit repayment terms for customers from its typical 90 to 120 days.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

All of the Group's financial liabilities are due to be settled within 12 months of the respective balance sheet dates.

(iv) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group's operations are primarily conducted in the PRC. All the sales and purchases transactions are denominated in Renminbi. As such, the operations are not exposed to exchange rate fluctuation.

As at 31 December 2012 and 2013, all the monetary assets and monetary liabilities were denominated in Renminbi except for certain insignificant amount of bank balances and amount due to a shareholder which were denominated in foreign currencies.

In the opinion of the management, the Group does not have any significant currency exposure. Accordingly, the Group has not used any financial instrument to hedge its foreign currency risk as its risk exposure is considered to be minimal.

The management monitors its exposure to currency risk on an on-going basis and endeavours to keep the net exposure at an acceptable parameter.

(v) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group does not hold any quoted or marketable financial instrument, hence is not exposed to any movement in market prices.

(vi) Fair value

The fair value of the Group's financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

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

28. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in this report, the Group had the following transactions with related parties at agreed rates:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Rental paid to a related party[(a)]	960	960
Other receivable from a related party[(a)] (deposit payment)	5,100	1,100
Other payable to shareholders	3,052	1,059
Remuneration of Ms. Lin Zhenzhi[(b)]	290	149
Directors' remuneration (inclusive of retirement scheme contribution)		
— Mr. Lin Huoyan	1,805	1,414
— Mr. Lin Congdeng	1,601	1,239
— Ms. Li Zhen	604	—
— Mr. Chi Keung (Kenny) Law[(c)]	316	980
— Mr. Giles Elliott	581	459
— Mr. David Thomas	388	306
— Mr. Stephen Cheung	388	306

(a) Related party relates to Fujian Jun Xiang Bags Co., Ltd. (formerly known as Quanzhou Naibu Sports Co., Ltd) in which a director, Mr Lin Huoyan was the shareholder in 2008 and 2009. Mr Lin Huoyan transferred his shareholding to his mother in 2010.

The transaction for the acquisition of factory premise owned by the related party Fujian Jun Xiang Bags Co., Ltd. did not take place and was cancelled in 2012. The deposit for the property acquisition RMB10 million has been partly returned and the rest of balance RMB5 million was transferred to the deposit of long-term lease payment for the property.

(b) Ms. Lin Zhenzhi is the finance director of the Group's operating subsidiary Naibu China Co., Limited and she is Mr. Lin Huoyan's sister.

(c) On 22 January 2013, Mr. Kenny Law resigned from the board and the position of CFO and decided to return to Singapore. On the same day, the Company announced the appointment of Ms. Zhen Li, as Mr. Law's successor as CFO of the Company. The remuneration of Mr. Kenny Law paid during the period ended 31 December 2013 also included the amount of SGD50,000 as a listing bonus.

29. STAFF COST

	Year ended 31 December 2013 RMB'000	2012 RMB'000
Key management personnel:		
Directors		
— salaries and related cost	5,669	4,843
— retirement scheme contribution	14	10
Subtotal of directors	5,683	4,853
Key management personnel (other than directors)		
— salaries and related cost	942	655
— retirement scheme contribution	9	3
Subtotal of key management personnel	951	658
Other than directors and key management personnel		
— salaries and related cost	85,620	88,034
— retirement scheme contribution	13,506	10,624
Subtotal of other personnel	99,126	98,658

Key management personnel are considered to be the directors and senior managers of Naibu (China) Co.,Ltd.

The average number of persons employed by the Group during the year including executive directors is analysed below:

	2013	2012
Administrative	54	53
Sales & marketing	70	68
Research & Development	93	92
Production	1,937	2,104
	2,154	2,317

30. CAPITAL MANAGEMENT

The Group's objectives for managing capital are:

(a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns to shareholders and benefits for other stakeholders;

(b) To support the Group's stability and growth; and

(c) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected investment opportunities.

The Group is not subject to externally imposed capital requirements, except as disclosed in Note 21. The Group's PRC subsidiary is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the PRC subsidiary for the financial years ended 31 December 2012 and 31 December 2013.

31. SUBSEQUENT EVENTS

No item, transaction or event of a material or unusual item or unusual nature has arisen in the interval between 31 December 2013 and the date of this report.

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