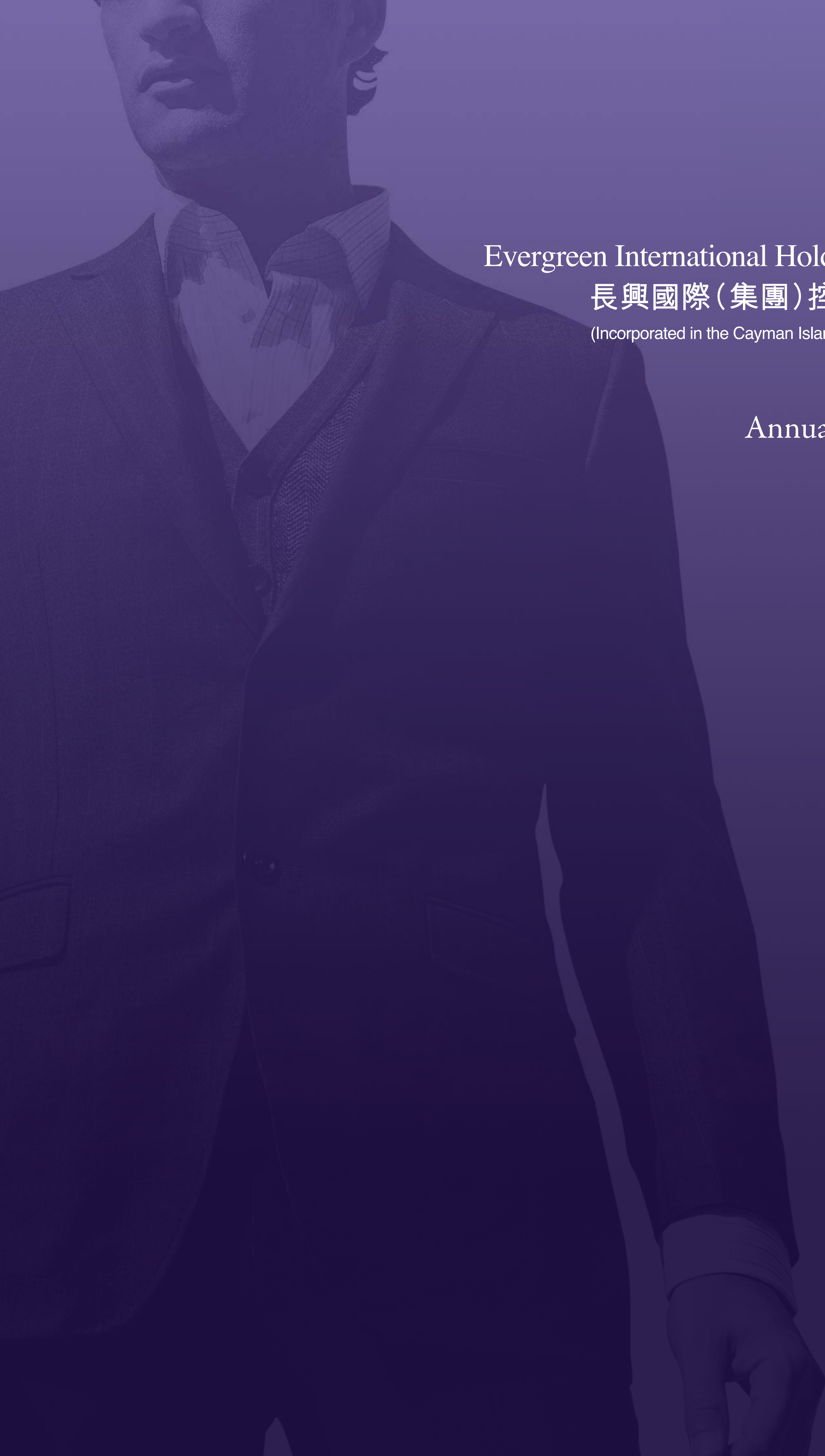


Evergreen International Holdings Limited

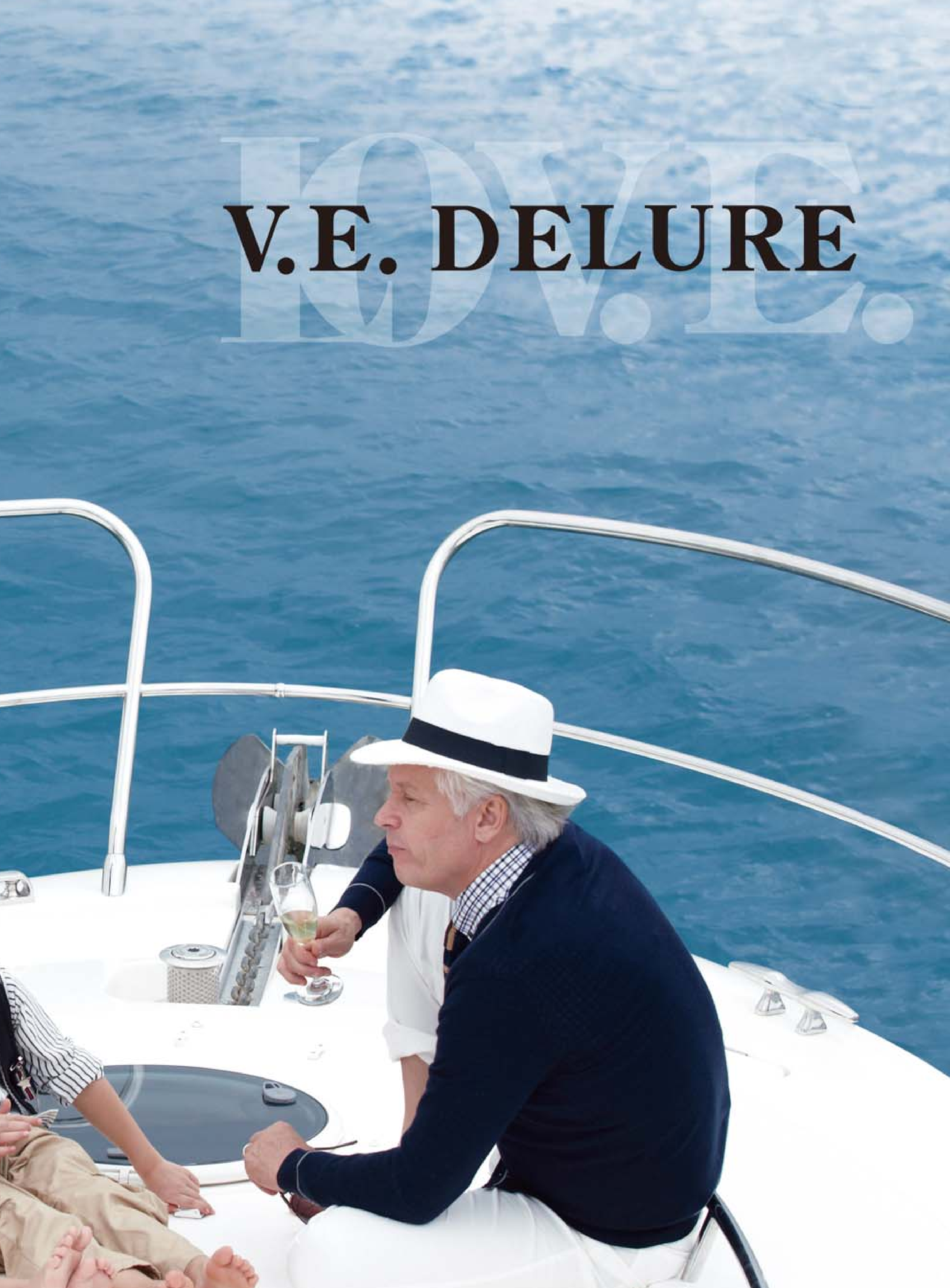
長興國際(集團)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 238

Annual Report 2011

Contents


V.E. DELURE


Testantin
T S
Collection

Corporate Information

Directors

Executive Directors

Mr. Chan Yuk Ming *(Chairman)*
Mr. Chen Yunan
Mr. Chen Minwen

Independent Non-Executive Directors

Mr. Fong Wo, Felix
Dr. Ko Wing Man
Mr. Kwok Chi Sun, Vincent

Joint Company Secretaries

Ms. Kwok Yu Ching ACIS, ACS(PE)
Ms. Chan Sau Ling ACIS, ACS(PE)

Authorised Representatives

Mr. Chan Yuk Ming
Ms. Kwok Yu Ching
Ms. Chan Sau Ling (as alternate to Ms. Kwok Yu Ching)

Audit Committee

Mr. Kwok Chi Sun, Vincent *(Chairman)*
Mr. Fong Wo, Felix
Dr. Ko Wing Man

Remuneration Committee

Dr. Ko Wing Man *(Chairman)*
Mr. Fong Wo, Felix
Mr. Kwok Chi Sun, Vincent

Nomination Committee

Mr. Fong Wo, Felix *(Chairman)*
Dr. Ko Wing Man
Mr. Kwok Chi Sun, Vincent

Registered Office

Offshore Incorporations (Cayman) Limited
Scotia Center, 4th Floor
P.O. Box 2804, George Town
Grand Cayman, KY1-1112

Principal Place of Business and Headquarters in the PRC

28th Floor
Guangzhou Department Store Complex
4–14 Xihu Road
Guangzhou, China

Principal Place of Business in Hong Kong

Rooms 1305–1307, 13/F, New East Ocean Center
9 Science Museum Road, Tsimshatsui East
Kowloon, Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman
KY1-1107
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Center
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Agricultural Bank of China
Bank of China
Shanghai Commercial Bank Limited
Shanghai Pudong Development Bank
The Hong Kong and Shanghai Banking Corporation Limited

Compliance Advisor

Piper Jaffray Asia Limited

Auditors

Ernst & Young, Certified Public Accountants

Legal Advisor

Minter Ellison Lawyers

Investor Relations

iPR Ogilvy Ltd.

Stock Code

00238.HK

Website Address

www.evergreen-intl.com

Financial Highlights

Key Financial Highlights

For the Year ended 31 December

	2011 (RMB' million)	2010 (RMB' million)	% change
Revenue	**757.4**	600.1	+26.2%
Gross profit	**495.1**	385.4	+28.5%
Profit attributable to shareholders	**190.1**	153.0	+24.2%
Basic earnings per share (RMB cents) *(Note 1)*	**19.7**	23.2	-15.1%
Proposed dividends per share (HK cents)			
Final	**8.6**	7.5	+14.7%
Special final	**8.6**	–	N/A
Gross profit margin	**65.4%**	64.2%	
Net profit margin	**25.1%**	25.5%	
Effective tax rate	**25.2%**	13.1%	
Trade receivables turnover days *(Note 2)*	**70**	62	
Trade payables turnover days *(Note 3)*	**79**	66	
Inventory turnover days *(Note 4)*	**325**	281	

Notes:
1. Basic earnings per share = Profit attributable to the ordinary equity holders / weighted average number of ordinary shares
2. Trade receivables turnover days = Average of the opening and closing balances on trade receivables / revenue and income from sale of raw materials for the year x number of days for the year
3. Trade payables turnover days = Average of the opening and closing balances on trade payables / cost of sales and cost of sale of raw materials for the year x number of days for the year
4. Inventory turnover days = Average of opening and closing balances on inventory / cost of sales and cost of sale of raw materials for the year x number of days for the year

V.E. DELURE

Chairman's Statement

To be world-class brands operator in Mainland China

Chan Yuk Ming
Chairman

I am pleased to announce the annual results of Evergreen International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for 2011.

Despite the uncertainty in the global economy and unresolved debt crisis in Europe and the United States, China succeeded in maintaining steady economic growth by implementing various measures to boost domestic demand for consumption in 2011. The growth of China's gross domestic product reached 9.2%. Given the urbanisation and increasing disposable income of consumers, general consumption maintained a steady growth. China's total retail sales of consumer products rose 17.1% during 2011. Among which, urban areas recorded a growth of 17.2% in retail sales of consumer products while sales of clothing and accessories and knitting and textile products went up 24.2%, bringing desirable opportunities for the development of the Group.

The Group achieved a desirable results in 2011, attributable to the quality products of the two brands owned and managed by the Group, ***V.E. DELURE*** and ***TESTANTIN***, a clear brand position covering the middle-upper to high-end segments of the menswear market as well as a favourable market environment. The revenue of the Group for the year ended 31 December 2011 amounted to RMB757.4 million, representing a growth of 26.2% as compared with that of 2010. Profit attributable to ordinary equity holders of the Company for the year ended 31 December 2011 amounted to RMB190.1 million, representing an increase of 24.2%.

The board of directors of the Company (the "Board") recommended the payment of a final dividend and a special final dividend of RMB7.0 cents and RMB7.0 cents per share for the year ended 31 December 2011, respectively. Together with the payment of an interim dividend of RMB3.7 cents per share for the six months ended 30 June 2011, the total dividend paid during 2011 amounted to RMB17.7 cents per share, representing a dividend payout ratio of 90%, to reward the shareholders of the Company for their support.

As at 31 December 2011, the Group had a total of 424 stores, representing a net increase of 96 stores as compared with 2010, covering 30 provinces and autonomous regions, and 146 cities. In August 2011, the Group opened new stores of ***V.E. DELURE*** and ***TESTANTIN*** at the Grand Canal Shoppes in the Venetian Macao, which accommodates various international luxury brands, bridging with international brands and welcoming more middle to high-end customers. Since the opening of stores, the brand image of ***V.E. DELURE*** and ***TESTANTIN*** is well recognised, and the stores also recorded good sales performance.

With respect to the brand development, the Group continued to actively carry out brand and product promotion through various channels, including advertisements in fashion magazines, promotion activities on the internet and other media, and publishing large advertising billboards in airport, highway and well-known department stores. The Group optimised sales channels and facilitated the development of

Chairman's Statement *(Continued)*

V.E. DELURE by entering the second and third-tier cities as planned and expanded the sales network in an orderly manner. In 2011, the percentage of ***V.E. DELURE*** self-operated stores increased from 38% to 42% and its revenue contribution even increased from 50% to 58%. ***TESTANTIN*** gained higher awareness and recognition from the market, consumers, artists and celebrities in the charity sector by holding an art exhibition with a theme of "young and emerging artists" and a fashion show in Sichuan in July 2011, providing a sound foundation for the future development of ***TESTANTIN***.

Aside from standard promotional and publicity activities such as media advertising, the Group initiated charity activities such as the "Evergreen International Chinese Art Journey" (長興國際中國藝術之旅). By connecting renowned and newly emerged artists across the country through events such as art exhibitions, the Group encouraged and fostered the development of Chinese arts. Meanwhile, the Group has always been concerned with the education of disadvantaged children. By assisting the new generation of the disadvantaged groups to commence art study, the Group gave them hope into the future. In 2011, the Group started the first stop of "Evergreen International Chinese Art Journey" (長興國際中國藝術之旅) in Chengdu, Sichuan.

In December 2011, the Group cooperated with 5 Colours Foundation and Yellow House, an organisation offering assistance in education, in setting up the Group's first art studio with the theme of "Love without Bound" ("愛無界"美術室) for the children in Yingxiu to learn art, and create a platform of building their way of life. These types of charity events not only demonstrated the Group's brand message of "love and care" (愛的經營、愛的精神、愛的和諧), but also further promoted our corporate image as a social responsible enterprise.

Looking forward, China's economy will keep its steady growth. The Group will continue to implement the consistent and well-defined strategies, namely, expanding the domestic retail network through the business model that strategically combines self-operated retail stores and distributors, expanding product and service offerings and design capabilities, enhancing brand equity of our proprietary brands, enriching our portfolio of brands, and enhancing our ERP system and administrative support, to strengthen the Group's competitiveness and achieve sustained growth in sales.

I would like to take this opportunity to express my sincere gratitude to the members of the Board for their valuable advice and support. On behalf of Board, I would also like to thank the colleagues, shareholders, distributors, customers and suppliers of the Group for their hard work and dedication, which have made possible the remarkable business performance in 2011.

Chan Yuk Ming
Chairman

Hong Kong, 22 March 2012

Testantin TS Collection

Management Discussion and Analysis

Market Review

The global economy remained volatile throughout the year of 2011 given the uncertainty in its outlook, unresolved debt crisis in Europe and the United States, increasing commodity prices and inflation pressure. Nonetheless, China succeeded in maintaining steady economic growth by implementing various measures to boost domestic demand. In 2011, China's gross domestic product ("GDP") reached RMB47.2 trillion, representing a year-on-year growth of 9.2%. In the face of the teetering global economy, China's domestic economy and social development maintained steady and relatively fast growth, resulted in a promising commencement of the "Twelfth Five-year" period.

According to the National Bureau of Statistics of China, the total retail sales of consumer products reached RMB18.1 trillion in 2011, representing a year-on-year growth of 17.1%. Among which, urban and rural areas recorded retail sales of consumer products of RMB15.7 trillion and RMB2.4 trillion, representing a year-on-year growth of 17.2% and 16.7% respectively. Sales of clothing and accessories and knitting and textile products accounted for RMB795.5 billion, representing a year-on-year growth of 24.2%. The fast growing consumer market of the Mainland China has become the new growth driver for the apparel industry.

During the year, China was still in the midst of accelerating urbanisation whilst income per capita maintained steady growth and the appreciation of RMB stimulated purchasing power, hence driving high-end consumption and the continuous high growth in the retail industry. It is expected that during the upcoming "Twelfth Five-year" period, given the constant rise in domestic demand and spending power, the pursue for branded and chic commodities will boom, leading the high-end apparel market into a golden era.

Business Review

Driven by the continued growth of the domestic consumption and retail industry, together with the Group's solid business foundation and extensive market experience, satisfactory performance and development was achieved despite the uncertainty in global economy during the year.

During the year, the Group recorded a turnover of approximately RMB757,411,000 (2010: RMB600,131,000), representing a year-on-year growth of 26.2%. Profit attributable to shareholders amounted to approximately RMB190,071,000 (2010: RMB153,001,000), representing an increase of 24.2% compared to last year.

Management Discussion and Analysis *(Continued)*

The Group's two proprietary brands, business formal and casual menswear brand ***V.E. DELURE*** and contemporary and chic casual menswear brand ***TESTANTIN***, both achieved desirable same store sales growth of 18.5% and 10.7%, respectively.

The Group's major raw material costs continued to soar in 2011, and the increase in wages also intensified the production cost pressure. Leveraging on the advantages and influences of our brands, the Group maintained a relatively steady gross profit margin through the increasing business from the self-operated store operation and the implementation of effective cost control measures.

Proprietary Brands

The Group currently owns two proprietary brands targeting different customer bases in the middle-upper to high-end market segments, catering to consumers with different needs, tastes and consumption patterns and covering two fast growing segments in the menswear market of the People's Republic of China (the "PRC"). Our ***V.E. DELURE*** brand offers business formal and casual menswear and accessories targeting affluent and successful men with a brand theme of "Love"; while our ***TESTANTIN*** brand offers contemporary and chic casual menswear and accessories targeting a younger and more fashion conscious age group with a brand theme of "artistic expression and simplicity".

Retail and Distribution Network

Number of stores of proprietary brands by region

Region	2011	2010
Central PRC	**34**	33
North Eastern PRC	**43**	31
Eastern PRC	**70**	62
North Western PRC	**46**	35
Northern PRC	**72**	58
South Western PRC	**61**	42
Southern PRC	**91**	61
Hong Kong, Macau	**5**	3
	422	325

Management Discussion and Analysis *(Continued)*

V.E. DELURE

City tier	2011	2010
First-tier	**26**	21
Second-tier	**88**	77
Third-tier	**142**	112
Fourth-tier	**45**	30
	301	240

TESTANTIN

City tier	2011	2010
First-tier	**8**	6
Second-tier	**31**	17
Third-tier	**58**	42
Fourth-tier	**24**	20
	121	85

First-tier cities: *Beijing, Shanghai, Guangzhou, Hong Kong and Macau*
Second-tier cities: *provincial capital cities excluding Beijing, Shanghai and Guangzhou*
Third-tier cities: *prefecture-level cities other than provincial capital cities*
Fourth-tier cities: *county-level cities*

In line with its business expansion strategies and to improve operating efficiency, the Group continued to optimize the retail and sales network based on the demand in various products and different target markets. The Group has strategically used a combination of self-operated retail stores as well as distributors model of various degrees based on different development stages and target markets of each brand. Self-operated retail stores enable the Group to create direct contact with target customers, so as to optimise its marketing efforts to customers and to directly instill in the customers the brand image and atmosphere that the Group created and expressed. The use of distributors allows the Group to expand its retail network rapidly with lower capital expenditure, and the distributors have a profound understanding of the low-tier markets, therefore we believe exploring these markets through distributors is a more cost-effective way.

The Group's current strategy for sales network expansion is to open self-operated stores in high-tier cities, while penetrating into the market of low-tier cities through distributors. As at 31 December 2011, the Group had 97 distributors, comprising a total of 171 self-operated stores and 251 franchised stores in 30 provinces and autonomous regions and covering 191 cities in China. The Group aims to achieve a net increase of 105 stores for the year of 2012.

Number of stores by business model

V.E. DELURE

	2011	2010
Self-operated stores	**127**	92
Franchised stores	**174**	148
	301	240

TESTANTIN

	2011	2010
Self-operated stores	**44**	19
Franchised stores	**77**	66
	121	85

In 2011, ***V.E. DELURE*** self-operated stores increased from 92 to 127, with the new stores mainly located in high-tier cities, while franchised stores increased from 148 to 174, with the new stores mainly located in low-tier cities. The number of new ***V.E. DELURE*** self-operated stores is more than that of new franchised stores, which is in line with the Group's store opening strategy to increase the proportion of self-operated stores in order to enhance ***V.E. DELURE***'s brand image and operating efficiency.

TESTANTIN has opened 25 self-operated stores and 11 franchised stores to reach a total of 44 and 77 stores respectively in 2011. The growth rate in number of self-operated stores is faster than that of franchised stores. This is because the Group believes ***TESTANTIN***'s brand image should be further enhanced in order to facilitate future growth strategically. As such, the Group increased ***TESTANTIN*** self-operated stores in higher-tier cities during the year, as a stepping stone to enhance brand influence in the second- and third-tier cities. The Group has also carried out re-branding initiatives for ***TESTANTIN***, such as adopting a new logo and renovating stores layout.

In the long run, ***TESTANTIN*** adopted the strategy of using a mixed business model of opening self-operated stores in higher-tier cities and franchised stores in lower-tier cities.

Sales Fair

The 2012 Spring and Summer collections sales fair was held in July 2011. The total order amount from franchised stores increased by 34% as compared to that of last year. Delivery of the orders commenced in January 2012.

The 2012 Fall and Winter collections sales fair was completed in February 2012. The total order amount from franchised stores increased by 22% as compared to that of last year. Delivery of the orders will commence in August 2012.

Inventory

The Group has an effective inventory management system. Featuring a distribution model comprising only one layer without sub-distributors, the Group's distributors structure is simpler than that of other operators, enabling the Group to closely monitor the business performance and inventory of each franchised store. Furthermore, distributors' orders are broken down proportionally into the first batch of order placed at the sales fair and the second batch of order placed following the commencement of the season's sales. This arrangement reduces the Group's risk associated with distributors' inventory in a more effective manner. During the year, the Group's inventory turnover days increased, which was mainly due to increase in inventories as a result of the increase in number of self-operated stores and increase in inventories to prepare for the early Chinese New Year holidays.

Marketing and promotion

The Group has a dedicated marketing team, responsible for the execution and organisation of the marketing and promotional activities of ***V.E. DELURE*** and ***TESTANTIN***. Aside from product quality, the Group also pays much attention to the long-term development of its brands. The Group's various marketing and promotion activities not only strengthen the brand recognition and value, but also publicise their themes.

For the year ended 31 December 2011, the Group's total expenditure in marketing and promotion amounted to approximately RMB25,857,000 (2010: RMB23,837,000), accounting for approximately 3.4% of the total turnover. The Group will strive to maintain the ratio not exceeding 5%, while promoting our brands in a cost effective approach.

During the year, the Group continued to actively carry out regular advertising and promotion activities through various channels, such as advertisements in fashion magazines, promotion activities in the internet and other media, and publish of large advertising billboard in airport, highway and well-known department stores. In addition, the first brand magazine of ***V.E. DELURE*** was published and distributed during the year whilst special editions were tailored made to prime department stores and VIP members.

The Group considers stores as one of the important channels to promote and enhance brand image. During the year, the two brands continued to carry out retail shop image upgrade work, broaden the display space, to further enhance its high-end brand image in order to more effectively promote the brands and attract more customers.

Compared with the ***V.E. DELURE*** brand launched in 2000, the younger ***TESTANTIN*** brand is still at its early development stage. Therefore, the Group designed a series of activities specifically for building ***TESTANTIN***'s brand reputation, stimulating patronage and establishing customer loyalty in 2011. Currently, the Group collaborated with a well-known and heavyweight international contemporary art media to commence a project incorporating the artwork created by internationally recognised artists, as well as working with domestic artists to jointly create artwork featuring the unique elements of ***TESTANTIN***, which will in turn be applied to the brand's products, enabling more consumers to appreciate the essence of our brand – "New Youth of Arts".

In addition, the Group has also organised a series of ***V.E. DELURE*** VIP membership activities, including "2011 ***V.E. DELURE*** VIP members Equestrian Family Carnival" (迪萊VIP馬術親子嘉年華) held in Nanning in July 2011, as well as "***V.E. DELURE*** VIP Dinner" and "***V.E. DELURE*** VIP Thank You Event" organised in Guangzhou and Nanning, respectively, in December 2011. These activities received enthusiastic responses and participation by the customers and their families, which boosted our sales activities and branding promotion.

Meanwhile, the Group is the exclusive sponsor of the formal attire of the PRC national table tennis team and badminton team, both of which last till 2015. The Group has been inviting elite athletes to participate in appropriate promotional and charity events.

Aside from standard promotional and publicity activities such as media advertising, the Group initiated charity activities such as the "Evergreen International Chinese Art Journey" (長興國際中國藝術之旅). By connecting renowned and newly emerged artists across the country through events such as art exhibitions, the Group encouraged and fostered the development of Chinese arts. Meanwhile, the Group has always been concerned with the education of disadvantaged children. By assisting the new generation of the disadvantaged groups to commence art study, the Group gave them hope into the future. In 2011, the Group started the first stop of "Evergreen International Chinese Art Journey" (長興國際中國藝術之旅) in Chengdu, Sichuan.

In December 2011, the Group cooperated with 5 Colours Foundation and Yellow House, an organisation offering assistance in education, in setting up the Group's first art studio with the theme of "Love without Bound" ("愛無界"美術室) for the children in Yingxiu to learn art, and create a platform of building their way of life. These types of charity events not only demonstrated the Group's brand message of "love and care" (愛的經營、愛的精神、愛的和諧), but also further promoted our corporate image as a social responsible enterprise.

Product Design and Development

Due to factors such as accelerating urbanisation and the rise of the middle class, consumption demand in the PRC keeps rising. Consumers pursue products with superior materials, suitable cutting and unique style. While there are abundant product choices to consumers, the Group fully understands that as fashionable and innovative apparel products attract consumers, they provide the Group with a better pricing capability.

During the year, the Group continued its commitment to innovative product designs and strict quality control, and launched unique product portfolios for both, ***V.E. DELURE*** and ***TESTANTIN***.

The Group is always seeking experienced design talents to bring in fresh inspiration for innovation to further diversify its product portfolio and increase our competitiveness. For the year ended 31 December 2011, the Group's design team at the Guangzhou headquarters expanded from 13 staff to 20 staff, which is led by an experienced supervisor with over ten years of design experience in the industry.

Financial review

Breakdown of Turnover by Sales Region

V.E. DELURE	**2011** ***RMB'000***	2010 *RMB'000*
Central PRC	**56,531**	52,436
North Eastern PRC	**36,450**	31,434
Eastern PRC	**79,817**	70,498
North Western PRC	**61,648**	38,903
Northern PRC	**136,653**	105,974
South Western PRC	**69,928**	44,830
Southern PRC	**142,060**	117,037
Hong Kong, Macau	**14,710**	4,798
	597,797	465,910

TESTANTIN	**2011** ***RMB'000***	2010 *RMB'000*
Central PRC	**2,465**	2,745
North Eastern PRC	**10,990**	7,196
Eastern PRC	**14,383**	13,795
North Western PRC	**13,566**	6,551
Northern PRC	**7,574**	8,586
South Western PRC	**23,800**	23,274
Southern PRC	**35,141**	33,226
Hong Kong, Macau	**11,998**	9,838
	119,917	105,211

Revenue generated from the sale of ***V.E. DELURE*** brand products in the Eastern, Northern and Southern PRC accounted for 60.0% (2010: 63.0%) of the total brand revenue, which was mainly attributable to the location of our ***V.E. DELURE*** retail stores in major cities such as Shanghai, Beijing and Guangzhou, where the Group targeted ***V.E. DELURE*** customers, who are relatively more affluent with strong purchasing power.

Revenue generated from ***TESTANTIN*** brand products in the Eastern, South Western and Southern PRC accounted for 61.1% (2010: 66.8%) of the total brand revenue, as most of the ***TESTANTIN*** retail stores are situated in the second-tier and third-tier cities of these regions.

Management Discussion and Analysis *(Continued)*

Breakdown of Turnover by Product

During the year, total turnover increased by 26.2%, which was mainly due to the expansion of the self-operated stores and franchised stores network, the enhanced recognition of our brands in the market and the increase in selling volume.

	2011		2010	
	Apparel	**Accessories**	Apparel	Accessories
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
V.E. DELURE	**559,125**	**38,672**	440,853	25,057
TESTANTIN	**114,452**	**5,465**	97,899	7,312
Licensed brands	**761**	**38,936**	2,244	26,766
	674,338	**83,073**	540,996	59,135
Total		**757,411**		600,131

Breakdown of Revenue, Units Sold and Average Selling Price ("ASP") by Product Segments of the Group's Self-operated Stores (Apparel and Accessories)

		2011			2010		
		Revenue	**Units sold**	**ASP**	Revenue	Units sold	ASP
		RMB'000	***pcs***	***RMB***	*RMB'000*	*pcs*	*RMB*
V.E. DELURE	Apparel(1)	**323,070**	**157,264**	**2,054**	226,085	117,652	1,922
	Accessories(2)	**22,956**	**94,285**	**243**	6,423	26,922	239
TESTANTIN	Apparel(1)	**53,232**	**47,483**	**1,121**	27,758	26,074	1,065
	Accessories(2)	**3,559**	**12,462**	**286**	2,306	8,228	280

Notes:

(1) Apparel products include, among others, suits, jackets, pants, coats, shirts and polo-shirts.

(2) Accessories include, among others, ties, cuff-links and pens.

Management Discussion and Analysis *(Continued)*

As a result of the increase in demand for the products of the Group and the increase in brand awareness, the ASP of the ***V.E. DELURE*** and ***TESTANTIN*** apparel products in the self-operated stores increased by 6.9% and 5.3% respectively, during the year.

Gross Profit Margin

Despite the Group's major raw material costs continued to soar during the year and the increase in wages also intensified the production cost pressure, by leveraging on the advantages and influences of our brands, as well as the increasing business proportion from self-operated store operation and strengthening of cost-effective control, the Group maintained a relatively steady gross profit margin level of 65.4% in 2011 compared to 64.2% in 2010.

Other Income and Gains

During the year, other income and gains mainly consisted of bank interest income and net foreign exchange gains of RMB31,259,000 (2010: RMB2,375,000) and RMB14,271,000 (2010: RMB2,761,000), respectively.

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of rental fees for retail stores, advertising and promotional expenses, staff costs of the Group and other costs related to sales and distribution. During the year, the Group recorded concessionaire commission paid to shopping malls and department stores of approximately RMB122,276,000 (2010: RMB71,793,000), advertising and promotional expenses of approximately RMB25,857,000 (2010: RMB23,837,000), and staff costs of approximately RMB48,593,000 (2010: RMB30,422,000). During the year, the Group's selling and distribution expenses accounted for approximately 32.0% of the total turnover, representing an increase of 5.3 percentage point compared to that of last year, which was mainly due to the increase in concessionaire commission and staff costs.

Finance Costs

Finance costs for the year ended 31 December 2010 consisted primarily of interest expenses on interest-bearing bank and other borrowings and interest expenses related to the redeemable convertible bonds. The Group had repaid all interest-bearing bank and other borrowings in July 2010, and the redeemable convertible bonds were fully converted in November 2010.

Effective Tax Rate

During the year, the effective tax rate for the Group increased from 13.1% to 25.2% as the Group is subject to the standard PRC Enterprise Income Tax at 25% from 2011 while it was eligible for a tax deduction last year.

Profit Attributable to Shareholders

Profit from operating activities attributable to shareholders increased by 24.2% to RMB190,071,000 (2010: RMB153,001,000). Basic earnings per share decreased from RMB23.2 cents in 2010 to RMB19.7 cents in 2011 as a result of issue of new shares.

Working Capital Management

A substantial part of our inventories was finished goods. Our management performs specific reviews on finished goods regularly. For slow-moving and obsolete inventories, our management makes specific provisions for inventories with the net realisable value lower than its carrying value.

The number of inventory turnover days was 325 days as at 31 December 2011, representing an increase of 44 days as compared to that of last year. The inventory balance increased from RMB198,772,000 as at 31 December 2010 to RMB284,571,000 as at 31 December 2011. The increase of inventory was mainly due to increase in inventories as a result of the increase in number of self-operated stores and the increase in inventories for 2011 Fall/Winter seasons to prepare for the early Chinese New Year holidays.

The Group's trade receivables represented the receivables for goods sold to our distributors and also the receivables from department stores or shopping malls in respect of our self-operated stores. Although the average number of trade receivables turnover days increased by 8 days to 70 days during the year, the trade receivables balance decreased from RMB149,444,000 as at 31 December 2010 to RMB144,661,000 as at 31 December 2011.

Trade payables represented payables to long-standing suppliers, such as raw material suppliers and outsourced manufacturers. As at 31 December 2011, the Group's average number of trade payables turnover days increased by 13 days to 79 days, mainly as a result of longer payment period.

Use of Proceeds

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 November 2010 (the "Listing Date"). Net proceeds from the global offering were approximately RMB1,017.4 million (equivalent to approximately HK$1,167.0 million) (after deducting the underwriting commission and relevant expenses). As at 31 December 2011, the unused proceeds were deposited in licensed banks in Hong Kong and Mainland China.

Management Discussion and Analysis *(Continued)*

Use of fund raised

	Percentage to total amount	Net proceeds *RMB million*	Utilised amount (as at 31 December 2011) *RMB million*	Unutilised amount (as at 31 December 2011) *RMB million*
Expansion and improvement of our retail network	45%	457.8	160.4	297.4
Developing independent lines of branded apparels and accessories under our ***V.E. DELURE*** brand	10%	101.7	–	101.7
Acquisitions or licensing of additional brands	20%	203.5	–	203.5
Marketing and promotion activities	7%	71.2	7.2	64.0
Upgrade of ERP system and database management system	5%	50.9	0.6	50.3
Hiring international design talent and design consultant firms, expanding the Group's existing design team and establishing the Group's own research and design centre	5%	50.9	0.8	50.1
General working capital	8%	81.4	–	81.4
	100%	1,017.4	169.0	848.4

Liquidity and Financial Resources

During the year, the Group maintained a healthy liquidity position. The Group was financed by internal resources. The Group's principal financial instruments comprise cash and cash equivalents, pledged deposits, time deposits, trade and other receivables as well as trade and bills payables and other payables. As at 31 December 2011, cash and cash equivalents, net current assets and total assets less current liabilities amounted to RMB940,698,000 (2010: RMB1,138,041,000), RMB1,394,067,000 (2010: RMB1,433,881,000) and RMB1,440,406,000 (2010: RMB1,466,718,000), respectively, and there were no interest-bearing bank and other borrowings.

During the year, the total capital expenditure incurred by the Group was approximately RMB28,932,000 (2010: RMB20,527,000).

Contingent Liabilities

As at 31 December 2011, the Group had no material contingent liabilities.

Pledge of Assets

As at 31 December 2011, time deposits of RMB10,000,000 (2010: Nil) were pledged for bank acceptance bills.

Exchange Risk

The Group conducts business primarily in Hong Kong and the PRC with most of our transactions denominated and settled in Hong Kong dollars and Renminbi. The Group purchases some of our raw materials and outsourcing products in Euros or U.S. dollars. Depreciation of Renminbi against these foreign currencies will increase our cost of sales, thus having an impact on our results of operations.

We have not entered into any forward contracts to hedge against fluctuations in the exchange rate between Renminbi and Hong Kong dollars. However, our management monitors foreign exchange exposure regularly and will consider if there is a need to hedge against significant foreign currency exposure when necessary.

Employee's Benefits

The Group offers its staff competitive remuneration schemes and training and development opportunities. The Group also provides in-house sales and services coaching in order to develop our human capital. In addition, discretionary bonuses and share options will be granted to eligible staff based on individual and the Group's performance as a means of rewarding and retaining high-calibre staff. Since the adoption of the share option scheme on 8 October 2010 and up to 31 December 2011, no options have been granted by the Company.

Management Discussion and Analysis *(Continued)*

As at 31 December 2011, the Group employed 1,147 full-time staff. During the year, the staff cost of the Group was approximately RMB63,033,000 (2010: RMB37,920,000). The Group has adopted a defined contribution retirement benefits scheme (MPF Scheme) for Hong Kong employees, and contributions are made based on a certain percentage of the employee's basic salary. The contributions will be charged to the profit or loss account when they become payable. In China, the Group is obligated to make monthly contributions to the social security fund, including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance, for our employees in the PRC according to the relevant laws of the PRC.

Prospects

Given the unresolved debt crisis in Europe and the United States, the outlook of global economic growth in 2012 remained uncertain. China, as the country leading from the way out of global recession, is facing challenges as well, thus setting a target of gross domestic product (GDP) growth in 2012 at 7.5%, which is 0.5 percentage points lower than the target in 2011. It is the first time in eight years for China to set target of GDP growth lower than 8% to comply with the economic growth target of 7% proposed under the "Twelfth Five-year Plan", and is expected that China will accelerate the transformation of economic development model.

Nonetheless, there are favourable factors. With preventing economy downturn as the main objective of the Chinese government's policy this year, expanding domestic demand, especially the consumption demand, will be fundamental for steady and long-term development in China's economy. Therefore, China's continual urbanisation and constant rise in national consumption capability coupled with consumers' pursuit for better quality and chic products will push consumption towards the sunny side and become the key contributor to China's GDP growth.

To continue with market expansion and maintain our advantageous position in China's high-end menswear market, the Group will continuously enhance our brand reputation and expand its retail network.

With respect to strengthening our brand reputation, the Group particularly focuses on the long-term development and the retainment of VIP customers. Specific marketing initiatives were employed to strengthen the brand's recognition and value. The "***V.E. DELURE*** VIP Equestrian Family Carnival" (迪萊VIP馬術親子嘉年華) held in Nanning in July 2011 increased our VIP customers' understanding of our brand – "culture of the family". Launched in July 2011, the Group's "Evergreen International Chinese Art Journey" (長興國際中國藝術之旅) charity event not only delivered the brand's philosophy and value, but also further promoted the Group's corporate image as a social responsible enterprise. In December 2011, the Group established the first art studio named "Love without Bound" ("愛無界"美術室) in Wenchuan, Sichuan, providing a study-aided platform for children affected by the Sichuan earthquake to learn arts and create their own life path.

The Group will keep on expanding and enhancing its retail network, where ***V.E. DELURE*** self-operated stores and flagship outlets will be opened in major department stores or shopping malls located in the prime locations of first- and second-tier cities; while making foray into the second-, third- and fourth-tier cities by opening ***TESTANTIN*** self-operated stores at the prime strategic locations. The Group plans to open approximately 105 new retail stores in 2012, of which approximately 45 are self-operated stores with the remaining 60 being franchised stores.

Looking forward, the Group is confident in the development of China's menswear market. With the national consumption capability on the rise, consumers' pursuit for higher quality and chic products and the continued expansion of domestic demand underlined by the State policies, it is believed that the menswear market will continued to enjoy faster growth and development, which will be beneficial to the development of the middle to high-end menswear market. Riding on the back of these advantages, the Group can showcase the exceptional products of its brands, capturing bigger business opportunities while providing consumers with more prestigious, contemporary as well as classic apparel, so as to maintain our position as one of the leading high-end menswear brand operators in China.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2011 (the "Reporting Year").

The key corporate governance principles and practices of the Company are summarised as follows:

Corporate Governance Practices

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability.

During the Reporting Year, the Board has reviewed its corporate governance practices and ensures that the Company is in compliance with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

In the opinion of the directors of the Company (the "Directors"), the Company has complied with all the code provisions as set out in the CG Code. The Company has also put in place certain recommended best practices as set out in the CG Code.

The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

The Board

Responsibilities

Overall management of the Company business is vested in the Board, which assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board takes decisions objectively in the interests of the Company.

All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all times.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Delegation of Management Functions

The Board undertakes responsibility for decision making in major Company matters, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

Board Composition

The Board currently comprises six members, consisting of three executive Directors and three independent non-executive Directors as follows:

Executive Directors:
Mr. Chan Yuk Ming (Chairman of the Board)
Mr. Chen Yunan
Mr. Chen Minwen

Independent non-executive Directors:
Mr. Fong Wo, Felix (Chairman of the Nomination Committee and member of the Audit Committee and Remuneration Committee)
Dr. Ko Wing Man (Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee)
Mr. Kwok Chi Sun, Vincent (Chairman of the Audit Committee and member of the Remuneration Committee and Nomination Committee)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The relationships among the members of the Board are disclosed under "Biographical Details of Directors and Senior Management" on pages 31 to 33.

During the Reporting Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors have been invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

Appointment and Re-Election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association of the Company (the "Articles of Association"). The Nomination Committee is responsible for reviewing the Board composition, developing and formulating procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from 4 November 2010 (the "Listing Date") and is subject to retirement by rotation and re-election at the annual general meeting of the Company under the Articles of Association. Either party may terminate the service agreement by giving the other party not less than six months' notice in writing.

Each of the independent non-executive Directors has been appointed for a term of two years commencing from the Listing Date and is subject to retirement by rotation and re-election at the annual general meeting of the Company under the Articles of Association. Either party may terminate the appointment by giving the other party not less than three months' notice in writing.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Induction and Continuing Development of Directors

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of the director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Continuing briefing and professional development for the Directors will be arranged where necessary.

Board and Board Committee Meetings

Number of Meetings and Directors' Attendance

During the Reporting Year, nine Board meetings were held with four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The Articles of Association provides that the Board or any Board committee meetings may be held by means of telecommunications facility.

During the Reporting Year, three Audit Committee meetings, one Nomination Committee meeting and one Remuneration Committee meeting were held.

The attendance records of the Directors at the Board and the Board Committee meetings for the Reporting Year are set out below:

	Attendance/Number of Meetings			
Name of Director	Board	Audit Committee	Nomination Committee	Remuneration Committee
Chan Yuk Ming	9/9	–	–	–
Chen Yunan	9/9	–	–	–
Chen Minwen	4/9	–	–	–
Fong Wo, Felix	4/9	3/3	1/1	1/1
Ko Wing Man	4/9	3/3	1/1	1/1
Kwok Chi Sun, Vincent	4/9	3/3	1/1	1/1

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The senior management attends all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company. Minutes of meetings were kept by the secretary of meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Chan Yuk Ming, who provides leadership for the Board and is also responsible for chairing the meetings, managing the operations of the Board, and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner.

At present, the Company does not have any officer with the title of "Chief Executive Officer". The executive Director, Mr. Chen Yunan is responsible for running the Company's business and implementing the Group's business goals.

The Board shall review its structure from time to time to ensure appropriate and timely action to meet changing circumstances.

Board Committees

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are available to shareholders upon request. All members of each Board committee are independent non-executive Directors.

Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

Nomination Committee

The Nomination Committee comprises three members, namely, Mr. Fong Wo, Felix (Chairman), Dr. Ko Wing Man and Mr. Kwok Chi Sun, Vincent, all are independent non-executive Directors.

Principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

The Nomination Committee should meet before the holding of annual general meeting of the Company where the appointment of Directors will be considered. Additional meetings should be held as and when the work of the Nomination Committee demands.

The Nomination Committee held one meeting during the Reporting Year to review the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The attendance records of the Nomination Committee are set out under "Board and Board Committee Meetings".

Pursuant to Article 16.18 of the Articles of Association, Mr. Chen Yunan and Mr. Fong Wo, Felix shall retire from their offices by rotation at the forthcoming annual general meeting of the Company ("AGM"). Both the retiring Directors, being eligible, will offer themselves for re-election.

The Nomination Committee recommended the re-appointment of the retiring Directors standing for re-election at the AGM.

The Company's circular dated 17 April 2012 contains detailed information of the retiring Directors standing for re-election at the AGM.

Corporate Governance Report *(Continued)*

Remuneration Committee

The Remuneration Committee comprises three members, namely, Dr. Ko Wing Man (Chairman), Mr. Fong Wo, Felix and Mr. Kwok Chi Sun, Vincent, all are independent non-executive Directors.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the Directors and the senior management. The Remuneration Committee is also responsible for establishing formal and transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee should meet at least once a year. Additional meetings should be held as and when the work of the Remuneration Committee demands or when the Board demands.

The Remuneration Committee held one meeting during the Reporting Year to review the remuneration policy of the Company and remuneration packages of the Directors and the senior management of the Company. The attendance records of the Remuneration Committee are set out under "Board and Board Committee Meetings".

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Kwok Chi Sun, Vincent (Chairman), Mr. Fong Wo, Felix and Dr. Ko Wing Man (including one independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the chief financial officer, financial controller, internal auditor or external auditors before submission to the Board.

- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors.

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

Meetings of the Audit Committee should be held not less than twice a year. Additional meetings should be held as and when the work of the Audit Committee demands or when the Board demands.

The Audit Committee held three meetings during the Reporting Year to review the financial results and reports, financial reporting and compliance procedures and the report of the internal auditor on the Company's internal control and risk management systems and processes. The external auditors were invited to attend the meeting. The attendance records of the Audit Committee are set out under "Board and Board Committee Meetings".

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31 December 2011 have been reviewed by the Audit Committee.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made to all the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the Reporting Year.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Directors' Responsibilities in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

Corporate Governance Report *(Continued)*

The management of the Company has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report" on page 34.

During the Reporting Year, the remuneration paid/payable to the Company's external auditors, Messrs Ernst & Young, is set out below:

Service Category	Fees Paid/ Payable (RMB)	Fees Paid/ Payable (HK$)
Audit Services	1,700,000	180,000
Non-audit Services		
– Taxation	–	60,900
– Others	–	20,000
	1,700,000	260,900

Internal Controls

During the Reporting Year, the Board conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' interests and Company's assets and reviewing the effectiveness of such in an annual basis through the Audit Committee.

The Audit Committee reviews the internal control system of the Group, reports to the Board on any material issues and makes recommendations.

Communication with Shareholders and Investors

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees are available to answer questions at shareholders' meetings.

The 2011 AGM was held on 23 May 2011. The notice of AGM was sent to shareholders at least 20 clear business days before the AGM.

To promote effective communication, the Company maintains a website at www.evergreen-intl.com where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

Shareholder Rights

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at shareholders' meetings, including the election of individual Directors.

Pursuant to the Articles of Association, all resolutions put forward at shareholders' meetings will be voted by poll. Poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholders' meeting.

Deed of Non-competition

As disclosed in the Company's prospectus (the "Prospectus") dated 22 October 2010, each of the Controlling Shareholders (as defined in the Prospectus) entered into a deed of non-competition dated 8 October 2010 (the "Deed of Non-Competition") in favour of the Company (for its own and on behalf of all members of the Company and its subsidiaries).

The Company has received declarations made from the Controlling Shareholders on compliance with the Deed of Non-Competition for the Reporting Year.

The independent non-executive Directors have conducted a review on the compliance with the Deed of Non-Competition by the Controlling Shareholders and their respective Associates (as defined in the Prospectus), the options, pre-emptive rights or first rights of refusal (if any) provided by the Controlling Shareholders and their respective Associates on their existing or future competing business.

Report of the Directors

The Directors present their report and the audited consolidated financial statements of the Group for the Reporting Year.

Corporate Reorganisation

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap. 22 of the Cayman Islands on 26 June 2008.

Pursuant to a reorganisation to rationalise the structure of the Group in preparation for the public listing of the shares of the Company (the "Shares") on the Stock Exchange, the Company became the holding company of the companies now comprising the Group.

Details of reorganisation are set out in the Company's prospectus dated 22 October 2010.

The Shares were listed on the main board of the Stock Exchange on 4 November 2010 (the "Listing Date").

Principal Activities

The principal activities of the Group are the manufacturing and trading of clothing and clothing accessories. The principal activities and other particulars of the subsidiaries are set out in note 16 to the financial statements. During the Reporting Year, there were no significant changes in the Group's principal activities.

Results and Dividends

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Company and the Group are set out in the financial statements on pages 35 to 79 of this report.

The Board has recommended the payment of a final dividend of HK8.6 cents (equivalent to approximately RMB7.0 cents) and a special final dividend of HK8.6 cents (equivalent to approximately RMB7.0 cents) per ordinary share, respectively, for the Reporting Year to shareholders whose names appear on the register of members of the Company on 12 June 2012.

Summary Financial Information

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and the Company's prospectus dated 22 October 2010, is set out on page 80 of this report. This summary does not form part of the audited financial statements.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the Reporting Year are set out in note 14 to the financial statements.

Share Capital

Details of movements in the Company's share capital during the Reporting Year are set out in note 24 to the financial statements.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 2011, the Company repurchased a total of 33,371,000 Shares of HK$0.001 each in the capital of the Company on the Stock Exchange, details of which are as follows:

Month of repurchase	Number of Shares repurchased	Lowest price paid per share HK$	Highest price paid per share HK$	Aggregate consideration (excluding expenses) HK$
May 2011	20,164,000	3.75	4.47	84,882,640
July 2011	4,477,000	3.39	3.77	16,156,020
August 2011	6,924,000	2.28	2.64	17,663,017
September 2011	1,806,000	1.59	1.70	3,039,498
	33,371,000			121,741,175

Report of the Directors *(Continued)*

The issued share capital of the Company was reduced by the nominal value of the repurchased Shares which had been cancelled. The premium paid for the repurchases of the Shares and related expenses totaling HK$124,914,990 (equivalent to RMB103,736,000) were charged to the reserves.

The repurchases of Shares were effected by the Directors pursuant to the mandates to purchase Shares obtained from passing of the written resolution of the Company's shareholders on 8 October 2010 and from the Company's shareholders at the annual general meeting held on 23 May 2011 respectively, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year end 31 December 2011.

Reserves

The movements in reserves of the Group and the Company during the Reporting Year and distributable reserves of the Company as at 31 December 2011 are set out in the consolidated statement of changes in equity and notes 26(a) and 26(b) to the financial statements, respectively.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and outsourcing suppliers respectively during the Reporting Year is as follows:

	2011 Percentage of the Group's total		2010 Percentage of the Group's total	
	Sales	**Purchases**	Sales	Purchases
The largest customer	**3.9%**		3.9%	
Five largest customers in aggregate	**14.4%**		16.4%	
The largest outsourcing supplier		**11.0%**		9.9%
Five largest outsourcing suppliers in aggregate		**28.2%**		35.3%

None of the Directors, or any of their associates or any shareholders of the Company (who or which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

Directors

During the Reporting Year and up to the date of this report, the Directors were as follows:

Executive Directors:

Chan Yuk Ming *(Chairman)*
Chen Yunan
Chen Minwen

Independent non-executive Directors:

Fong Wo, Felix
Ko Wing Man
Kwok Chi Sun, Vincent

Pursuant to Article 16.18 of the Articles of Association, Mr. Chen Yunan and Mr. Fong Wo, Felix shall retire from their offices by rotation at the AGM. Both the retiring Directors, being eligible, will offer themselves for re-election.

The Company has received annual confirmations of independence from each of the independent non-executive Directors, and as at the date of this report still considers them to be independent.

Directors' and Senior Managements' Biographies

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 31 to 33 of this report.

Directors' Service Contracts

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from the Listing Date and is subject to retirement by rotation and re-election at the annual general meeting of the Company under the Articles of Association. Either party may terminate the service agreement by giving the other party not less than six months' notice in writing.

Each of the independent non-executive Directors has been appointed for a term of two years commencing from the Listing Date and is subject to retirement by rotation and re-election at the annual general meeting of the Company under the Articles of Association. Either party may terminate the appointment by giving the other party not less than three months' notice in writing.

Apart from the foregoing, no Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

Details of the remuneration of the Directors are set out in note 8 to the financial statements, which are determined by the Remuneration Committee of the Company by reference to the performance of the individual and the Company as well as market practice and conditions.

Directors' Interests in Contracts

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries was a party during the Reporting Year.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2011, the interests or short positions of the Directors, the chief executives of the Company (the "Chief Executives") and their associates in the Shares, underlying Shares and debentures of the Company or its associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Long/Short position	Type of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company
Chan Yuk Ming	Long position	Interest in a controlled corporation *(Note)*	575,022,086	60.60%

Note: The 575,022,086 Shares are owned by Pacific Success Holdings Limited ("Pacific Success"), a company wholly-owned by Mr. Chan Yuk Ming. Mr. Chan Yuk Ming is deemed to be interested in such Shares held by Pacific Success under the SFO.

Save as disclosed above, as at 31 December 2011, none of the Directors, the Chief Executives nor their associates had registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to the resolutions of all the shareholders passed on 8 October 2010 (the "Adoption Date") and shall be valid and effective for a period of 10 years commencing on the Adoption Date.

The Board may, at its absolute discretion, grants options to any employees, management persons or directors of the Group and any other eligible participants upon the terms set out in the Share Option Scheme. The purpose of the Share Option Scheme is to attract and retain skilled and experienced personnel, to incentivise them to remain with the Company, to give effect to our customer-focused corporate culture, and to motivate them to strive for the Company's future development and expansion by providing them with the opportunity to acquire Shares.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option scheme of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (i.e. 94,669,576 Shares representing approximately 9.98% of the issued share capital of the Company as at the date of this report), unless the Company obtains an approval from its shareholders and must not exceed 30% of the total number of Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period shall not exceeds 1% of the total number of Shares in issue, unless an approval of the Company's shareholders is obtained. The amount payable by the grantee on application or acceptance of an option shall be HK$1.00. The period within which the Shares must be taken up under an option shall be determined by the Board at its absolute discretion and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the Share Option Scheme.

The subscription price in respect of each Share issued pursuant to the exercise of an option granted under the Share Option Scheme shall be solely determined by the Board and shall not be less than the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant (provided that the new issue price shall be used as the closing price for any business day falling within the period before listing of the Shares where the Company has been listed for less than 5 business days as at the date of grant); and (c) the nominal value of a Share. The Share Option Scheme does not contain any provision of minimum period for which an option must be held before it can be exercised unless otherwise determined by the Board and specified in the offer letter at the time of offer.

Since the adoption of the Share Option Scheme on 8 October 2010, no options have been granted pursuant to the Share Option Scheme.

Contract of Significance

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the Reporting Year.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

At 31 December 2011, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name of substantial shareholder	Long/Short position	Type of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company
Chan Yuk Ming *(Note 1)*	Long position	Interest in a controlled corporation	575,022,086	60.60%
Pacific Success *(Note 1)*	Long position	Beneficial owner	575,022,086	60.60%
New Horizon Capital III, L.P. ("New Horizon")	Long position	Interest in a controlled corporation *(Note 2)*	134,999,677	14.23%
Admiralfly Holdings Limited ("Admiralfly") *(Note 2)*	Long position	Beneficial owner	134,999,677	14.23%

Notes:

1. The 575,022,086 Shares are owned by Pacific Success, a company wholly-owned by Mr. Chan Yuk Ming. Mr. Chan Yuk Ming is deemed to be interested in such Shares held by Pacific Success under the SFO.

2. The entire issued share capital of Admiralfly is owned by New Horizon. New Horizon is deemed to be interested in 134,999,677 Shares which are beneficially owned by Admiralfly.

Report of the Directors *(Continued)*

Save as disclosed above, the Company had not been notified of any other notifiable interests or short positions in the Shares or underlying Shares as at 31 December 2011.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Directors' Interests in Competing Business

During the Reporting Year and up to the date of this report, none of the Directors had an interest in a business, which competes or may compete with the business of the Group under the Listing Rules.

Directors' Rights to Acquire Shares or Debentures

At no time during the Reporting Year was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in or debentures of any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company.

Connected Transactions and Continuing Connected Transactions

During the Reporting Year, the Group had not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of rule 14A.45 of the Listing Rules.

Auditors

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the AGM.

On behalf of the Board
Chan Yuk Ming
Chairman

Hong Kong
22 March 2012

Biographical Details of Directors and Senior Management

Directors

The Board consists of six members, of whom three are independent non-executive Directors. The table below sets forth certain information of the Directors:

Name	Age	Position
Mr. CHAN Yuk Ming	43	Chairman and executive Director
Mr. CHEN Yunan	43	Executive Director
Mr. CHEN Minwen	36	Executive Director
Mr. FONG Wo, Felix	61	Independent non-executive Director
Dr. KO Wing Man	54	Independent non-executive Director
Mr. KWOK Chi Sun, Vincent	49	Independent non-executive Director

Executive Directors

Mr. CHAN Yuk Ming, aged 43, is the chairman and one of the executive Directors and is the brother of Mr. Chen Yunan and Mr. Chen Minwen. Mr. Chan was designated as an executive Director and the chairman of the Board on 18 July 2008 and is also a director of each of Sunsonic Holdings Limited, Richwood Management Limited, Evergreen International Group Limited, Evergreen (Asia) Trading Company Limited ("Evergreen Asia"), Master (Hong Kong) Marketing Limited and 長興(廣東)服飾有限公司 ("Evergreen Guangdong") and general manager of VE Delure SARL. He is primarily responsible for our overall strategies, planning and business development. Mr. Chan graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a Degree of Bachelor of Arts in Public and Social Administration in 1993. Mr. Chan acquired Evergreen Asia (which was formerly known as Hanbon (Hong Kong) Limited) in 1998 after he left his post of administration officer in Shun Hing Electronic Trading Co., Ltd. Mr. Chan will allocate substantially all of his time and recourses to our business.

Mr. CHEN Yunan, aged 43, is one of the executive Directors and is the brother of Mr. Chan Yuk Ming and Mr. Chen Minwen. Mr. Chen was designated as an executive Director on 12 February 2010 and is also a director of each of Evergreen Guangdong, 廣州市長越貿易有限公司 ("Guangzhou Changyue") and 廣州市長珠興貿易有限公司 ("Guangzhou Changzhuxing"). He is primarily responsible for our general management and production planning. Mr. Chen has been studying part time Executive Master of Business Administration (EMBA) at the Lingnan (University) College, Sun Yat-Sen University since 2009. Mr. Chen was involved in the business operations of Evergreen Guangdong of which he is currently the general manager. Mr. Chen will allocate substantially all of his time and resources to our business.

Mr. CHEN Minwen, aged 36, one of the executive Directors and is the brother of Mr. Chan Yuk Ming and Mr. Chen Yunan. Mr. Chen was designated as an executive Director on 12 February 2010 and is also a director of each of Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing. He is primarily responsible for our sales and marketing promotion and public relations and activities. Mr. Chen was appointed as director of Evergreen Guangdong. Mr. Chen will allocate substantially all of his time and resources to our business.

Independent Non-Executive Directors

Dr. KO Wing Man, BBS, JP, aged 54, was appointed as an independent non-executive Director on 8 October 2010. Dr. Ko was formerly the Director (Professional Services and Human Resources) of the Hospital Authority. He obtained his Bachelor of Medicine and Bachelor of Surgery degree from the University of Hong Kong and is a fellow of the Royal College of Surgeons of Edinburgh, the Hong Kong Academy of Medicine in the speciality of Orthopaedic Surgery, and the Hong Kong College of Orthopaedic Surgeons. Dr. Ko also serves as a committee member, advisor and director of a number of public services organisations.

Currently, Dr. Ko is a director of Hong Kong Red Cross and is the chairman of its Health & Care Service Management Committee. He is also the chairman of The Hong Kong Anti-Cancer Society. He currently serves as a council member in Hong Kong Baptist University, and had been the president of the Hong Kong Association for Integration of Chinese-Western Medicine. He also holds memberships in the Election Committee of HKSAR, Medical Subsector and Land and Development Advisory Committee. Dr. Ko had also served as a member of the Commission on Strategic Development, HKSAR.

Biographical Details of Directors and Senior Management *(Continued)*

Currently, Dr. Ko is also an independent non-executive director of Asia Financial Holdings Ltd., a company whose shares are listed on the Stock Exchange and he is also an independent non-executive director of Asia Insurance Company, Limited. Dr. Ko is also a shareholder of Hongkong Shanghai Medical Group Ltd.

Dr. Ko is a Justice of Peace and was awarded a Bronze Bauhinia Star by the Government of Hong Kong in recognition of his public service.

Mr. FONG Wo, Felix, BBS, JP, aged 61, was appointed as an independent non-executive Director on 8 October 2010. Mr. Fong was the founding partner of Arculli Fong & Ng (now renamed as King & Wood Mallesons) and is a consultant of King & Wood Mallesons. Mr. Fong received his engineering degree in Canada in 1974 and his Juris Doctor degree from Osgoode Hall Law School in Toronto in 1978.

Mr. Fong is a member of the law societies of Hong Kong and England, and had been honorary legal counsels of a number of non-profit organisations in Hong Kong such as The Chinese Manufacturers' Association of Hong Kong.

Mr. Fong is currently one of the China-appointed Attesting Officers in Hong Kong appointed by the Ministry of Justice of China. Mr. Fong undertook a number of community and social roles, such as the former Chairman of the Chinese Canadian Association of Hong Kong, the Chairman of the Advisory Council on Food and Environmental Hygiene and a member of the Hong Kong Film Development Council. He is also a director of the Hong Kong Basic Law Institute Limited, a member of Guangdong Provincial Committee of Chinese People's Political Consultative Conference and a director of China Overseas Friendship Association. In the area of education, Mr. Fong is a founding member and the first director of the Canadian International School of Hong Kong, and an advisor to the Faculty of Business of University of Victoria in Canada.

Currently, Mr. Fong is an independent non-executive director of a number of listed companies, namely Kingway Brewery Holdings Limited, SPG Land (Holdings) Limited and China Investment Development Limited (formerly known as Temujin International Investments Limited), whose stocks are listed on the Stock Exchange, and also China Oilfield Services Limited, whose shares are listed on the Stock Exchange and the Shanghai Stock Exchange.

Mr. Fong is a Justice of Peace and was awarded a Bronze Bauhinia Star by the Government of Hong Kong in recognition of his public service.

Mr. KWOK Chi Sun, Vincent, aged 49, was appointed as an independent non-executive Director on 8 October 2010. Mr. Kwok is the sole proprietor of Vincent Kwok & Co., Certified Public Accountants. He holds a Bachelor's Degree in Economics from University of Sydney. Mr. Kwok is a Certified Public Accountant (Practising) and a member of both the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in Australia. Mr. Kwok has more than 23 years of experience in auditing, due diligence review and being the tax representative for tax filing and investigation cases for numerous companies. Mr. Kwok was previously employed by Price Waterhouse (now known as PricewaterhouseCoopers) from 1989 to 1995 as its senior audit manager and was also employed by Hopewell Holdings Limited from 1995 to 1996 and Cathay Pacific Airways Limited from 1996 to 1997 as their internal audit manager.

Currently, Mr. Kwok is also an independent non-executive director and chairman of the audit committee of the following listed companies in Hong Kong, namely, Palmpay China (Holdings) Limited, China Digital Licensing (Group) Limited, Emperor Capital Group Limited, Magnificent Estates Limited, Shun Ho Resources Holdings Limited and Shun Ho Technology Holdings Limited.

Senior Management

Mr. TO Kwong Yeung, aged 33, is the chief financial officer of the Group. Mr. To joined the Group in December 2011 and is responsible for the Group's financial reporting, financial management and investor relations. He graduated from the University of Hong Kong in 2000 with a bachelor's degree of Business Administration in Accounting and Finance. Mr. To is a Fellow Member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants and has over 10 years of working experience in the finance and accounting profession. Prior to joining the Group, he was the chief financial officer and company secretary of Boer Power Holdings Limited ("Boer Power"), a company listed on the Main Board of the Stock Exchange. Prior to joining Boer Power, Mr. To worked as a senior manager in Ernst & Young.

Ms. CHEN Mianna, aged 40, is the purchasing director of the Group. She joined the Group in 2004 and was responsible for the Group's purchasing and ordering affairs. She was then promoted to the purchasing director of the Group in January 2012 and is also a director of Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing. She is a sister of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen.

Biographical Details of Directors and Senior Management *(Continued)*

Ms. ZENG Shujuan, aged 39, is the financial controller (PRC). She joined the Group in September 2008. Ms. Zeng graduated from Hunan College of Finance and Economics with a bachelor of finance degree in 1993 and a bachelor of accounting degree in 1995 and holds a master's degree in business administration awarded by the Open University of Hong Kong in 2005. She is a member of the Association of International Accountants and the Association of Registered Chartered Analysts. Ms. Zeng has experience in financial and accounting management, as well as ERP of private enterprises. She has about 18 years of experience in the financial affairs management and had worked in various private enterprises such as Foshan City Nanhai China Resources Ying Tu Arts & Crafts Ltd., Lange science and technology limited company, NanHai Wei Hong Model Produce Ltd., Modern furniture factory of Wugang City and Park green station of Wugang City before joining us.

Mr. YANG Qing, aged 42, is the deputy director of the finance department in the PRC. Mr. Yang joined us in April 2000 and was promoted to the position of deputy director of finance department in December 2010. He graduated from the College of Trade and Finance in Anhui after passing the relevant professional examinations in accounting in 1996 and was awarded a professional qualification in accounting by the Ministry of Finance of the PRC in 2004. He has over 20 years of experience in the field of accounting and finance with experience in handling finance, accounting and taxation matters and in operating the finance-related software products and computerised systems.

Ms. CHEN Yanxia, aged 31, is the brand deputy director of ***V.E. DELURE***. She joined the Group in May 2000 and was the assistant to our general manager since 2006 and was then promoted to the position of deputy director of ***V.E. DELURE*** in February 2012. She assists the directors in managing our retail stores and distributors and is frequently involved in the liaison with department stores in the PRC. She has over 10 years of experience in terminal store sales and management. She is a daughter of a cousin of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen.

Mr. LIN Youhai, aged 40, is the deputy director of franchise department of the Group's brand ***V.E. DELURE***. Mr. Lin joined the Group in May 2007 as the assistant to director and was transferred to the position of manager of franchise department for ***V.E. DELURE*** in March 2010 and promoted to the position of deputy director of franchise department for ***V.E. DELURE*** in February 2012. Mr. Lin graduated from the Guangzhou Workers University in 2000. He has over 13 years of experience in sales and operation management and market network development. Prior to joining the Group, he had worked in the sales department of various companies such as Guangzhou Klundear Clothing Co., Ltd., A. Jesdani Clothing (Guangzhou) Co., Ltd. and Guangzhou Mendum Garment Co., Ltd..

Ms. ZHANG Qiaoling, aged 37, is the senior manager of the audit department. Ms. Zhang joined the Group in March 2001 as the head of the development department and was formally transferred to the purchasing department and promoted to the position of purchasing manager in 2007. She was then transferred to the audit department and promoted to the position of senior manager of audit department in November 2011. Ms. Zhang graduated with fashion design qualifications from Jiangxi Garments Institute in 1997. She has over 8 years of experience in clothing design including the process of clothing production and management. She also has over 3 years of experience in the processing and manufacturing of clothing and garment as well as the purchasing of complementary materials, and was familiar with the workflow and processes of clothing manufacturing and purchasing.

Mr. LIU Shaoqing, aged 37, is the deputy director of the design department of the Group's brand ***V.E. DELURE***. Mr. Liu joined the Group in February 2004 as a designer and was promoted to chief designer in 2006. He was further promoted to deputy director of the design department of ***V.E. DELURE*** in March 2011 and was primarily responsible for the research and development of product design for ***V.E. DELURE***. He graduated with qualifications in fashion design in 2000, and has been engaging in the fashion industry for over 8 years. He has over 8 years of experience in the processes of design, pattern-making, garment production and has related working experience.

Mr. YANG Hao, aged 30, is the deputy director of the design department of the Group's brand ***TESTANTIN***. Mr. Yang joined the Group in May 2006 as a fashion designer for ***TESTANTIN*** and was subsequently promoted to the head of design department for ***TESTANTIN*** in 2009. He was promoted to the position of deputy director of the design department of ***TESTANTIN*** in February 2012. He graduated in 2004 with fashion design qualifications and has worked in the fashion industry for over 9 years. He has over 9 years of experience in the processes of design, pattern-making and garment production and has related working experience.

Ms. LI Yongyi. aged 39, is the marketing director of the Group's brand ***V.E. DELURE***. Ms. Li joined the Group in March 2011. Ms. Li graduated in advertising from Guangzhou City Radio and Television University in 1996, and further enrolled in a Chinese language course in School of Education of Beijing Normal University and completed an EMBA course in enterprise management in Yiyuan College of Guangzhou, Sun Yat-Sen University. She has over 18 years of experience in brand promotion and marketing in the advertising and fashion industries. Prior to joining the Group, she had worked in marketing and sales planning department of various companies such as Guangzhou Horse Advertising Co., Ltd. Guangzhou Branch, Guangzhou G2000 (Apparel) Limited, Challenge (Guangzhou) Trading Co., Ltd. and Best Move Holdings Ltd.

Independent Auditors' Report

ERNST & YOUNG
安 永 會 計 師 事 務 所

To the shareholders of Evergreen International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Evergreen International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 79, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

22 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
REVENUE	5	757,411	600,131
Cost of sales		(262,338)	(214,712)
Gross profit		495,073	385,419
Other income and gains	5	47,984	7,098
Selling and distribution costs		(242,614)	(160,232)
Administrative expenses		(45,731)	(34,452)
Other expenses		(480)	(10,622)
Finance costs	7	–	(11,073)
PROFIT BEFORE TAX	6	254,232	176,138
Income tax expense	10	(64,161)	(23,137)
PROFIT FOR THE YEAR		190,071	153,001
Attributable to:			
Owners of the Company		190,071	153,001
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic			
– For profit for the year		RMB19.7 cents	RMB23.2 cents

Details of the dividends proposed and paid for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
PROFIT FOR THE YEAR	190,071	153,001
OTHER COMPREHENSIVE INCOME:		
Exchange differences on translation of operations outside Mainland China	(15,706)	(9,883)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	174,365	143,118
Attributable to:		
Owners of the Company	174,365	143,118

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	37,870	23,029
Goodwill	15	1,880	1,880
Deferred tax assets	23	6,589	7,928
Total non-current assets		46,339	32,837
CURRENT ASSETS			
Inventories	17	284,571	198,772
Trade receivables	18	144,661	149,444
Prepayments, deposits and other receivables	19	148,887	63,106
Time deposits	20	100,000	–
Pledged deposits	20	10,000	–
Cash and cash equivalents	20	940,698	1,138,041
Total current assets		1,628,817	1,549,363
CURRENT LIABILITIES			
Trade and bills payables	21	127,576	40,308
Other payables and accruals	22	59,473	51,642
Tax payable		47,701	23,532
Total current liabilities		234,750	115,482
NET CURRENT ASSETS		1,394,067	1,433,881
TOTAL ASSETS LESS CURRENT LIABILITIES		1,440,406	1,466,718
NON-CURRENT LIABILITIES			
Deferred tax liabilities	23	215	77
Total non-current liabilities		215	77
Net assets		1,440,191	1,466,641
EQUITY			
Equity attributable to owners of the Company			
Issued capital	24	829	857
Reserves	26(a)	1,306,526	1,403,906
Proposed final and special final dividends	12	132,836	61,878
Total equity		1,440,191	1,466,641

CHAN Yuk Ming
Director

CHEN Yunan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Note	Issued capital RMB'000 *(note 24)*	Share premium account RMB'000 *(note 26(b))*	Acquisition reserve RMB'000 *(note 26(a)(iii))*	Merger reserve RMB'000 *(note 26(a)(i))*	Statutory surplus reserve RMB'000 *(note 26(a)(ii))*	Exchange fluctuation reserve RMB'000	Equity component of convertible bonds RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000 *(note 12)*	Total RMB'000
		Attributable to owners of the Company									
At 1 January 2010		–	–	2,639	1,072	7,884	1,644	–	160,686	–	173,925
Profit for the year		–	–	–	–	–	–	–	153,001	–	153,001
Other comprehensive income for the year:											
Exchange differences on translation of operations outside Mainland China		–	–	–	–	–	(9,883)	–	–	–	(9,883)
Total comprehensive income for the year		–	–	–	–	–	(9,883)	–	153,001	–	143,118
Interim dividend	*12*	–	–	–	–	–	–	–	(38,647)	–	(38,647)
Issue of shares		762	1,077,166	–	–	–	–	–	–	–	1,077,928
Share issue expenses		–	(63,151)	–	–	–	–	–	–	–	(63,151)
Issue of convertible bonds		–	–	–	–	–	–	136	–	–	136
Conversion of convertible bonds		95	173,373	–	–	–	–	(136)	–	–	173,332
Proposed final 2010 dividend	*12*	–	(61,878)	–	–	–	–	–	–	61,878	–
Transfer from retained profits		–	–	–	–	19,527	–	–	(19,527)	–	–
At 31 December 2010		857	1,125,510*	2,639*	1,072*	27,411*	(8,239)*	–	255,513*	61,878	1,466,641

	Notes	**Issued capital RMB'000** *(note 24)*	**Share premium account RMB'000** *(note 26(b))*	**Acquisition reserve RMB'000** *(note 26(a)(iii))*	**Merger reserve RMB'000** *(note 26(a)(i))*	**Statutory surplus reserve RMB'000** *(note 26(a)(ii))*	**Capital redemption reserve RMB'000** *(note 26(b))*	**Exchange fluctuation reserve RMB'000**	**Retained profits RMB'000**	**Proposed final dividend RMB'000** *(note 12)*	**Total RMB'000**
		Attributable to owners of the Company									
At 1 January 2011		857	1,125,510	2,639	1,072	27,411	–	(8,239)	255,513	61,878	1,466,641
Profit for the year		–	–	–	–	–	–	–	190,071	–	190,071
Other comprehensive income for the year:											
Exchange differences on translation of operations outside Mainland China		–	–	–	–	–	–	(15,706)	–	–	(15,706)
Total comprehensive income for the year		–	–	–	–	–	–	(15,706)	190,071	–	174,365
Final 2010 dividend	*12*	–	–	–	–	–	–	–	–	(61,878)	(61,878)
Interim 2011 dividend	*12*	–	(35,173)	–	–	–	–	–	–	–	(35,173)
Proposed final 2011 dividend	*12*	–	(66,418)	–	–	–	–	–	–	66,418	–
Proposed special final 2011 dividend	*12*	–	(66,418)	–	–	–	–	–	–	66,418	–
Repurchase of shares	*24*	(28)	(103,736)	–	–	–	28	–	(28)	–	(103,764)
Transfer from retained profits		–	–	–	–	18,741	–	–	(18,741)	–	–
At 31 December 2011		829	853,765*	2,639*	1,072*	46,152*	28*	(23,945)*	426,815*	132,836	1,440,191

* These reserve accounts comprise the consolidated reserves of RMB1,306,526,000 (2010: RMB1,403,906,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		254,232	176,138
Adjustments for:			
Finance costs	7	–	11,073
Expensed share issue expenses		–	16,309
Foreign exchange gains		(11,416)	(4,228)
Interest income	5	(31,259)	(2,375)
Loss on disposal of items of property, plant and equipment	6	19	7
Depreciation	6	13,790	7,163
Write-down/(write-back) of inventories to net realisable value		(5,515)	9,924
		219,851	214,011
Increase in inventories		(80,284)	(77,054)
Decrease/(increase) in trade receivables		4,783	(93,776)
Increase in prepayments, deposits and other receivables		(30,281)	(29,223)
Increase in trade payables		37,268	2,836
Increase in other payables and accruals		9,386	11,769
Cash generated from operations		160,723	28,563
Interest received		21,480	2,375
Mainland China corporate income tax paid		(37,608)	(23,862)
Hong Kong profits tax paid		(258)	(245)
Net cash flows from operating activities		144,337	6,831
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(21,422)	(20,527)
Proceeds from disposal of items of property, plant and equipment		85	5
Decrease in balances due from directors		–	650
Decrease in balances due from related parties		–	71
Decrease in other receivables		–	79,392
(Increase)/decrease in pledged deposits and time deposits		(110,000)	43,980
Net cash flows (used in)/from investing activities		(131,337)	103,571
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	1,077,928
Share issue expenses		(5,428)	(73,327)
Repurchase of shares	24	(103,764)	–
Proceeds from issue of convertible bonds		–	170,634
New bank loans		–	50,000
Repayment of bank loans		–	(143,994)
Decrease in balances due to a director		–	(22,768)
Interest paid		–	(4,393)
Dividend paid		(97,051)	(38,647)
Net cash flows (used in)/from financing activities		(206,243)	1,015,433
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(193,243)	1,125,835
Cash and cash equivalents at beginning of year		1,138,041	21,850
Effect of foreign exchange rate changes, net		(4,100)	(9,644)
CASH AND CASH EQUIVALENTS AT END OF YEAR		940,698	1,138,041

Statement of Financial Position

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	–	–
Total non-current assets		–	–
CURRENT ASSETS			
Due from subsidiaries	16	1,064,791	1,156,867
Prepayments, deposits and other receivables	19	84	3,961
Cash and cash equivalents	20	252	20,464
Total current assets		1,065,127	1,181,292
CURRENT LIABILITIES			
Other payables and accruals	22	297	11,590
Due to subsidiaries	16	165,188	7,810
Total current liabilities		165,485	19,400
Net assets		899,642	1,161,892
EQUITY			
Issued capital	24	829	857
Reserves	26(b)	765,977	1,099,157
Proposed final and special final dividends	12	132,836	61,878
Total equity		899,642	1,161,892

CHAN Yuk Ming
Director

CHEN Yunan
Director

Notes to Financial Statements

31 December 2011

1. Corporate Information

The Company was incorporated in the Cayman Islands on 26 June 2008 as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The registered office of the Company is located at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1–1112, Cayman Islands. The principal activity of the Company is investment holding.

During the year, the Group was principally engaged in the manufacturing and trading of clothing and clothing accessories.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Pacific Success Holdings Limited ("Pacific Success"), which was incorporated in the British Virgin Islands (the "BVI").

2.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared on a historical cost basis. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000"), except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or retained profits, as appropriate.

2.2 Changes in Accounting Policy and Disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements:

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
IFRIC 14 Amendments	Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010

Other than as further explained below regarding the impact of IAS 24 (Revised), and amendments to IFRS 3, IAS 1 and IAS 27 included in *Improvements to IFRSs 2010*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

Notes to Financial Statements *(Continued)*

31 December 2011

2.2 Changes in Accounting Policy and Disclosures (continued)

The principal effects of adopting these IFRSs are as follows:

(a) IAS 24 (Revised) Related Party Disclosures

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The revised standard has no financial impact on the Group. Details of the related party transactions, including the related comparative information, are included in note 29 to the financial statements.

(b) *Improvements to IFRSs 2010* issued in May 2010 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- *IFRS 3 Business Combinations*: The amendment clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- IAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

Notes to Financial Statements *(Continued)*

31 December 2011

2.3 Issued but not yet Effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
IFRS 9	*Financial Instruments*[6]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*[4]
IAS 27 (Revised)	*Separate Financial Statements*[4]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[4]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to affect the Group is as follows:

IFRS 7 Amendments require an entity to disclose both quantitative and qualitative information for the derecognition of financial assets where the entity has a continuing involvement in the derecognised assets. The Group expects to adopt IFRS 7 Amendments from 1 January 2012. As the Group does not have continuing involvement in the derecognised assets, the amendments will not have any financial impact on the Group.

IFRS 7 Amendments issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The Group expects to adopt the amendments from 1 January 2013. The adoption of the amendments is unlikely to have any material financial impact on the Group.

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

Notes to Financial Statements *(Continued)*

31 December 2011

2.3 Issued but not yet Effective International Financial Reporting Standards (continued)

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in the income statement, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in the income statement. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12. The adoption of this new standard is unlikely to have any material financial impact on the Group.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The adoption of this new standard is unlikely to have any material financial impact on the Group.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12 and the consequential amendments to IAS 27 and IAS 28 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

Amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to the income statement at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

IAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in SIC-21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. The Group expects to adopt IAS 12 Amendments from 1 January 2012. The adoption of the amendments is unlikely to have any material financial impact on the Group.

Notes to Financial Statements *(Continued)*

31 December 2011

2.3 Issued but not yet Effective International Financial Reporting Standards (continued)

IAS 19 Amendments include a number of amendments that range from fundamental changes to simple clarifications and re-wording. The amendments introduce significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt IAS 19 Amendments from 1 January 2013.

IAS 32 Amendments clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalent to net settlements. The Group expects to adopt the amendments from 1 January 2014. The application of these amendments is unlikely to have any material financial impact on the Group.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Notes to Financial Statements *(Continued)*

31 December 2011

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in the income statement as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, deferred tax assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Notes to Financial Statements *(Continued)*

31 December 2011

2.4 Summary of Significant Accounting Policies (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Notes to Financial Statements *(Continued)*

31 December 2011

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	18.00% – 19.00%
Office and other equipment	18.00% – 33.00%
Motor vehicles	9.70% – 19.00%
Leasehold improvements	33.33% – 57.14%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

The Group's financial assets include cash and bank balances, time deposits, trade and other receivables, which are classified as loans and receivables.

Notes to Financial Statements *(Continued)*

31 December 2011

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Notes to Financial Statements *(Continued)*

31 December 2011

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

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

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to Financial Statements *(Continued)*

31 December 2011

2.4 Summary of Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to Financial Statements *(Continued)*

31 December 2011

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. The adjustments on actual sales return made by customers and estimation of the sales return on goods sold by the management at the end of each reporting period based on past experience and other relevant factors (including but not limited to the length of time of the period for which the customers are entitled for returns) are recognised against the sales revenue. The relevant cost of goods sold and closing inventories are also adjusted accordingly;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

Customer loyalty award credits are accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to the fair value which is equivalent to the retail price of a list of gifts determined by the Company and is deferred until the awards are redeemed or the liability is otherwise extinguished.

Notes to Financial Statements *(Continued)*

31 December 2011

2.4 Summary of Significant Accounting Policies (continued)

Employee retirement benefits

As stipulated by the rules and regulations of Mainland China, the Company's subsidiaries registered in Mainland China are required to contribute to a state-sponsored retirement plan for all its Mainland China employees at certain percentages of the basic salaries predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

Under the Mandatory Provident Fund Schemes Ordinance in Hong Kong, the Company's subsidiaries registered in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries in accordance with the rules of the MPF Scheme.

The costs of employee retirement benefits are recognised as expenses in the income statement in the period in which they are incurred.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The financial statements are presented in Renminbi, which is also adopted by the Company as the presentation currency of the Group. The Company's functional currency is Hong Kong dollars ("HK$"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain Hong Kong and overseas subsidiaries are currencies other than Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Renminbi at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of Hong Kong and overseas subsidiaries are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of Hong Kong and overseas subsidiaries which arise throughout the year are translated into Renminbi at the weighted average exchange rates for the year.

Notes to Financial Statements *(Continued)*

31 December 2011

3. Significant Accounting Judgements and Estimates

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment made.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group considers various factors, such as technical or commercial obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 15.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the provision required involves management's judgement and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, such differences will have impact on the carrying amounts of inventories and the write-down charge/write-back of inventories in the period in which such estimate has been changed.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 23 to the financial statements.

4. Operating Segment Information

The Group is principally engaged in the manufacturing and trading of clothing and clothing accessories. For management purposes, the Group operates in one business unit and has one reportable operating segment, which is the clothing segment that produces and trades menswear and other accessories.

No operating segments have been aggregated to form the above reportable operating segment.

As over 90% of the Group's revenue is derived from customers based in Mainland China and most of the Group's identifiable assets and liabilities are located in Mainland China, no geographical information is presented in accordance with IFRS 8 *Operating Segments*.

Notes to Financial Statements *(Continued)*

31 December 2011

5. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	2011 RMB'000	2010 RMB'000
Revenue		
Sale of goods	757,411	600,131
Other income and gains		
Bank interest income	31,259	2,375
Gains on sale of raw materials	357	653
Compensation income	1,400	300
Foreign exchange gains, net	14,271	2,761
Others	697	1,009
	47,984	7,098

6. Profit Before Tax

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

	Note	2011 RMB'000	2010 RMB'000
Cost of inventories sold		262,338	214,712
Depreciation	*14*	13,790	7,163
Operating lease rental expense:			
– Minimum lease payments		17,715	16,348
– Contingent rents		122,276	71,793
		139,991	88,141
Auditors' remuneration		1,944	1,530
Employee benefit expense (excluding directors' remuneration *(note 8)*):			
– Wages and salaries		57,555	34,625
– Pension scheme contributions		5,478	3,295
		63,033	37,920
Write-down of inventories to net realisable value*		459	3,966
Loss on disposal of items of property, plant and equipment*		19	7
Donations*		–	6,245

* The items are included in "Other expenses" in the consolidated income statement.

Notes to Financial Statements *(Continued)*

31 December 2011

7. Finance Costs

An analysis of finance costs is as follows:

	2011 RMB'000	2010 RMB'000
Interest on bank loans and other loans wholly repayable within five years	–	2,752
Interest on convertible bonds	–	8,321
	–	11,073

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2011 RMB'000	2010 RMB'000
Fees (a)	585	156
Other emoluments (b):		
Salaries, allowances and benefits in kind	4,458	1,916
Pension scheme contributions	56	43
	4,514	1,959
	5,099	2,115

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2011 RMB'000	2010 RMB'000
Mr. FONG Wo, Felix	195	52
Dr. KO Wing Man	195	52
Mr. KWOK Chi Sun, Vincent	195	52
	585	156

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

Notes to Financial Statements *(Continued)*

31 December 2011

8. Directors' Remuneration (continued)

(b) Executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2011				
Executive directors:				
CHAN Yuk Ming (陳育明)	–	1,264	10	1,274
CHEN Yunan (陳育南)	–	1,597	23	1,620
CHEN Minwen (陳敏文)	–	1,597	23	1,620
	–	4,458	56	4,514
2010				
Executive directors:				
CHAN Yuk Ming (陳育明)	–	554	13	567
CHEN Yunan (陳育南)	–	681	15	696
CHEN Minwen (陳敏文)	–	681	15	696
	–	1,916	43	1,959

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. Five Highest Paid Employees

The five highest paid employees during the year included three (2010: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2010: two) non-director, highest paid employees for the year are as follows:

	2011 RMB'000	2010 RMB'000
Salaries, allowances and benefits in kind	1,316	1,034
Pension scheme contributions	30	41
	1,346	1,075

Notes to Financial Statements *(Continued)*

31 December 2011

9. Five Highest Paid Employees (continued)

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2011	2010
Nil to RMB1,000,000	**2**	2

10. Income Tax

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No profits tax has been provided for Cayman Islands and British Virgin Islands profits both in 2011 and 2010 since the applicable profit tax rate is zero.

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2011.

Macau profits tax has been provided at the rates ranging from 0% to 12% depending on the extent of estimated assessable profits arising in Macau during the year ended 31 December 2011.

The income tax provision of the Group in respect of its operations in Mainland China has been provided at the rate of 25% (2010: 25%) on the taxable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

Pursuant to 穗天國税四減[2007]161號–減免税批准通知書, Guangdong Evergreen Garment Co., Ltd. (長興(廣東)服飾有限公司) was exempted from corporate income tax for the two years ended 31 December 2007 and thereafter was entitled to a 50% reduction in the applicable tax rate for the three years ended 31 December 2010.

	2011	2010
	RMB'000	RMB'000
Current – Mainland China		
Charge for the year	**61,780**	31,379
Current – Hong Kong		
Charge for the year	**897**	263
Deferred *(note 23)*	**1,484**	(8,505)
Total tax charge for the year	**64,161**	23,137

Notes to Financial Statements *(Continued)*

31 December 2011

10. Income Tax (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2011 RMB'000	2011 %	2010 RMB'000	2010 %
Profit before tax	254,232		176,138	
Tax at the statutory tax rate	63,558	25.00	44,035	25.00
Lower tax rates enacted by local authorities	4,022	1.58	(16,589)	(9.42)
Effect of withholding tax at 5% on the distributable profits of the Group's Mainland China subsidiaries	–	–	(5,361)	(3.04)
Effect of withholding tax at 10% on the bank interests income of the Group's Hong Kong subsidiaries	901	0.35	–	–
Income not subject to tax	(5,904)	(2.32)	(977)	(0.55)
Expenses not deductible for tax	32	0.01	600	0.34
Tax losses not recognised	1,552	0.61	1,429	0.81
Tax charge at the Group's effective rate	64,161	25.24	23,137	13.14

11. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 December 2011 includes a loss of RMB13,756,000 (2010: profit of RMB26,298,000) which has been dealt with in the financial statements of the Company (note 26(b)).

12. Dividends

	2011 RMB'000	2010 RMB'000
Interim dividend – RMB3.7 cents (2010: RMB6.4 cents) per ordinary share	35,173	38,647
Proposed final dividend – RMB7.0 cents (2010: RMB6.3 cents) per ordinary share	66,418	61,878
Proposed special final dividend – RMB7.0 cents (2010: Nil) per ordinary share	66,418	–
	168,009	100,525

The proposed final dividend and special final dividend for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

Notes to Financial Statements *(Continued)*

31 December 2011

13. Earnings Per Share Attributable to Ordinary Equity Holders of the Company

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company and the weighted average number of shares of 966,285,892 (2010: 658,106,535) in issue during the year ended 31 December 2011.

The calculation of basic earnings per share is based on:

	2011 RMB'000	2010 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	190,071	153,001

The weighted average number of shares in issue during the year ended 31 December 2010 was based on the assumption that 600,000,000 shares were in issue as if the shares issued at the date the Company became the holding company of the Group were outstanding throughout the entire year presented.

Weighted average number of ordinary shares

	2011 '000	2010 '000
Shares		
Number of ordinary shares in issue during the year	982,197	600,000
Effect of shares issued upon placing and public offering on 4 November 2010	–	37,608
Effect of shares issued upon conversion of convertible bonds on 4 November 2010	–	17,484
Effect of shares issued upon exercise of the over-allotment option on 1 December 2010	–	3,015
Effects of shares repurchased and cancelled on 26 May 2011	(5,515)	–
Effects of shares repurchased and cancelled on 14 June 2011	(6,012)	–
Effects of shares repurchased and cancelled on 28 July 2011	(1,913)	–
Effects of shares repurchased and cancelled on 9 September 2011	(2,144)	–
Effects of shares repurchased and cancelled on 26 October 2011	(327)	–
Weighted average number of ordinary shares	966,286	658,107

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2011 and 2010 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the years.

Notes to Financial Statements *(Continued)*

31 December 2011

14. Property, Plant and Equipment

Group

	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2011					
At 31 December 2010 and at 1 January 2011:					
Cost	1,442	4,585	5,625	24,101	35,753
Accumulated depreciation	(983)	(1,969)	(3,274)	(6,498)	(12,724)
Net carrying amount	459	2,616	2,351	17,603	23,029
At 1 January 2011, net of accumulated depreciation	459	2,616	2,351	17,603	23,029
Additions	7	513	3,711	24,701	28,932
Disposals	–	–	(104)	–	(104)
Depreciation provided during the year	(249)	(843)	(1,156)	(11,542)	(13,790)
Exchange realignment	–	(11)	(11)	(175)	(197)
At 31 December 2011, net of accumulated depreciation	217	2,275	4,791	30,587	37,870
At 31 December 2011:					
Cost	1,449	4,994	8,914	41,613	56,970
Accumulated depreciation	(1,232)	(2,719)	(4,123)	(11,026)	(19,100)
Net carrying amount	217	2,275	4,791	30,587	37,870

Notes to Financial Statements *(Continued)*

31 December 2011

14. Property, Plant and Equipment (continued)

	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2010					
At 31 December 2009 and at 1 January 2010:					
Cost	1,430	3,218	5,065	10,492	20,205
Accumulated depreciation	(625)	(1,544)	(2,588)	(5,801)	(10,558)
Net carrying amount	805	1,674	2,477	4,691	9,647
At 1 January 2010, net of accumulated depreciation	805	1,674	2,477	4,691	9,647
Additions	12	1,547	585	18,383	20,527
Disposals	–	(12)	–	–	(12)
Depreciation provided during the year	(359)	(594)	(712)	(5,498)	(7,163)
Exchange realignment	1	1	1	27	30
At 31 December 2010, net of accumulated depreciation	459	2,616	2,351	17,603	23,029
At 31 December 2010:					
Cost	1,442	4,585	5,625	24,101	35,753
Accumulated depreciation	(983)	(1,969)	(3,274)	(6,498)	(12,724)
Net carrying amount	459	2,616	2,351	17,603	23,029

15. Goodwill

	Group RMB'000
Cost and net carrying amount at 31 December 2010 and 2011	1,880

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating units for impairment testing. The recoverable amount is determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a three-year period. The discount rate applied to the cash flow projection is 21%. The growth rate used to extrapolate the cash flows for the second and third years has been assumed to be 10%.

16. Investments in Subsidiaries

	Company **2011** **RMB'000**	2010 RMB'000
Investments in subsidiaries*	–	–

* Investments in subsidiaries mainly represented the investment costs in Sunsonic Holdings Limited of US$1 (equivalent to approximately RMB7).

Notes to Financial Statements *(Continued)*

31 December 2011

16. Investments in Subsidiaries (continued)

The amounts due from/to subsidiaries included in the Company's current assets and current liabilities of RMB1,064,791,000 (2010: RMB1,156,867,000) and RMB165,188,000 (2010: RMB7,810,000), respectively, are unsecured, interest-free and are repayable on demand.

Particulars of the subsidiaries are as follows:

Company name	Note	Date of incorporation/ establishment	Place of incorporation/ registration and operations	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company		Principal activities
					Direct %	Indirect %	
Sunsonic Holdings Limited		16 April 2008	BVI	US$1/US$50,000	100	–	Investment holding
Richwood Management Limited		1 July 2004	BVI	US$1/US$50,000	–	100	Holding trademarks and investment holding
Evergreen (International) Group Limited (長興集團(國際)有限公司)		18 August 2004	Hong Kong	HK$1,000,000/ HK$1,000,000	–	100	Investment holding and trading of garment products
Evergreen (Asia) Trading Company Limited (長興(亞洲)貿易有限公司)		19 September 1997	Hong Kong	HK$10,000/ HK$10,000	–	100	Trading of garment products and accessories
Master (Hong Kong) Marketing Limited (萬事達(香港)市場策劃有限公司)		9 January 2004	Hong Kong	HK$2/HK$10,000	–	100	Retailing and trading of garment products
Guangdong Evergreen Garment Co., Ltd (長興(廣東)服飾有限公司)	*(i)*	12 May 2005	Mainland China	HK$308,000,000/ HK$308,000,000	–	100	Manufacturing and sale of clothing and clothing accessories
Guangzhou Changyue Trading Co., Ltd. (廣州市長越貿易有限公司)	*(i)*	8 June 2005	Mainland China	RMB30,000,000/ RMB30,000,000	–	100	Sale of clothing and clothing accessories
Guangzhou Forever Green Trading Co., Ltd. (廣州市長珠興貿易有限公司)	*(i)*	15 January 2004	Mainland China	RMB20,000,000/ RMB20,000,000	–	100	Sale of clothing and clothing accessories
VE Delure SARL		22 October 2001	France	EUR8,000/ EUR8,000	–	100	Holding of trademarks
Asia Effort Limited (Macau) (振亞一人有限公司)		24 March 2011	Macau	MOP25,000/ MOP25,000	–	100	Retailing and trading of garment products

The English names of the Company's subsidiaries registered in Mainland China represent the translated names of these companies as no English names have been registered.

Note:

(i) All these companies are wholly-foreign-owned enterprises under the PRC laws.

Notes to Financial Statements *(Continued)*

31 December 2011

17. Inventories

	Group 2011 RMB'000	2010 RMB'000
Raw materials	5,475	9,134
Work in progress	8,183	31,917
Finished goods	270,913	157,721
	284,571	198,772

The amount of the write-back of inventories to net realisable value recognised as a reverse of expense for the year ended 31 December 2011 was RMB5,515,000 (2010: write-down of inventories of RMB9,924,000).

18. Trade Receivables

	Group 2011 RMB'000	2010 RMB'000
Trade receivables	144,661	149,444

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month, extending up to three months. The Group grants longer credit periods to those long standing customers with good payment history.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group 2011 RMB'000	2010 RMB'000
Within 1 month	125,702	92,684
1 to 3 months	12,095	38,528
3 to 6 months	5,717	17,840
6 months to 1 year	661	185
Over 1 year	486	207
	144,661	149,444

Notes to Financial Statements *(Continued)*

31 December 2011

18. Trade Receivables (continued)

The aged analysis of the trade receivables, based on the credit terms, that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Neither past due nor impaired	**137,797**	131,212
Less than 3 months past due	**5,717**	17,840
3 to 6 months past due	**351**	185
6 months to 1 year past due	**783**	50
Over 1 year past due	**13**	157
	144,661	149,444

Receivables that were neither past due nor impaired relate to a large number of diversified customers of whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

19. Prepayments, Deposits and Other Receivables

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**60,186**	24,917	**–**	–
Deposits and other receivables	**88,701**	38,189	**84**	3,961
	148,887	63,106	**84**	3,961

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Notes to Financial Statements *(Continued)*

31 December 2011

20. Cash and Cash Equivalents, Time Deposits and Pledged Deposits

		Group		Company	
		2011	2010	**2011**	2010
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**940,698**	1,138,041	**252**	20,464
Time deposits		**110,000**	–	**–**	–
		1,050,698	1,138,041	**252**	20,464
Less: Pledged time deposits for bank acceptance bills	*21*	**(10,000)**	–	**–**	–
Non-pledged time deposit with original maturity of over three months when acquired		**(100,000)**	–	**–**	–
Cash and cash equivalents		**940,698**	1,138,041	**252**	20,464

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi amounted to RMB1,036,174,152 (2010: RMB1,102,192,365), which is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash in banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

21. Trade and Bills Payables

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Within 1 month	**14,609**	16,073
1 to 3 months	**33,235**	12,715
3 to 6 months	**75,672**	8,517
6 months to 1 year	**1,826**	1,283
Over 1 year	**2,234**	1,720
	127,576	40,308

Trade payables of the Group are non-interest-bearing and are normally settled on terms of three months, extending to longer periods with those long standing suppliers. The carrying amounts of the trade payables approximate to their fair values.

Included in trade and bills payables are bills payable of RMB50 million (2010: Nil), which are non-interest-bearing and settled on terms of six months. The bills are secured by the pledge deposits amounting to RMB10 million (2010: Nil).

Notes to Financial Statements *(Continued)*

31 December 2011

22. Other Payables and Accruals

	Group 2011 RMB'000	Group 2010 RMB'000	Company 2011 RMB'000	Company 2010 RMB'000
Advances from customers	6,736	10,941	–	–
Other payables	47,161	24,295	297	2,203
Accruals	5,576	16,406	–	9,387
	59,473	51,642	297	11,590

Other payables are non-interest-bearing.

23. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	2011 Depreciation allowance in excess of related depreciation RMB'000	Total RMB'000
At 1 January 2011	77	77
Deferred tax charged to the income statement during the year *(note 10)*	145	145
Exchange realignment	(7)	(7)
Gross deferred tax liabilities at 31 December 2011	215	215

Notes to Financial Statements *(Continued)*

31 December 2011

23. Deferred Tax (continued)

Deferred tax assets

Group

	2011			
	Impairment provision RMB'000	Unrealised profit on inventories RMB'000	Accrued expenses RMB'000	Total RMB'000
At 1 January 2011	3,713	3,219	996	7,928
Deferred tax charged to the income statement during the year *(note 10)*	(1,118)	(493)	272	(1,339)
Gross deferred tax assets at 31 December 2011	2,595	2,726	1,268	6,589

Deferred tax liabilities

Group

	2010		
	Depreciation allowance in excess of related depreciation RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2010	–	7,866	7,866
Deferred tax charged to the income statement during the year *(note 10)*	79	(5,361)	(5,282)
Withholding tax paid on dividends distributed	–	(2,525)	(2,525)
Exchange realignment	(2)	20	18
Gross deferred tax liabilities at 31 December 2010	77	–	77

Notes to Financial Statements *(Continued)*

31 December 2011

23. Deferred Tax (continued)

Deferred tax assets

Group

	Impairment provision RMB'000	Accelerated depreciation RMB'000	2010 Unrealised profit on inventories RMB'000	Accrued expenses RMB'000	Total RMB'000
At 1 January 2010	1,180	244	3,284	–	4,708
Deferred tax credited to the income statement during the year *(note 10)*	2,533	(241)	(65)	996	3,223
Exchange realignment	–	(3)	–	–	(3)
Gross deferred tax assets at 31 December 2010	3,713	–	3,219	996	7,928

The Group has tax losses arising in Hong Kong and Macau of RMB6.0 million (2010: RMB7.4 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the Corporate Income Tax Law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% because the subsidiaries established in Mainland China are, directly and indirectly, wholly owned by Evergreen (International) Group Limited established in Hong Kong which enjoys a favourable tax treaty with Mainland China. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2010 and 2011, no deferred tax liability has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB440 million at 31 December 2011 (2010: RMB270 million).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Notes to Financial Statements *(Continued)*

31 December 2011

24. Share Capital

Shares

	2011 **HK$'000**	2010 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.001 each	**10,000,000**	10,000,000

	2011 **RMB'000**	2010 RMB'000
Issued and fully paid:		
948,825,763 (2010: 982,196,763) ordinary shares of HK$0.001 each	**829**	857

During the year, the Company repurchased a total of 33,371,000 of its own shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of approximately RMB103,764,000.

All the repurchased shares were cancelled by the Company during the year, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase was charged to the share premium account. An amount equivalent to the par value of the ordinary shares cancelled was transferred to the capital redemption reserve as set out in the consolidated statement of changes in equity.

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	**Issued capital** RMB'000	**Share premium account** RMB'000	**Total** RMB'000
At 1 January 2010	1	–	–	–
Repurchase of an ordinary share	(1)	–	–	–
Issue of ordinary shares	600,000,000	528	–	528
Issue of shares in connection with the Listing and exercise of the over-allotment option	272,175,000	234	1,077,166	1,077,400
Conversion of convertible bonds	110,021,763	95	173,373	173,468
	982,196,763	857	1,250,539	1,251,396
Share issue expenses	–	–	(63,151)	(63,151)
At 31 December 2010 and 1 January 2011	982,196,763	857	1,187,388	1,188,245
Repurchase of ordinary shares	(33,371,000)	(28)	(103,736)	(103,764)
At 31 December 2011	948,825,763	829	1,083,652	1,084,481

Notes to Financial Statements *(Continued)*

31 December 2011

25. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any employee, management member or director of the Company, or any other eligible participants upon the terms set out in the Scheme. The Scheme was adopted pursuant to the resolutions of all the shareholders passed on 8 October 2010 (the "Adoption Date") and shall be valid and effective for a period of 10 years commencing on the Adoption Date.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the Listing Date (i.e., 94,669,576 shares), unless the Company obtains approval from its shareholders and must not exceed 30% of the total number of shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue, unless approval of the Company's shareholders is obtained.

The amount payable by the grantee on application or acceptance of an option shall be HK$1.00. The period within which the shares must be taken up under an option shall be determined by the board at its absolute discretion and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the Scheme.

The subscription price in respect of each share issued pursuant to the exercise of an option granted under the Scheme shall be solely determined by the board and shall not be less than the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant (provided that the new issue price shall be used as the closing price for any business day falling within the period before listing of the shares where the Company has been listed for less than five business days as at the date of grant); and (c) the nominal value of a share. The Scheme does not contain any provision of minimum period for which an option must be held before it can be exercised unless otherwise determined by the board and specified in the offer letter at the time of offer.

Since the adoption of the Scheme on 8 October 2010, no options have been granted pursuant to the Scheme.

26. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 38 of the financial statements.

(i) Merger reserve

The merger reserve represents the difference between the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired and the Company's cost of acquisition of the subsidiaries under common control upon the reorganisation of the Group.

(ii) Statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant Mainland China's rules and regulations and the articles of association of the Company's subsidiaries established in Mainland China, and were approved by the respective boards of directors.

(iii) Acquisition reserve

Goodwill arising on the acquisition of non-controlling interests was recognised as acquisition reserve.

Notes to Financial Statements *(Continued)*

31 December 2011

26. Reserves (continued)

(b) Company

	Notes	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Equity component of convertible bonds RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2010		–	–	–	–	–
Total comprehensive income for the year		–	(14,004)	–	26,298	12,294
Issue of shares	*24*	1,077,166	–	–	–	1,077,166
Share issue expenses	*24*	(63,151)	–	–	–	(63,151)
Issue of convertible bonds	*24*	–	–	136	–	136
Conversion of convertible bonds	*24*	173,373	–	(136)	–	173,237
Interim 2010 dividend	*12*	–	–	–	(38,647)	(38,647)
Proposed final 2010 dividend	*12*	(61,878)	–	–	–	(61,878)
At 31 December 2010 and 1 January 2011		1,125,510	(14,004)	–	(12,349)	1,099,157
Total comprehensive income for the year		–	(47,679)	–	(13,756)	(61,435)
Repurchase of shares	*24*	(103,736)	–	–	–	(103,736)
Interim 2011 dividend	*12*	(35,173)	–	–	–	(35,173)
Proposed final 2011 dividend	*12*	(66,418)	–	–	–	(66,418)
Proposed special final 2011 dividend	*12*	(66,418)	–	–	–	(66,418)
At 31 December 2011		853,765	(61,683)	–	(26,105)	765,977

Notes to Financial Statements *(Continued)*

31 December 2011

27. Operating Lease Arrangements

The Group leases certain of its office properties and stores under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Within one year	**17,846**	14,067
In the second to fifth years, inclusive	**11,608**	17,718
	29,454	31,785

28. Commitments

In addition to the operating lease commitments detailed in note 27 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2011	2010
	RMB'000	RMB'000
Contracted, but not provided for:		
Leasehold improvements	**673**	334

29. Related Party Transactions

Compensation of key management personnel of the Group:

	Group	
	2011	2010
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**8,528**	4,574
Pension scheme contributions	**167**	141
Total compensation paid to key management personnel	**8,695**	4,715

Further details of directors' emoluments are included in note 8 to the financial statements.

Notes to Financial Statements *(Continued)*

31 December 2011

30. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Group	
	2011	2010
	Loans and receivables	Loans and receivables
	RMB'000	RMB'000
Trade receivables	**144,661**	149,444
Financial assets included in prepayments, deposits and other receivables	**20,471**	38,189
Pledged deposits	**10,000**	–
Time deposits	**100,000**	–
Cash and cash equivalents	**940,698**	1,138,041
	1,215,830	1,325,674

Financial liabilities

	Group	
	2011	2010
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	RMB'000	RMB'000
Trade and bills payables	**127,576**	40,308
Financial liabilities included in other payables and accruals	**3,511**	4,859
	131,087	45,167

Financial assets

	Company	
	2011	2010
	Loans and receivables	Loans and receivables
	RMB'000	RMB'000
Financial assets included in prepayments, deposits and other receivables	**84**	3,961
Due from subsidiaries	**1,064,791**	1,156,867
Cash and cash equivalents	**252**	20,464
	1,065,127	1,181,292

Notes to Financial Statements *(Continued)*

31 December 2011

30. Financial Instruments by Category (continued)

Financial liabilities

	Company	
	2011	2010
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	**297**	2,203
Due to subsidiaries	**165,188**	7,810
	165,485	10,013

31. Fair Value

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Trade receivables	**144,661**	149,444	**144,661**	149,444
Financial assets included in prepayments, deposits and other receivables	**20,471**	38,189	**20,471**	38,189
Pledged deposits	**10,000**	–	**10,000**	–
Time deposits	**100,000**	–	**100,000**	–
Cash and cash equivalents	**940,698**	1,138,041	**940,698**	1,138,041
	1,215,830	1,325,674	**1,215,830**	1,325,674

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Trade and bills payables	**127,576**	40,308	**127,576**	40,308
Financial liabilities included in other payables and accruals	**3,511**	4,859	**3,511**	4,859
	131,087	45,167	**131,087**	45,167

Notes to Financial Statements *(Continued)*

31 December 2011

31. Fair Value (continued)

Company

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets included in prepayments, deposits and other receivables	**84**	3,961	**84**	3,961
Due from subsidiaries	**1,064,791**	1,156,867	**1,064,790**	1,156,867
Cash and cash equivalents	**252**	20,464	**252**	20,464
	1,065,127	1,181,292	**1,065,126**	1,181,292

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Financial liabilities included in other payables and accruals	**297**	2,203	**297**	2,203
Due to subsidiaries	**165,188**	7,810	**165,188**	7,810
	165,485	10,013	**165,485**	10,013

The fair values of cash and cash equivalents, pledged deposits, time deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

32. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, pledged deposits, and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Notes to Financial Statements *(Continued)*

31 December 2011

32. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures mainly arise from sales or purchases by operating units in currencies other than the units' functional currencies and cash in banks of operating units denominated in currencies other than the units' functional currencies. Approximately 4% (2010: 6%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 6% (2010: 5%) of purchases were denominated in currencies other than the functional currencies of the operating units making the sale. Approximately 14% (2010: 83%) of the Group's cash in banks were denominated in currencies other than the functional currencies of the operating units. The Group is exposed to the foreign currency risk mainly arising from changes in the exchange rate of HK$ against RMB. The Group has not hedged its foreign exchange rate risk based on the consideration that the foreign currency transactions are not significant to the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$ exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity * RMB'000
2011			
If RMB weakens against HK$	**5**	**(1,778)**	**–**
If RMB strengthens against HK$	**(5)**	**1,778**	**–**
2010			
If RMB weakens against HK$	5	(2,319)	–
If RMB strengthens against HK$	(5)	2,319	–

* Excluding retained profits

Credit risk

There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are dispersed.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, pledged deposits, time deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 18 and 19 to the financial statements.

Notes to Financial Statements *(Continued)*

31 December 2011

32. Financial Risk Management Objectives and Policies (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans, as appropriate.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2011		
	On demand RMB'000	less than 1 year RMB'000	Total RMB'000
Trade and bills payables	–	127,576	127,576
Financial liabilities included in other payables and accruals	3,511	–	3,511
	3,511	127,576	131,087

	2010		
	On demand RMB'000	less than 1 year RMB'000	Total RMB'000
Trade and bills payables	–	40,308	40,308
Financial liabilities included in other payables and accruals	4,859	–	4,859
	4,859	40,308	45,167

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Company

	2011		
	On demand RMB'000	less than 1 year RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	–	297	297
Due to subsidiaries	165,188	–	165,188
	165,188	297	165,485

Notes to Financial Statements *(Continued)*

31 December 2011

32. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

Company *(continued)*

	2010		
	On demand RMB'000	less than 1 year RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	2,195	8	2,203
Due to subsidiaries	7,810	–	7,810
	10,005	8	10,013

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio at a reasonable level. Net debt includes trade and bills payables, other payables and accruals and less cash and cash equivalents. Capital represents equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

Group

	2011 RMB'000	2010 RMB'000
Trade and bills payables	**127,576**	40,308
Other payables and accruals	**59,473**	51,642
Less: Cash and cash equivalents	**(940,698)**	(1,138,041)
Net debt	**(753,649)**	(1,046,091)
Equity attributable to owners of the Company	**1,440,191**	1,466,641
Capital and net debt	**686,542**	420,550
Gearing ratio	**N/A**	N/A

33. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 22 March 2012.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and the Company's prospectus dated 22 October 2010, is set out below:

	Year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
REVENUE	**757,411**	600,131	409,013	340,408	193,879
Cost of sales	**(262,338)**	(214,712)	(161,141)	(137,053)	(88,190)
Gross profit	**495,073**	385,419	247,872	203,355	105,689
Other income and gains	**56,837**	7,098	2,067	2,161	2,686
Selling and distribution costs	**(242,614)**	(160,232)	(89,079)	(98,673)	(46,531)
Administrative expenses	**(45,731)**	(34,452)	(20,842)	(19,925)	(11,392)
Other expenses	**(9,333)**	(10,622)	(3,000)	(6,767)	(304)
Finance costs	**–**	(11,073)	(6,065)	(5,217)	(1,496)
PROFIT BEFORE TAX	**254,232**	176,138	130,953	74,934	48,652
Income tax credit/(expense)	**(64,161)**	(23,137)	(26,035)	(14,456)	510
PROFIT FOR THE YEAR	**190,071**	153,001	104,918	60,478	49,162
Attributable to:					
Owners of the Company	**190,071**	153,001	104,918	60,478	49,162

Assets, Liabilities and Equity

	As at 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**1,675,156**	1,582,200	381,959	288,403	198,255
TOTAL LIABILITIES	**(234,965)**	(115,559)	(208,034)	(164,698)	(135,686)
TOTAL EQUITY	**1,440,191**	1,466,641	173,925	123,705	62,569