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 2014

Contents

Corporate Information

Directors

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

Independent Non-Executive Directors
Mr. Fong Wo, Felix
Mr. Kwok Chi Sun, Vincent
Mr. Cheng King Hoi, Andrew

Company Secretary

Ms. Chan Sau Ling ACIS, ACS(PE)

Authorised Representatives

Mr. Chan Yuk Ming
Ms. Chan Sau Ling

Audit Committee

Mr. Kwok Chi Sun, Vincent *(Chairman)*
Mr. Fong Wo, Felix
Mr. Cheng King Hoi, Andrew

Remuneration Committee

Mr. Cheng King Hoi, Andrew *(Chairman)*
Mr. Fong Wo, Felix
Mr. Kwok Chi Sun, Vincent

Nomination Committee

Mr. Fong Wo, Felix *(Chairman)*
Mr. Kwok Chi Sun, Vincent
Mr. Cheng King Hoi, Andrew

Share Award Plan Committee

Mr. Chan Yuk Ming *(Chairman)*
Mr. Chen Yunan
Mr. Cheng King Hoi, Andrew

Registered Office

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Principal Place of Business and Headquarters in the People's Republic of China

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One Bravo Plaza
No. 1, Jinsui Road
Zhujiang New Town Tianhe District
Guangzhou, China

Principal Place of Business in Hong Kong

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

Cayman Islands Principal Share Registrar and Transfer Office

Appleby Trust (Cayman) Ltd
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
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 Limited
Bank of China Limited
Bank of Communications Limited
Chong Hing Bank Limited
Ping An Bank Co., Limited
Shanghai Commercial Bank Limited
Shanghai Pudong Development Bank Company Limited
The Hongkong and Shanghai Banking Corporation Limited

Auditors

Ernst & Young, Certified Public Accountants

Legal Advisor

Minter Ellison

Investor Relations

iPR Ogilvy Ltd.

Stock Code

00238.HK

Company's Website

www.evergreen-intl.com

Financial Highlights

For the year ended 31 December

	2014 RMB'million	2013 RMB'million	% change
Revenue	**548.3**	693.6	-20.9%
Gross profit	**379.1**	461.5	-17.9%
(Loss)/profit attributable to ordinary equity holders of the Company	**(33.8)**	76.8	-144.0%
Basic and diluted (loss)/earning per share (RMB cents) *(Note 1)*	**(3.6)**	8.1	-144.4%
Proposed final dividend per share (HK cents)	–	1.2	-100.0%
Gross profit margin	**69.1%**	66.5%	
Net (loss)/profit margin	**(6.2)%**	11.1%	
Effective tax rate	**(118.1)%**	30.2%	
Inventory turnover days *(Note 2)*	**700**	497	
Trade receivables turnover days *(Note 3)*	**84**	81	
Trade and bills payables turnover days *(Note 4)*	**87**	76	
For illustrative purpose only: Profit for the year, excluding the impairment of available-for-sale investment			
(Loss)/profit attributable to ordinary equity holders of the Company	**(33.8)**	76.8	-144.0%
Excluding the non-recurring item: Impairment of available-for-sale investment	**50.5**	–	
Profit for the year excluding the non-recurring item	**16.7**	76.8	-78.3%
Net profit margin	**3.0%**	11.1%	

Notes:

1. Basic and diluted (loss)/earning per share = (Loss)/profit attributable to the ordinary equity holders/weighted average number of ordinary shares
2. Inventory turnover days = Average of the 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
3. 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
4. Trade and bills payables turnover days = Average of the opening and closing balances on trade and bills payables/cost of sales and cost of sale of raw materials for the year x number of days for the year

Chairman's Statement

Chan Yuk Ming
Chairman

'To be a **World-Class** brands operator in Mainland China'

Dear Shareholders,

I hereby present the annual results of Evergreen International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014.

In 2014, the global economy remained complicated. The economy of the United States ("US") grew steadily after its quantitative easing while the economies of Europe and Asia remained weak and lacked growth momentum. In China, the economy has shifted to a moderate growth, after a long period of double-digit growth in the past decade. According to the National Bureau of Statistics of China, the gross domestic product ("GDP") increased moderately at a rate of 7.4% in 2014. The government of the People's Republic of China (the "PRC", "Mainland China" or "China") continued to carry out various measures to restructure and reform the economy. In addition, the PRC government has implemented various stimulus measures to improve the PRC's economy. As a result of these measures together with urbanization and the continued increase in disposable income of consumers, the total retail sales of consumer goods realised in urban area and rural area in 2014 continued to increase and grew by 11.8% and 12.9%, respectively, as compared to that of 2013.

However, the operating environment of the retail sector, in particular the menswear industry, remained weak and sluggish in 2014. The industry was facing challenges of lack of sales momentum, markdown pressure and weak consumer sentiment because of the PRC government's anti-corruption campaign and the increasing concern on the slowdown of the economy. In particular, though the total sales of garments, footwear, hats and knitwear in China increased by 10.9% as compared to that of last year, the growth rate of which was 0.7 percentage point lower than that in 2013 and was at a slowdown pace as compared to previous years.

For the year ended 31 December 2014, the revenue of the Group decreased by 20.9% to RMB548,328,000, as a result of the overall weak and sluggish retail market. The Group recorded a loss attributable to ordinary equity holders of the

Company of RMB33,785,000 for the year ended 31 December 2014 (2013: profit attributable to ordinary equity holders of the Company of RMB76,839,000), mainly due to the recognition of non-recurring impairment loss of RMB50,502,000 on the carrying amount of certain available-for-sale investment. Excluding the non-recurring impairment loss, the profit for the year ended 31 December 2014 would have been RMB16,717,000 (2013: RMB76,839,000) with a net profit margin of 3.0% (2013: 11.1%). The decrease in which was mainly the result of the decrease in revenue, the increase in administrative and other expenses and the increase in finance costs. However, the Group's gross profit margin still improved from 66.5% for the year ended 31 December 2013 to 69.1% for the year ended 31 December 2014 amid the challenging environment.

As at 31 December 2014, the Group had a total of 368 stores covering 30 provinces and 171 cities. Given the intense competition in the retail market and weak consumer sentiment, the Group prudently adjusted the store opening plan in response to the challenging market condition and retail environment. The Group plans to open approximately 10 new retail stores for its proprietary brands in 2015, of which approximately 8 are self-operated stores with the remaining 2 beings franchised stores. On the other hand, the Group will continue to consolidate inefficient stores in order to improve the operating efficiency.

In order to improve brand image, the Group continued to conduct a series of advertising and promotional activities through various channels, including advertisements in fashion magazines, promotional activities on the internet, and large advertising billboards in the airport, highway and well-known department stores. Apart from routine advertising and promotional activities, corporate social responsibility is one of the key values of the Group and the Group will continue to organise and participate in various charitable and social activities in the future.

In order to achieve healthy and sustainable growth for the Group in the long run, the Group has been discussing with a number of high-end international fashion brands regarding their licensing of rights for the retail and wholesale of their children's wear and accessories in Hong Kong, Macau and Mainland China to the Group. In August 2014, the Group has secured the exclusive distribution right for ***Roberto Cavalli Junior*** children's wear and accessories products in Hong Kong and opened a ***Roberto Cavalli Junior*** store at Ocean Terminal, Harbour City. This store is the first flagship store of ***Roberto Cavalli Junior*** in Asia and will become the showcase of ***Roberto Cavalli Junior*** for Hong Kong, Macau and the Mainland China markets.

Looking forward, amid the steady economic growth and the continuously increasing disposable income of the consumers in China, the Group is confident in the long-term development of menswear market in China, especially in the mid-end to high-end segments. The Group will continue to implement consistent and clear strategies, which include prudently enhancing its retail and distribution network and healthily expanding product offerings and design capabilities, enhancing brand equity of ***V.E. DELURE*** and ***TESTANTIN***, enriching our brands portfolio and upgrading our ERP system and administrative support, in order to achieve healthy and sustainable growth in the long run. In addition, the Group believes that the new business segment of high-end children's wear and accessories products will enable the Group to diversify its business, product portfolio and brand portfolio in the apparel and accessory product industries and will leverage the foundation of the existing menswear business of the Group and is therefore beneficial to the Group and its shareholders as a whole in the long run.

Finally, I would like to take this opportunity to express my sincere gratitude to the members of the board (the "Board") of directors (the "Directors") of the Company, for their valuable advice and support. On behalf of the Board, I would also like to thank employees, shareholders, distributors, customers and suppliers of the Group for their confidence and continuous support to the Group.

Chan Yuk Ming
Chairman

Hong Kong, 27 March 2015

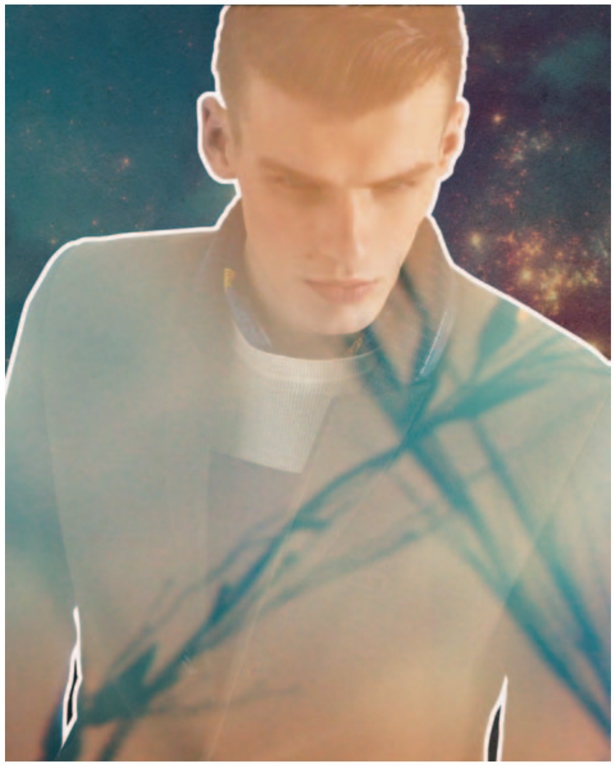
Management Discussion and Analysis

Market Review

In 2014, the global economic environment remained complicated and volatile, while China's economy has shifted to moderate growth instead of long persistent rapid expansion. The Chinese government continued to carry out various measures to restructure and reform its economy, amid the risk of economic slowdown in Mainland China. In addition, the Chinese government stimulated the economy by reducing interest rates for the first time since 2012.

According to the National Bureau of Statistics of China, the GDP of China in 2014 increased at a rate of 7.4% on a year-on-year basis and reached RMB63.6 trillion. At the total retail sales of consumer goods in China in 2014 amounted to RMB26.2 trillion, representing an increase of 12.0% compared to that of last year. However, the growth rate was 1.1 percentage points lower than that of last year. The total retail sales of consumer goods realised in urban area amounted to RMB22.6 trillion representing a year-on-year increase of 11.8%, which was 1.1 percentage points lower than that of last year. Moreover, the total sales of garments, footwear, hats and knitwear amounted to RMB1,256.3 billion, representing a year-on-year increase of 10.9%. However, the growth rate was 0.7 percentage points lower than that in 2013. The retail market remained sluggish during the year. In particular, the consumer sentiment in high-end retail sector remained weak as a result of the unfavorable economic environment as well as government policies and measures.

In view of the challenging economic and market environment, in particular in menswear industry, the Group continued to adjust its strategies in response to the changes in the market in order to enhance the demand from customers who would purchase for their own use. During the year, the Group continued to invest resources in refining marketing strategy for brand building, reinforcing customer loyalty by organising marketing events, and consolidating the network of self-operated retail stores, organised various training to its distributors and strived to improve operational efficiency and business infrastructure, so as to maintain the Group at a financially healthy position with an aim to achieve a sustainable development of the Group in the long run.



Financial Review

During the year ended 31 December 2014, the Group recorded an aggregate turnover of approximately RMB548,328,000 (2013: RMB693,617,000), representing a decrease of approximately 20.9% compared to that of last year. Gross profit decreased from RMB461,487,000 for the year ended 31 December 2013 to RMB379,137,000 for the year ended 31 December 2014, representing a year-on-year decrease of about 17.9%. Gross profit margin improved from 66.5% for the year ended 31 December 2013 to 69.1% for the year ended 31 December 2014. The Group recorded a loss attributable to ordinary equity holders of the Company of RMB33,785,000 for the year ended 31 December 2014 (2013: profit attributable to ordinary equity holders of the Company of RMB76,839,000) and net loss margin for the year ended 31 December 2014 of 6.2% as compared to a net profit margin of 11.1% for the year ended 31 December 2013. The loss was mainly attributable to the recognition of non-recurring impairment loss of RMB50,502,000 on the carrying amount of certain available-for-sale investment. Excluding the non-recurring impairment loss, the profit for the year ended 31 December 2014 would have been RMB16,717,000 (2013: RMB76,839,000) with a net profit margin of 3.0% (2013: 11.1%), the decrease in which was mainly the result of the decrease in revenue, the increase in administrative and other expenses and the increase in finance costs.

Turnover

	2014		2013		Change
	RMB'000	**% of turnover**	RMB'000	% of turnover	%
V.E. DELURE					
Self-operated stores	**319,407**	**58.3%**	382,678	55.2%	-16.5%
Distributors	**134,197**	**24.5%**	162,079	23.3%	-17.2%
Corporate sales	**5,719**	**1.0%**	6,073	0.9%	-5.8%
	459,323	**83.8%**	550,830	79.4%	-16.6%
TESTANTIN					
Self-operated stores	**57,783**	**10.5%**	91,024	13.1%	-36.5%
Distributors	**14,903**	**2.7%**	26,082	3.8%	-42.9%
	72,686	**13.2%**	117,106	16.9%	-37.9%
Licensed brands	**16,319**	**3.0%**	25,681	3.7%	-36.5%
	548,328		693,617		-20.9%

The total turnover of the Group for the year ended 31 December 2014 decreased by 20.9% to approximately RMB548,328,000 (2013: RMB693,617,000). The decrease in turnover was mainly due to the decrease in sales of ***V.E. DELURE***, ***TESTANTIN*** and the licensed brands as a result of the overall weak and sluggish retail market and rapid growth of e-Commerce.

Turnover of the Group for the year ended 31 December 2014 comprised sales from self-operated stores of about RMB377,190,000 (2013: RMB473,702,000), sales to distributors of RMB149,100,000 (2013: RMB188,161,000), corporate sales of RMB5,719,000 (2013: RMB6,073,000) and sales from the licensed brands business of RMB16,319,000 (2013: RMB25,681,000).

The aggregate sales from self-operated stores for the year ended 31 December 2014 decreased by 20.4% as compared to that of last year, and accounted for 68.8% (2013: 68.3%) of the total turnover under the current challenging retail environment. The aggregate sales to distributors for the year ended 31 December 2014 also recorded a decrease of 20.8% as compared to that of last year and accounted for about 27.2% (2013: 27.1%) of the total turnover, which mainly reflected that the distributors remained uncertain and cautious towards the retail market in the PRC.

Turnover by Region

	2014		2013		Change
	RMB'000	**% of turnover**	RMB'000	% of turnover	%
V.E. DELURE					
Central China	**42,369**	**9.2%**	40,418	7.3%	4.8%
North Eastern China	**36,975**	**8.1%**	53,462	9.7%	-30.8%
Eastern China	**61,320**	**13.4%**	70,881	12.9%	-13.5%
North Western China	**56,636**	**12.3%**	59,262	10.8%	-4.4%
Northern China	**94,565**	**20.6%**	106,832	19.4%	-11.5%
South Western China	**60,791**	**13.2%**	71,688	13.0%	-15.2%
Southern China	**94,682**	**20.6%**	128,483	23.3%	-26.3%
Hong Kong and Macau	**11,985**	**2.6%**	19,804	3.6%	-39.5%
Total	**459,323**		550,830		-16.6%

	2014		2013		Change
	RMB'000	**% of turnover**	RMB'000	% of turnover	%
TESTANTIN					
Central China	**4,149**	**5.7%**	4,077	3.5%	1.8%
North Eastern China	**6,269**	**8.6%**	12,561	10.7%	-50.1%
Eastern China	**6,226**	**8.6%**	9,585	8.2%	-35.0%
North Western China	**7,229**	**9.9%**	15,643	13.4%	-53.8%
Northern China	**3,636**	**5.0%**	7,298	6.2%	-50.2%
South Western China	**15,313**	**21.1%**	20,956	17.9%	-26.9%
Southern China	**21,131**	**29.1%**	28,219	24.1%	-25.1%
Hong Kong and Macau	**8,733**	**12.0%**	18,767	16.0%	-53.5%
Total	**72,686**		117,106		-37.9%

The sales from ***V.E. DELURE*** in the Eastern, Northern and Southern PRC for the year ended 31 December 2014 accounted for 54.6% (2013: 55.6%) of the total brand revenue, which was mainly attributable to the location of ***V.E. DELURE*** retail stores in major cities such as Shanghai, Beijing, Tianjin and Guangzhou, where the Group targeted ***V.E. DELURE*** customers are relatively more affluent with strong purchasing power.

The sales from ***TESTANTIN*** in the North Eastern, South Western, Southern and North Western PRC for the year ended 31 December 2014 accounted for 68.7% (2013: 66.1%) 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.

Turnover by Product (self-operated stores only)

	2014	2013
	RMB'000	RMB'000
V.E. DELURE		
Apparel[1]	**304,256**	360,438
Accessories[2]	**15,151**	22,240
	319,407	382,678
TESTANTIN		
Apparel[1]	**55,628**	85,789
Accessories[2]	**2,155**	5,235
	57,783	91,024

	2014	2013
	Unit sold	Unit sold
	pcs	pcs
Sales Volume		
V.E. DELURE		
Apparel[1]	**187,737**	209,105
Accessories[2]	**48,694**	113,621
TESTANTIN		
Apparel[1]	**64,829**	105,329
Accessories[2]	**12,384**	29,239

	2014	2013
	RMB	RMB
Average Selling Price		
V.E. DELURE		
Apparel[1]	**1,621**	1,724
Accessories[2]	**311**	196
TESTANTIN		
Apparel[1]	**858**	814
Accessories[2]	**174**	179

Notes:

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

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

Cost of Sales

The cost of sales of the Group decreased by 27.1% for the year ended 31 December 2014 to approximately RMB169,191,000 (2013: RMB232,130,000). During the year, the Group continued to outsource the production process of most of the apparel and accessories products. The Group also purchased products under the licensed brand business, ***CARTIER*** and purchased children's wear and accessories from ***Roberto Cavalli Junior*** for its new business units starting from 2014. The Group performed sampling, packaging and post-finish processing of the apparel products produced by outsourced manufacturers, and manufactured a small portion of the apparel products in its own plant.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by RMB82,350,000 or 17.9%, from RMB461,487,000 for the year ended 31 December 2013 to RMB379,137,000 for the year ended 31 December 2014.

During the year, the major raw material costs continued to soar and the increase in wages also intensified the production cost pressure. By leveraging on the advantages and influences of the brands of the Group and strengthening cost control, the Group managed to improve gross profit margin of 2.6 percentage points from 66.5% to 69.1% for the year ended 31 December 2014.

Other Income and Gains

During the year, other income and gains mainly consisted of bank interest income of RMB16,389,000 (2013: RMB18,172,000).

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of rental and concessionaire commission to shopping malls and department stores of self-operated stores of approximately RMB129,362,000 (2013: RMB150,679,000), advertising and promotion expenses of approximately RMB19,983,000 (2013: RMB30,936,000), and staff costs of approximately RMB70,035,000 (2013: RMB68,467,000). During the year, the total selling and distribution expenses represented about 48.8% (2013: 44.4%) of the total turnover which was mainly due to increase in staff cost.

Administrative Expenses

Administrative expenses increased from RMB48,789,000 for the year ended 31 December 2013 to RMB60,601,000 for the year ended 31 December 2014, representing an increase of 24.2%. During the year, administrative expenses accounted for 11.1% (2013: 7.0%) of turnover. The increase in administrative expenses was mainly due to the increase in staff costs in connection with the Group's business expansion and development.

Finance Costs

Finance costs for the year ended 31 December 2014 mainly consisted of interest expenses on interest-bearing bank borrowings for supporting the Group's business expansion and development.

Effective Tax Rate

During the year, the effective tax rate of the Group was -118.1% (2013: 30.2%).

(Loss)/Profit Attributable to Ordinary Equity Holders of the Company

The Group recorded a loss attributable to ordinary equity holders of the Company of RMB33,785,000 for the year ended 31 December 2014 (2013: profit attributable to ordinary equity holder of the Company of RMB76,839,000) and net loss margin for the year ended 31 December 2014 of 6.2% as compared to a net profit margin of 11.1% for the year ended 31 December 2013. Loss per share of RMB3.6 cents was recorded for the year ended 31 December 2014 (2013: earnings per share of RMB8.1 cents). The loss was mainly attributable to the recognition of non-recurring impairment loss of RMB50,502,000 on the carrying amount of certain available-for-sale investment. Excluding the non-recurring impairment loss, the profit for the year ended 31 December 2014 would have been RMB16,717,000 (2013: RMB76,839,000) with a net profit margin of 3.0% (2013: 11.1%), the decrease in which was mainly the result of the decrease in revenue, the increase in administrative and other expenses and the increase in finance costs.

Business Review

Proprietary Brands

The Group currently owns two proprietary brands covering two fast growing segments in the menswear market of China catering to consumers with different needs, tastes and consumption patterns. ***V.E. DELURE***, offers business formal and casual menswear and accessories targeting affluent and successful men with a brand theme of "Love"; while ***TESTANTIN*** 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".

The Group's two proprietary brands, ***V.E. DELURE*** and ***TESTANTIN***, recorded negative same store sales growth for the self-operated stores business of 15% and 17%, respectively, during the year.

Retail and Distribution Network
Number of stores of proprietary brands by region

	2014	2013
Central China	**42**	36
North Eastern China	**34**	39
Eastern China	**54**	62
North Western China	**43**	48
Northern China	**63**	68
South Western China	**60**	77
Southern China	**70**	86
Hong Kong and Macau	**2**	4
	368	420

During the year, the Group improved its retail and sales network according to the prevailing challenging retail environment and continued to optimise the retail and sales network based on the demand in different target market segments. The Group has strategically used a mixed business model of opening self-operated stores in high-tier cities and franchised stores by distributors in low-tier cities. Opening self-operated stores enables the Group to create direct contact and interaction with target customers, so as to optimise its marketing efforts to customers and to directly instill in the customers the brand image and philosophy of the Group. Engaging distributors to open franchised stores allows the Group to expand its retail network quickly, leverage the profound understanding and experience of the distributors in local markets in which they operated, and penetrate into fragmented menswear market in these cities with lower capital expenditure.

In view of the challenging retail environment and weak consumer sentiment, the Group prudently adjusted the store opening plan in response to the challenging market conditions and retail environment and consolidated stores with low efficiency.

As at 31 December 2014, the Group had a total of 368 stores in 30 provinces and autonomous regions, covering 171 cities in China. There were 135 self-operated stores of ***V.E. DELURE*** in 50 cities in China whilst there were 42 self-operated stores of ***TESTANTIN*** in 22 cities in China.

In addition, the total number of distributors of the Group amounted to 92, which operated 160 franchised stores of ***V.E. DELURE*** in 113 cities and 31 franchised stores of ***TESTANTIN***, in 30 cities, respectively.

Number of stores of proprietary brands by city tier

	2014	2013	Changes
V.E. DELURE			
Self-operated stores			
First-tier	**23**	26	-3
Second-tier	**74**	74	–
Third-tier	**35**	47	-12
Fourth-tier	**3**	4	-1
	135	151	-16
Franchised stores			
First-tier	**–**	–	–
Second-tier	**18**	21	-3
Third-tier	**100**	105	-5
Fourth-tier	**42**	44	-2
	160	170	-10
	295	321	-26
TESTANTIN			
Self-operated stores			
First-tier	**8**	10	-2
Second-tier	**22**	30	-8
Third-tier	**11**	14	-3
Fourth-tier	**1**	–	+1
	42	54	-12
Franchised stores			
First-tier	**–**	–	–
Second-tier	**1**	1	–
Third-tier	**15**	25	-10
Fourth-tier	**15**	19	-4
	31	45	-14
	73	99	-26
TOTAL	**368**	420	-52

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 2014, the number of ***V.E. DELURE*** self-operated stores decreased from 151 to 135 as a result of the consolidation of inefficient stores. Franchised stores operated by the distributors of the Group decreased from 170 to 160.

The total area of retail outlets of self-operated stores of ***V.E. DELURE*** as at 31 December 2014 was approximately 22,626 square meters (2013: 24,605 square meters), representing a decrease of 8.0% as compared to that of last year.

In 2014, the number of ***TESTANTIN*** self-operated stores decreased from 54 to 42 whilst the number of franchised stores decreased from 45 to 31 in order to consolidate inefficient stores and thus facilitate long-term healthy growth of ***TESTANTIN***.

The total area of retail outlets of self-operated stores of ***TESTANTIN*** as at 31 December 2014 was approximately 4,733 square meters (2013: 6,364 square meters), representing a decrease of 25.6% as compared to that of last year.

Licensed brands

In June 2014, the Group announced that it was exploring the prospects of developing a new business segment of the retailing and trading of high-end children's wear and accessories in Hong Kong, Macau and Mainland China in order to diversify its business, product portfolio and brand portfolio in the apparel and accessory industries. In August 2014, the Group secured the exclusive distribution right for ***Roberto Cavalli Junior*** children's wear and accessories products in Hong Kong and opened a ***Roberto Cavalli Junior*** store of approximately 680 sq.ft. at Ocean Terminal, Harbour City, Hong Kong. This store is the first flagship store of ***Roberto Cavalli Junior*** in Asia and would be the showcase of ***Roberto Cavalli Junior*** for Hong Kong, Macau and Mainland China markets. The Group will continue to discuss with a number of high-end international fashion brands regarding their licensing rights for the retail and wholesale of their children's wear and accessories in Hong Kong, Macau and Mainland China to the Group.




Sales Fair

V.E. DELURE and ***TESTANTIN*** 2015 Spring and Summer Collections Sales Fair was held in July 2014. The total order amount from franchised stores operated by the distributors of the Group decreased by 25% as compared to that of last year. Delivery of the orders has commenced in January 2015.

V.E. DELURE 2015 Fall and Winter Collections Sales Fair was held in January 2015. The total order amount from franchised stores operated by the distributors of the Group decreased by 31% as compared to that of last year mainly because the distributors remain uncertain and cautious towards the retail market. Delivery of the orders will commence in August 2015.

Inventory Management

The Group has an effective inventory management system. In particular, the Group has adopted a flat distributor model comprising only one layer of distributors without any sub-distributor, which enables the Group to closely monitor the business performance and inventory of each franchised store and distributor. Moreover, orders made by the distributors are distributed proportionally into the first batch of order placed at the sales fair and the supplemental order placed following the commencement of the season. During the year, the inventory turnover days of the Group increased from 497 days to 700 days, which was mainly due to the decrease in turnover generated by self-operated stores and negative same store sales growth.

Marketing and Promotion

The Group has a dedicated marketing team to organise and execute the marketing and promotional activities of ***V.E. DELURE*** and ***TESTANTIN***. The Group focuses on the long-term development of its brands. Different types of marketing and promotional activities of the Group not only strengthen the brand recognition and value, but also publicise its brand theme.

In 2014, the total expenditure of the Group in marketing and promotional activities amounted to approximately RMB20,008,000 (2013: RMB32,636,000), accounting for approximately 3.6% (2013: 4.7%) of the total turnover of the Group. The Group will strive to maintain the ratio not exceeding 5% whilst promoting the brands in an effective approach.

During the year, the Group organised regular advertising and promotional activities through different channels, such as advertisements in fashion magazines, promotional activities in the internet and other media, and large advertising billboards in airport, highway and well-known department stores.

The Group treats its retail stores as one of the important channels to promote and enhance brand equity. During the year, ***V.E. DELURE*** and ***TESTANTIN*** continued to carry out store image upgrading work, enhance the display space and to further promote its high-end brand image in order to attract customers more effectively.

Moreover, the Group is the exclusive sponsor of the formal attire of the PRC national table tennis team and badminton team, both of which will last till the end of 2015.

Apart from routine advertising and promotional activities, corporate social responsibility is one of the key values of the Group. The Group will continue to organise and participate in various charitable and social activities in the future. Such charitable activities not only can strengthen the brand equity of the Group, but also can promote the corporate image of the Group as a social responsible enterprise.

Product Design and Development

Amid the continual urbanisation and the increasing disposable income of consumers, there is a consumption trend in pursuing products with superior materials, suitable cutting and unique style. While there are abundant product choices to customers in the market, the Group fully understands that fashionable and innovative apparel products not only attract consumers, but also 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 also targeted on experienced design talents to bring in fresh inspiration for innovation to further diversify product portfolio and increase its competitiveness. The Group has experienced, innovative and independent design teams for ***V.E. DELURE*** and ***TESTANTIN***, respectively, which were led by chief supervisors with substantial design experience in the industry.

Working Capital Management

A substantial part of the inventories of the Group was finished goods. The Group performed specific review on finished goods regularly. For slow-moving and obsolete inventories, the Group made specific provision for inventories with the net realisable value lower than their carrying value.

Inventory turnover days was 700 days for the year ended 31 December 2014, representing an increase of 203 days as compared to 497 days for the year ended 31 December 2013. The increase in inventory turnover days was mainly due to the decrease in turnover generated by the self-operated stores and negative same store sales growth.

Trade receivables represented the receivables for goods sold to the distributors for franchised stores and the receivables from department stores and shopping malls for self-operated stores. Trade receivables turnover days was 84 days for the year ended 31 December 2014 (2013: 81 days). The slight increase in trade receivables turnover days was mainly due to the extended period of payment by the distributors.

Trade and bills payables represented payables to suppliers and outsourced manufacturers. Trade and bills payables turnover days increased from 76 days for the year ended 31 December 2013 to 87 days for the year ended 31 December 2014.

Use of Proceeds

The shares of the Company (the “Shares”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 4 November 2010. 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 2014, the unused proceeds were deposited in licensed banks in Hong Kong and Mainland China.

Use of funds raised

	Percentage to total amount	Net proceeds	Utilised amount (as at 31 December 2014)	Unutilised amount (as at 31 December 2014)
		RMB'million	RMB'million	RMB'million
Expansion and improvement of retail network	45%	457.8	456.2	1.6
Developing independent lines of branded apparels and accessories under ***V.E. DELURE*** brand	10%	101.7	99.1	2.6
Acquisitions or licensing of additional brands	20%	203.5	–	203.5
Marketing and promotional activities	7%	71.2	68.1	3.1
Upgrade of ERP system and database management system	5%	50.9	3.8	47.1
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	3.5	47.4
General working capital	8%	81.4	77.5	3.9
	100%	1,017.4	708.2	309.2

Liquidity and Financial Resources

As at 31 December 2014, the Group had cash and cash equivalents of RMB695,591,000 (2013: RMB619,747,000). In addition, the Group had pledged deposits of RMB232,350,000 (2013: RMB207,718,000). As at 31 December 2014, the Group had interest-bearing bank borrowings of an aggregate amount of RMB473,965,000 (2013: RMB365,560,000), which were denominated in RMB, Hong Kong dollars and US dollars, repayable within one year or on demand and interest-bearing at rates ranging from 1.68% to 6.3% per annum and variable rate. The gearing ratio, calculated as total bank borrowings divided by equity attributable to the shareholders of the Company, amounted to 36.0% (2013: 26.7%).

Contingent Liabilities

As at 31 December 2014, the Group had no material contingent liabilities.

Pledge of Assets

As at 31 December 2014, deposits of RMB232,350,000 (2013: RMB207,718,000) were pledged as security for the bank borrowings and bank acceptance bills of the Group (31 December 2013: bank borrowings and bank acceptance bills of the Group).

Exchange Risk

The Group conducts business primarily in Hong Kong and Mainland China with most of the transactions denominated and settled in RMB and Hong Kong dollars. The Group purchases some raw materials and outsourced products in Euros and U.S. dollars. Depreciation of Renminbi against these foreign currencies would increase the cost of sales of the Group, resulting in an impact on the results of operations of the Group.

The Group has not entered into any foreign exchange contracts to hedge against the fluctuations in exchange rate between RMB and Hong Kong dollars. However, the Group monitors foreign exchange exposure regularly and will consider if there is a need to hedge against significant foreign currency exposure when necessary.

Significant Investment Held

During the year, the Group subscribed for 29,400,000 ordinary shares of Fujian Nuoqi Co., Ltd. ("Nuoqi"), a company listed on the Stock Exchange in Hong Kong on 9 January 2014, as a cornerstone investor, at a consideration of RMB50,502,000. The market value of the Nuoqi declined significantly and the trading of its shares on the Stock Exchange had been suspended since 23 July 2014. The Directors consider that the significant and prolonged decline in market value of the equity investments in Nuoqi indicates that the listed equity investment has been impaired. Impairment loss of RMB50,502,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2014.

Employee's Benefits

The Group offered its staff competitive remuneration schemes and training and development opportunities. The Group also provided in-house sales and services coaching in order to develop 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 (the "Share Option Scheme") (which was terminated on 6 January 2014) and the adoption of the new share option scheme on 6 January 2014 ("New Share Option Scheme") and up to 31 December 2014, no option has been granted by the Company.

On 23 January 2015, the Company granted share options (the "Options") to certain key employees and the Directors under the New Share Option Scheme, to subscribe for a total of 52,900,000 new Shares at an exercise price of HK$0.78 per share.

Among the Options granted, Options which entitle the subscription of a total of 20,700,000 new Shares were granted to the Directors. The Options granted to the executive Directors and the employees shall vest on 30 April 2016, 2017 and 2018 subject to the fulfillment of performance targets, and the Options granted to independent non-executive Directors shall vest on 30 April 2015.

As at 31 December 2014, the total number of full-time employees of the Group was 1,231. The total staff costs for the year ended 31 December 2014 amounted to approximately RMB90,981,000 (excluding Director's and chief executive's remuneration) (2013: RMB88,921,000).

The Group has adopted a defined contribution retirement benefits scheme (MPF Scheme) for Hong Kong employees, and contributions were made based on a certain percentage of the employee's basic salary. The contributions were charged to the income statement when they became payable. In Mainland China, the Group made monthly contributions to the social security fund, including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance, for the employees of the Group according to the relevant laws in the PRC.

On 27 August 2013 (the "Effective Date"), the Board adopted the share award plan (the " Share Award Plan") in which any executive or employee of any member of the Group from time to time, but excluding a director of any member of the Group and any other connected person (as defined in the Listing Rules) of the Company (the "Eligible Person") will be entitled to participate. The purpose of the Share Award Plan is to recognise and reward contributions made by, and to encourage and incentivise sustained contribution of, the Eligible Person to the growth and long-term development of the Group. The Share Award Plan shall be valid and remain in force for a term of ten years commencing from the Effective Date.

The Share Award Plan Committee may, at any time and at its absolute discretion, make an award to any Eligible Person and determine the number of Shares to be awarded to him on such terms and subject to such vesting conditions, if any, as the Share Award Plan Committee thinks fit.

Since the Effective Date and up to 31 December 2014, no awards had been granted pursuant to the Share Award Plan.

On 23 January 2015, the Share Award Plan Committee resolved to grant share awards in respect of a total of 10,250,000 Shares to 68 award grantees who were all Eligible Persons under the Share Award Plan and who were independent of the Company and its connected persons. 5,130,000 awarded Shares and 5,120,000 awarded Shares shall vest in the award grantees on 30 April 2015 and 30 April 2016, respectively.

Details of the Options and share awards granted were set out in the announcement of the Company dated 23 January 2015.

Prospects

Given the continuing restructure and reform of economy in China, the outlook of Chinese retail sector remains uncertain and challenging. The low consumer sentiment is expected to sustain in the short term, which continues to affect the retail sector and create challenges to retail operators in Mainland China. However, the Chinese government continued to stimulate domestic consumption to support economic growth and to remain as the core contributor to GDP growth, as such it is expected that the retail industry will achieve healthy and sustainable growth in the long run.

In addition, as supported by the continuously increasing domestic household income and the pursuit for high quality products by consumers, it is expected that Mainland China will become the largest luxury and high-end retail market in the world in the future. The Group will continue to execute prudent and responsive business strategy to maintain its advantageous position in the high-end menswear market in Mainland China. Moreover, the Group will continue to enhance the brand equity of ***V.E. DELURE*** and ***TESTANTIN*** by focusing on the long-term and sustainable development, increasing and retaining VIP customers and executing specific advertising and promotional activities.

Under the prevailing challenging economic environment, the Group will prudently enhance its retail network. The Group plans to open approximately 10 new retail stores for its proprietary brands in 2015, of which approximately 8 are self-operated stores with the remaining 2 being franchised stores. On the other hand, the Group will continue to consolidate inefficient stores in order to improve the operating efficiency. In the long run, the Group is confident of the steady and healthy growth of menswear market in China, especially the mid to high-end segments.

On the other hand, in order to achieve healthy and sustainable growth in the long run, the Group has been looking for new business opportunities in the apparel and accessory product industries. In 2015, the Group will continue to discuss with a number of high-end international fashion brands regarding licensing rights for the retail and wholesale of their children's wear and accessories in Hong Kong, Macau and Mainland China. The commencement of this new business segment was marked by the first ***Roberto Cavalli Junior*** store in Hong Kong in August 2014.

The Group believes that this new business segment of high-end children's wear and accessories will enable the Group to diversify its business, product portfolio and brand portfolio in the apparel and accessory product industries and will leverage foundation of the existing menswear business of the Group and is therefore beneficial to the Group and its shareholders as a whole in the long run.

Corporate Governance Report

The Board of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2014 (the "Reporting Year").

The key corporate governance principles and practices of the Company are summarized 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 Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

In the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code during the Reporting Year.

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

The Board

Responsibilities

Overall management of the Company's 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 of the Company, 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 comprises six members, consisting of three executive Directors and three independent non-executive Directors. The executive Directors and independent non-executive Directors during the Reporting Year and up to the date of this report were as follows:

Executive Directors:

Mr. Chan Yuk Ming *(Chairman of the Board and Share Award Plan Committee)*
Mr. Chen Yunan *(Member of Share Award Plan Committee)*
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)*
Mr. Kwok Chi Sun, Vincent *(Chairman of the Audit Committee and member of the Remuneration Committee and Nomination Committee)*
Mr. Cheng King Hoi, Andrew *(Chairman of the Remuneration Committee and member of the Audit Committee, Nomination Committee and Share Award Plan 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 33 to 36.

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, Nomination and Share Award Plan 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 Company's articles of association (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 entered into a service agreement with the Company for a term of three years commencing from 4 November 2010, which was renewed for three years commencing from 28 November 2013 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 or by the payment of wages in lieu of the outstanding notice.

The independent non-executive Directors, Mr. Fong Wo, Felix and Mr. Kwok Chi Sun, Vincent, entered into appointment letters with the Company for a term of two years commencing from 4 November 2010, which were renewed for two years commencing from 4 November 2012 and for a further term of two years commencing from 4 November 2014. Another independent non-executive Director, Mr. Cheng King Hoi, Andrew, entered into an appointment letter with the Company for a term of two years commencing from 27 June 2012, which was renewed for two years commencing from 27 June 2014. They are 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.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

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

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The following Directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills during the Reporting Year:

Directors	Topics of training covered [Note]
Executive Directors	
Mr. Chan Yuk Ming	1,2,4
Mr. Chen Yunan	1,2,4
Mr. Chen Minwen	1,2,4
Independent non-executive Directors	
Mr. Fong Wo, Felix	1,2,3
Mr. Kwok Chi Sun, Vincent	1,2,3,4,5
Mr. Cheng King Hoi, Andrew	3

Note:

1. Corporate governance
2. Regulatory updates
3. Finance and accounting
4. Industry updates
5. Risks and management of the role of independent non-executive directors

In addition, the Company has provided relevant reading materials including legal and regulatory update to all Directors for their reference.

Attendance Records of Directors and Committee Members

Number of Meetings and Directors' Attendance

During the Reporting Year, five Board meetings were held including four regular Board meetings 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, two Audit Committee meetings, one Nomination Committee meeting, one Remuneration Committee meeting, one Share Award Plan Committee meeting, one annual general meeting and one extraordinary general meeting were held.

The attendance records of the Directors at the Board meetings, the Board committee meetings and the general meetings of the Company held during the Reporting Year are set out below:

	Attendance/Number of Meetings						
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Share Award Plan Committee	Annual General Meeting	Extraordinary General Meeting
Chan Yuk Ming	5/5	–	–	–	1/1	1/1	1/1
Chen Yunan	4/5	–	–	–	1/1	0/1	0/1
Chen Minwen	5/5	–	–	–	–	0/1	0/1
Fong Wo, Felix	5/5	1/1	1/1	2/2	–	1/1	0/1
Kwok Chi Sun, Vincent	5/5	1/1	1/1	2/2	–	1/1	0/1
Cheng King Hoi, Andrew	5/5	1/1	1/1	2/2	1/1	1/1	1/1

Apart from regular Board meetings, the Chairman of the Board also held two meetings with the independent non-executive Directors without the presence of executive Directors during the Reporting Year.

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 four committees, namely, the Nomination Committee, Remuneration Committee, Audit Committee and Share Award Plan 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 posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request. All members of Nomination Committee, Remuneration Committee and Audit 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 expenses.

Nomination Committee

The Nomination Committee currently comprises three members, namely, Mr. Fong Wo, Felix (Chairman), Mr. Kwok Chi Sun, Vincent and Mr. Cheng King Hoi, Andrew, all are independent non-executive Directors.

The 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.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the board diversity policy of the Company (the "Board Diversity Policy"), including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee held one meeting during the Reporting Year to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the annual general meeting. The Nomination Committee also considered an appropriate balance of diversity perspectives of the Board is maintained. The attendance records of the Nomination Committee are set out under "Attendance Records of Directors and Committee Members".

Pursuant to Article 16.18 of the Articles of Association, Mr. Chen Yunan and Mr. Cheng King Hoi, Andrew shall retire from the office by rotation at the forthcoming annual general meeting of the Company ("AGM") to be held on Tuesday, 9 June 2015. 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 28 April 2015 contains detailed information of the retiring Directors standing for re-election at the AGM.

Remuneration Committee

The Remuneration Committee currently comprises three members, namely, Mr. Cheng King Hoi, Andrew (Chairman), Mr. Fong Wo, Felix and Mr. Kwok Chi Sun, Vincent, all are independent non-executive Directors.

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and 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 associates will participate in deciding his own remuneration.

The Remuneration Committee held one meeting during the Reporting Year to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters. The attendance records of the Remuneration Committee are set out under "Attendance Records of Directors and Committee Members".

There are 11 members of senior management in the Group whereas 9 members of senior management have remuneration of RMB1,000,000 or below, 1 member of senior management has remuneration between RMB1,000,001 to RMB1,500,000 and 1 member of senior management has remuneration between RMB2,000,001 to RMB2,500,000.

Audit Committee

The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Kwok Chi Sun, Vincent (Chairman), Mr. Fong Wo, Felix and Mr. Cheng King Hoi, Andrew (including one independent non-executive Director with 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 are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held two meetings during the Reporting Year to review the interim and annual financial results and reports, and significant issues on the financial reporting and compliance procedures and risk management systems and processes, scope of work and appointment of external auditors and arrangements for employees to raise concerns about possible improprieties. The attendance records of the Audit Committee are set out under "Attendance Records of Directors and Committee Members".

The Audit Committee also met the external auditors twice without the presence of the executive Directors.

The Company's annual results for the year ended 31 December 2014 have been reviewed by the Audit Committee.

Share Award Plan Committee

The Share Award Plan Committee currently comprises three members, namely Mr. Chan Yuk Ming (Chairman), Mr. Chen Yunan and Mr. Cheng King Hoi, Andrew.

The Share Award Plan Committee is responsible for providing oversight and administration of the Share Aware Plan of the Company and may during the period of the Share Award Plan and at its absolute discretion, make awards to any Eligible Persons and determine the number of Shares to be awarded to such Eligible Persons on such terms and subject to such vesting conditions, if any.

The Share Award Plan Committee held one meeting during the Reporting Year to discuss the Share Award Plan. The attendance records of the Share Award Plan Committee are set out under "Attendance Records of Directors and Committee Members".

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by Directors.

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.

No incident of non-compliance of the written guidelines governing the securities transactions by employees who are likely to be in possession of unpublished inside information of the Company by the employees was noted by the Company during the Reporting Year.

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 2014.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 37 to 38.

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

Auditors' Remuneration

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

Service Category	Fees Paid/Payable RMB
Audit Services	1,920,000
Non-audit Services	
— Taxation	385,500
— Others	25,000
	2,330,500

Other certified public accountants firm charged the Group RMB133,000 for the provision of audit services to the Company's subsidiaries in the PRC.

Internal Controls

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

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 on 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.

Company Secretary

Ms. Chan Sau Ling of Tricor Services Limited 卓佳專業商務有限公司, the external service provider, has been engaged by the Company as its Company Secretary during the Reporting Year. During the Reporting Year, Ms. Chan's primary contact person at the Company was Mr. To Kwong Yeung, who was the Chief Financial Officer of the Company and resigned with effect from 31 December 2014. Following Mr. To's resignation, the new primary contact person is Mr. Li Wai Leung, who was appointed as the Chief Financial Officer of the Company in place of Mr. To with effect from 31 December 2014.

Ms. Chan has confirmed that she has taken no less than 15 hours of relevant professional trainings to update her skills and knowledge during the Reporting Year.

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 endeavours to maintain an ongoing dialogue with shareholders and in particular, through annual general meetings and other general meetings.

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, Audit Committee and Share Award Plan Committee (or their delegates) will make themselves available at the annual general meeting to meet shareholders and answer their enquiries.

The 2014 AGM was held on 12 June 2014. 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.

During the Reporting Year, the Company has not made any changes to its Articles of Association. An up to date version of Articles of Association is also available on the Company's website and the Stock Exchange's website.

Shareholders' Rights

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

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

Convening and putting forward proposals at Extraordinary General Meeting by Shareholders

Pursuant to Article 12.3 of the Articles of Association, an extraordinary general meeting shall be convened by the Board on the written requisition of any two or more shareholders or any one shareholder which is a recognised clearing house (or its nominee(s)) holding not less than one-tenth of the paid up capital of the Company which carries the voting right at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong, or the registered office in the event the Company ceases to have such a principal office, specifying the objects of the meeting and signed by the requisitionist(s).

If the Board does not within 21 days from the date of deposit of the written requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the extraordinary general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board, within 3 months from the date of deposit of the written requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Shareholders should follow the requirements and procedures as set out above for putting forward proposals at extraordinary general meetings of the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Rooms 1305–1307, 13/F, New East Ocean Centre, 9 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong (For the attention of the Chairman of the Board)
Fax:	(852) 2671 8738
Email:	ircontact@evergreen-intl.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at (852) 2712 2288 for any assistance.

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) has 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.

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

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 19 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 2014 and the state of affairs of the Company and the Group are set out in the financial statements on pages 39 to 91 of this report.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: HK1.2 cents per ordinary share). No interim dividend was declared and paid for the six months ended 30 June 2014 (2013: HK4.5 cents per ordinary share).

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, is set out on page 92 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

There was no change in the Company's share capital during the Reporting Year.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Reporting Year, except that the trustee of the Share Award Plan, pursuant to the terms of the trust deed of the Share Award Plan, purchased a total of 7,476,000 Shares on the Stock Exchange at a total consideration of approximately HK$9,998,000, equivalent to approximately RMB7,892,000 (including transaction costs).

Reserves

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

Distributable Reserves

At 31 December 2014, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"), amounted to RMB617,279,000. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances. Details of the reserves of the Company as at 31 December 2014 are set out in note 31(b) to the financial statements.

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:

	2014		2013	
	Percentage of the Group's total		Percentage of the Group's total	
	Sales	**Purchases**	Sales	Purchases
The largest customer	**2.6%**		3.4%	
Five largest customers in aggregate	**12.3%**		10.5%	
The largest outsourcing supplier		**9.7%**		8.8%
Five largest outsourcing suppliers in aggregate		**33.7%**		31.8%

None of the Directors, or any of their close 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
Kwok Chi Sun, Vincent
Cheng King Hoi, Andrew

Pursuant to Article 16.18 of the Articles of Association, Mr. Chen Yunan and Mr. Cheng King Hoi, Andrew shall retire from the office by rotation at the forthcoming 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 and the senior management of the Group are set out on pages 33 to 36 of this report.

Directors' Service Contracts

Each of the executive Directors entered into a service agreement with the Company for a term of three years commencing from 4 November 2010, which was renewed for three years commencing from 28 November 2013 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 or by the payment of wages in lieu of the outstanding notice.

The independent non-executive Directors, Mr. Fong Wo, Felix and Mr. Kwok Chi Sun, Vincent, entered into appointment letters with the Company for a term of two years commencing from 4 November 2010, which were renewed for two years commencing from 4 November 2012 and for a further term of two years commencing from 4 November 2014. Another independent non-executive Director, Mr. Cheng King Hoi, Andrew, entered into an appointment letter with the Company for a term of two years commencing from 27 June 2012, which was renewed for two years commencing from 27 June 2014. They are 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 recommended 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 subsisting during or at the end of the Reporting Year.

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

As at 31 December 2014, 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 *(Note)*	Long position	Founder of a discretionary trust	483,934,814	51.00%
Chen Yunan *(Note)*	Long position	Beneficiary of a trust	483,934,814	51.00%
Chen Minwen *(Note)*	Long position	Beneficiary of a trust	483,934,814	51.00%

Note: The 483,934,814 Shares were held by Pacific Success Holdings Limited ("Pacific Success"), a company wholly-owned by Evisu (PTC) Limited ("Evisu"). Evisu is the trustee of a discretionary trust of which Mr. Chan Yuk Ming was the founder and each of Mr. Chen Yunan and Mr. Chen Minwen was a beneficiary. Each of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen was deemed to be interested in such Shares held by Pacific Success under the SFO.

Save as disclosed above, as at 31 December 2014, 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 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 4 November 2010, the date on which the Shares were listed on the main board of the Stock Exchange (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 quotations 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 quotations sheet for the five business days immediately preceding 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.

At the extraordinary general meeting held on 6 January 2014 ("New Adoption Date"), the Share Option Scheme was terminated and the New Share Option Scheme was adopted and approved by the shareholders of the Company. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing from the New Adoption Date up to 5 January 2024.

The Board may, at its absolute discretion, grant options to any full-time or part-time (with weekly working hours of 10 hours or above) employees of any member of the Group, any advisor or consultant, any providers of goods and/or services to the Group, director (whether executive, non-executive or independent non-executive director) of any member of the Group and any other persons that the Board may think fit upon the terms set out in the New Share Option Scheme. The purpose of the New Share Option Scheme is to attract, retain and motivate talented personnel to strive for future developments and expansion of the Group, and to provide the Company with a flexible means of giving incentive to, remunerating, compensating and/or providing benefits to them.

The total number of the Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any schemes of the Group shall not in aggregate exceed 10% of the total number of Shares in issue as at the New Adoption Date (i.e. 94,882,576 Shares representing approximately 10% 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 the exercise of options granted to each grantee (including both exercised and outstanding options) in any period of 12 consecutive months up to and including the date of grant shall not exceed 1% of the Shares in issue as at the date of grant, unless an approval of its shareholders is obtained. The amount payable on application or acceptance of the option shall be HK$1.00 and shall be paid within a period of 28 days from the date of offer or such other period as the Board may specify. 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 New Share Option Scheme.

The subscription price of a Share payable on the exercise of any particular option shall be such price as determined by the Board in its absolute discretion, save that such price shall not be less than the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of offer which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Shares. Unless otherwise determined by the Board and specified in the offer letter, there is no minimum period for which an option must be held before it can be exercised and no performance target needs to be achieved by the grantee before the options can be exercised.

Since the New Adoption Date and up to 31 December 2014, no options have been granted pursuant to the New Share Option Scheme.

On 23 January 2015, 52,900,000 share options were granted to the executive Directors, independent non-executive Directors and employees with an exercise price of HK$0.78 per Share under the New Share Option Scheme.

Details of the said termination of Share Option Scheme and adoption of New Share Option Scheme were also set out in the Company's circular dated 17 December 2013 while details of granting of share options were set out in the Company's announcement dated 23 January 2015.

Share Award Plan

On 27 August 2013, the Board adopted the Share Award Plan in which the Eligible Person will be entitled to participate. The purpose of the Share Award Plan is to recognise and reward contributions made by, and to encourage and incentivise sustained contribution of, the Eligible Person to the growth and long term development of the Group. The Share Award Plan shall be valid and remain in force for a term of ten years commencing from the Effective Date.

The Share Award Plan Committee may, at any time and at its discretion, make an award to any Eligible Person ("Selected Person") and determine the number of Shares to be awarded to him on such terms and subject to such vesting conditions, if any, as the Share Award Plan Committee thinks fit.

The Share Award Plan Committee (or any Director so authorised by the Share Award Plan Committee) may from time to time instruct SMP Trustees (Hong Kong) Limited (the "Trustee") to purchase Shares on the Stock Exchange at such prices as the Share Award Plan Committee (or any Director so authorised by the Share Award Plan Committee) considers appropriate subject to the terms and conditions of the Share Award Plan, and such Shares shall be held by the Trustee for the purposes of satisfying any future award(s) to be made by the Share Award Plan Committee.

In any given financial year, the maximum number of Shares to be purchased by the Trustee for the purpose of the Share Award Plan shall not exceed 5% of the total number of issued Shares as at the beginning of such financial year.

The total number of Shares purchased for the award(s) made to each Selected Person in any 12-month period up to and including the date on which the award is made to a Selected Person (the "Award Date") shall not exceed 1% of the Shares in issue as at the Award Date.

The Board resolved to pay HK$10,000,000 to the Trustee of the Share Award Plan on 25 October 2013, so that the Trustee would then purchase and grant relevant Shares to certain grantees under the Share Award Plan.

During the year ended 31 December 2014, based on the Company's instructions, the Trustee of the Share Award Plan has purchased a total of 7,476,000 Shares on the Stock Exchange at a total consideration of approximately HK$9,998,000, equivalent to approximately RMB7,892,000 (including transaction costs).

As at 31 December 2014, 7,476,000 Shares were held by the Trustee and have yet to be awarded.

On 23 January 2015, 10,250,000 share awards were granted to employees under the Share Award Plan. Details of the share awards granted were set out in the Company's announcement dated 23 January 2015.

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

At 31 December 2014, 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	Founder of a discretionary trust	483,934,814	51.00%
Chen Yunan *(Note 1)*	Long position	Beneficiary of a trust	483,934,814	51.00%
Chen Minwen *(Note 1)*	Long position	Beneficiary of a trust	483,934,814	51.00%
Evisu *(Note 1)*	Long position	Trustee of a trust	483,934,814	51.00%
Pacific Success *(Note 1)*	Long position	Beneficial owner	483,934,814	51.00%
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 483,934,814 Shares were held by Pacific Success, a company wholly-owned by Evisu. Evisu is the trustee of a discretionary trust of which Mr. Chan Yuk Ming was the founder and each of Mr. Chen Yunan and Mr. Chen Minwen was a beneficiary.

   Each of Evisu, Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen was deemed to be interested in such Shares held by Pacific Success under the SFO.

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

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 2014.

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

Apart from the share option schemes of the Company as mentioned above, 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 the Company and 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 nor exercised any such right.

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 the Listing Rules.

Related Party Transactions

Details of the related party transactions undertaken by the Group during the year ended 31 December 2014 are set out in note 35 to the financial statements. These related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

Subsequent Events

Save as mentioned in the Share Option Scheme and Share Award Plan sections, there are no material subsequent events undertaken by the Company or by the Group after 31 December 2014.

Auditors

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

On behalf of the Board
Chan Yuk Ming
Chairman

Hong Kong
27 March 2015

Biographical Details of Directors and Senior Management

Directors

As at the date of this report, 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	46	Chairman and executive Director
Mr. CHEN Yunan	46	Executive Director
Mr. CHEN Minwen	39	Executive Director
Mr. FONG Wo, Felix	64	Independent non-executive Director
Mr. KWOK Chi Sun, Vincent	52	Independent non-executive Director
Mr. CHENG King Hoi, Andrew	56	Independent non-executive Director

Executive Directors

Mr. CHAN Yuk Ming, aged 46, is the chairman and one of the executive Directors. He is the brother of Mr. Chen Yunan, Mr. Chen Minwen and Ms. Chen Mianna and is also an uncle of Ms. Chen Yanxia. 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, Guangdong Evergreen Garment Co., Ltd. ("長興(廣東)服飾有限公司", "Evergreen Guangdong"), Joy Business Investments Limited, Loyal City Holdings Limited (with effect from 22 May 2014) and general manager of VE Delure SARL. He is primarily responsible for the Group's 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. In 2013, Mr. Chan received a Master of Business Administration degree from the J.L. Kellogg School of Management, Northernwestern University and the School of Business and Management, the University of Science and Technology. 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 the Group's business.

Mr. CHEN Yunan, aged 46, is one of the executive Directors. He is the brother of Mr. Chan Yuk Ming, Mr. Chen Minwen and Ms. Chen Mianna and is also an uncle of Ms. Chen Yanxia. Mr. Chen was designated as an executive Director on 12 February 2010 and is also a director of each of Evergreen Guangdong, Guangzhou Changyue Trading Co., Ltd. ("廣州市長越貿易有限公司", "Guangzhou Changyue") and Guangzhou Forever Green Trading Co., Ltd. ("廣州市長珠興貿易有限公司", "Guangzhou Forever Green"). He is primarily responsible for the Group's general management and production planning. Mr. Chen involves 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 the Group's business.

Mr. CHEN Minwen, aged 39, is one of the executive Directors. He is the brother of Mr. Chan Yuk Ming, Mr. Chen Yunan and Ms. Chen Mianna and is also an uncle of Ms. Chen Yanxia. 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 Forever Green. He is primarily responsible for the Group's sales and marketing promotion and public relations and activities. Mr. Chen will allocate substantially all of his time and resources to the Group's business.

Independent Non-Executive Directors

Mr. FONG Wo, Felix, BBS, JP, aged 64, 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 is a 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 former Chairman of the Advisory Council on Food and Environmental Hygiene and a member of the Hong Kong Communications Authority. He is also a director of the Hong Kong Basic Law Institute Limited, and China Overseas Friendship Association. In the area of education, Mr. Fong is a founding member and the first governor 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 Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) (stock code: 124), Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited) (stock code: 337), China Investment Development Limited (stock code: 204) and Sheen Tai Holdings Group Company Limited (stock code: 1335), whose stocks are listed on the Stock Exchange, and also China Oilfield Services Limited, whose shares are listed on the Stock Exchange (stock code: 2883) and the Shanghai Stock Exchange (stock code: 601808).

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 52, 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 26 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 of the following listed companies in Hong Kong, namely, China Digital Culture (Group) Limited (formerly known as China Digital Licensing (Group) Limited) (stock code: 8175), Magnificent Estates Limited (stock code: 201), Shun Ho Resources Holdings Limited (stock code: 253) and Shun Ho Technology Holdings Limited (stock code: 219).

Mr. Kwok ceased to be the independent non-executive director of Emperor Capital Group Limited (stock code: 717) and Sky Forever Supply Chain Management Group Limited (formerly known as Rising Power Group Holdings Limited) (stock code: 8047) with effect from 22 January 2014 and 22 July 2014, respectively.

Mr. CHENG King Hoi, Andrew, aged 56, was appointed as an independent non-executive Director on 27 June 2012. He is the director of China Business of Kwoon Chung Bus Holdings Limited (stock code: 306), a company listed on the Main Board of the Stock Exchange after he resigned as its executive director in 2012. He is also the co-president of Overseas Teo Chew Entrepreneurs Association Limited. He is a member of the Australian Institute of Management NSW Ltd. and a committee member of the Chinese People's Political Consultative Conference of Sichuan Province of Mainland China. He had worked in the banking industry for over 9 years. In 2013, Mr. Cheng received a Honorary Doctoral Degree of Business Administration from the Northern University, California, the United States of America.

Senior Management

Ms. CHEN Mianna, aged 44, 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 Forever Green. She is the sister of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen.

Mr. LI Wai Leung, aged 36, was appointed as a chief financial officer of the Group on 31 December 2014. Mr. Li is responsible for the Company's financial reporting, financial management and investor relations.

Mr. Li obtained his bachelor's degree in Business Administration in Accounting and Finance from the University of Hong Kong in 2000. He is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and has over 14 years of experience in auditing, accounting and corporate management. Prior to joining the Company, he was the chief financial officer of two sizable PRC-based manufacturing companies. Prior to that, Mr. Li worked as a senior manager in PricewaterhouseCoopers.

Mr. QIU Hongjie, aged 46, is the financial controller (PRC). He joined the Group in September 2014. Mr. Qiu studied Professional Accounting at the Guangzhou University in 1990 and obtained an associate degree from the China Central Radio and TV University in 2009, and subsequently obtained a master's degree in Business Administration awarded by the University of Wales in 2010. He has over 20 years of experience in the field of financial management, supply chain management, logistics management as well as investment and financing management. He worked in 龍浩天地股份有限公司 before joining the Group.

Mr. YANG Qing, aged 45, is the deputy director of the finance department in the PRC. Mr. Yang joined the Group 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 22 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 34, is the operations director of TESTANTIN. 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. Ms. Chen was promoted to the operations director of TESTANTIN in June 2013 to manage the retail stores and distributors of TESTANTIN, which frequently involved in the liaison with department stores in the PRC. She has over 12 years of experience in terminal store sales and management. She is the daughter of a cousin of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen.

Mr. LIN Youhai, aged 43, 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 15 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 40, 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. CHAN Yuk Lai, aged 41, is the director of the design department of the Group's brand V.E. DELURE. He joined the Group in October 2014. Mr. Chan was graduated from the London College of Fashion with a bachelor's degree of Arts in Design Technology for the Fashion Industry (Menswear). Before joining the Group, he worked in BLS (Private Labels) HK Limited in the Fung's Group as the general manager of the design department. Mr. Chan has been engaged in the fashion and design industry for over 15 years.

Mr. LIU Shaoqing, aged 40, 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 10 years. He has over 10 years of experience in the processes of design, pattern-making, garment production and has related working experience.

Mr. YANG Hao, aged 33, 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 11 years. He has over 11 years of experience in the processes of design, pattern-making and garment production and has related working experience.

Ms. ZHANG Xingfang, aged 46, is an assistant to the general manager of the Group's PRC division and is responsible for the operation of the Group's training centre. She joined the Group in July 2011. Ms. Zhang graduated with a qualification in English teaching in 1992. She is a human resources manager and corporate trainer by profession. For the 21 years prior to joining the Group, she worked for Guangzhou Mechanical Engineering Research Institute, a unit at departmental level, Hanview Amenities Manufacturing (Guangzhou) Ltd. (a Hong Kong company), Guangzhou Denso (a Japanese company), "Ayilian" and "ALT" branded apparel, as well as "Meters/bonwe " branded apparel, accumulating a wealth of hands-on experience in human resources management.

EY 安永

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 39 to 91, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, 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 issued by the Hong Kong Institute of Certified Public Accountants. 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 2014, and of the Group's loss 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
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

27 March 2015

Consolidated Statement of Profit or Loss

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	5	**548,328**	693,617
Cost of sales		**(169,191)**	(232,130)
Gross profit		**379,137**	461,487
Other income and gains	5	**17,284**	20,151
Selling and distribution expenses		**(267,662)**	(307,877)
Administrative expenses		**(60,601)**	(48,789)
Other expenses		**(15,548)**	(6,318)
Impairment of available-for-sale investment		**(50,502)**	–
Finance costs	7	**(17,598)**	(8,601)
PROFIT/(LOSS) BEFORE TAX	6	**(15,490)**	110,053
Income tax expense	10	**(18,295)**	(33,214)
PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11	**(33,785)**	76,839
EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic and diluted		**RMB(3.6) cents**	RMB8.1 cents

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**(33,785)**	76,839
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:		
Available-for-sale investment:		
Change in fair value	**436**	–
Reclassification adjustment for gains included in the consolidated statement of profit or loss — impairment loss	**(436)**	–
	–	–
Exchange differences on translation of operations outside Mainland China	**(5,026)**	4,188
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(5,026)**	4,188
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(38,811)**	81,027

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**391,915**	364,113
Prepayment for non-current asset	22	**–**	68,000
Available-for-sale investment	15	**–**	–
Goodwill	16	**1,880**	1,880
Other intangible asset	17	**3,683**	3,592
Long term lease prepayment	18	**67,292**	–
Deferred tax assets	27	**10,783**	7,096
Pledged deposits	23	**100,000**	–
Total non-current assets		**575,553**	444,681
CURRENT ASSETS			
Inventories	20	**309,472**	339,597
Trade receivables	21	**92,226**	159,606
Prepayments, deposits and other receivables	22	**66,831**	104,213
Pledged deposits	23	**132,350**	207,718
Cash and cash equivalents	23	**695,591**	619,747
Total current assets		**1,296,470**	1,430,881
CURRENT LIABILITIES			
Trade and bills payables	24	**21,704**	59,016
Other payables and accruals	25	**47,153**	40,527
Interest-bearing bank borrowings	26	**473,965**	365,560
Tax payable		**13,174**	42,198
Total current liabilities		**555,996**	507,301
NET CURRENT ASSETS		**740,474**	923,580
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,316,027**	1,368,261
Net assets		**1,316,027**	1,368,261
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	28	**829**	829
Reserves	31(a)	**1,315,198**	1,358,914
Proposed final dividend	12	**–**	8,518
Total equity		**1,316,027**	1,368,261

CHAN Yuk Ming
Director

CHEN Yunan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

		Attributable to ordinary equity holders of the Company										
		Issued capital	Share premium account	Shares held for the Share Award Plan	Acquisition reserve	Merger reserve	Statutory surplus reserve	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total
	Notes	RMB'000 *(note 28)*	RMB'000 *(note 31(b))*	RMB'000 *(note 30)*	RMB'000 *(note 31(a)(iii))*	RMB'000 *(note 31(a)(i))*	RMB'000 *(note 31(a)(ii))*	RMB'000 *(note 31(a)(iv))*	RMB'000	RMB'000	RMB'000 *(note 12)*	RMB'000
At 1 January 2013		829	714,288	–	2,639	1,072	63,270	28	(22,696)	564,949	100,575	1,424,954
Profit for the year		–	–	–	–	–	–	–	–	76,839	–	76,839
Other comprehensive income for the year:												
Exchange differences on translation of operations outside Mainland China		–	–	–	–	–	–	–	4,188	–	–	4,188
Total comprehensive income for the year		–	–	–	–	–	–	–	4,188	76,839	–	81,027
Shares purchased for the Share Award Plan	30	–	–	(2,987)	–	–	–	–	–	–	–	(2,987)
Final 2012 dividend declared	12	–	–	–	–	–	–	–	–	–	(100,575)	(100,575)
Interim 2013 dividend	12	–	(34,158)	–	–	–	–	–	–	–	–	(34,158)
Proposed final 2013 dividend	12	–	(8,518)	–	–	–	–	–	–	–	8,518	–
Transfer from retained profits		–	–	–	–	–	9,686	–	–	(9,686)	–	–
At 31 December 2013		829	671,612	(2,987)	2,639	1,072	72,956	28	(18,508)	632,102	8,518	1,368,261

		Attributable to ordinary equity holders of the Company											
		Issued capital	**Share premium account**	**Shares held for the Share Award Plan**	**Acquisition reserve**	**Merger reserve**	**Statutory surplus reserve**	**Capital redemption reserve**	**Exchange fluctuation reserve**	**Available-for-sale investment revaluation reserve**	**Retained profits**	**Proposed final dividend**	**Total**
	Notes	RMB'000 *(note 28)*	RMB'000 *(note 31(b))*	RMB'000 *(note 30)*	RMB'000 *(note 31(a)(iii))*	RMB'000 *(note 31(a)(i))*	RMB'000 *(note 31(a)(ii))*	RMB'000 *(note 31(a)(iv))*	RMB'000	RMB'000	RMB'000	RMB'000 *(note 12)*	RMB'000
At 1 January 2014		**829**	**671,612**	**(2,987)**	**2,639**	**1,072**	**72,956**	**28**	**(18,508)**	**–**	**632,102**	**8,518**	**1,368,261**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(33,785)**	**–**	**(33,785)**
Other comprehensive loss for the year:													
Change in fair value of available-for-sale investment	15	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**436**	**–**	**–**	**436**
Impairment loss of available-for-sale investment	15	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(436)**	**–**	**–**	**(436)**
Exchange differences on translation of operations outside Mainland China		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,026)**	**–**	**–**	**–**	**(5,026)**
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,026)**	**–**	**(33,785)**	**–**	**(38,811)**
Shares purchased for the Share Award Plan	30	**–**	**–**	**(4,905)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,905)**
Final 2013 dividend declared	12	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,518)**	**(8,518)**
Transfer from retained profits		**–**	**–**	**–**	**–**	**–**	**5,599**	**–**	**–**	**–**	**(5,599)**	**–**	**–**
At 31 December 2014		**829**	**671,612***	**(7,892)***	**2,639***	**1,072***	**78,555***	**28***	**(23,534)***	**–***	**592,718***	**–**	**1,316,027**

* These reserve accounts comprise the consolidated reserves of RMB1,315,198,000 (2013: RMB1,358,914,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(15,490)**	110,053
Adjustments for:			
Finance costs	7	**17,598**	8,601
Foreign exchange losses/(gains)		**541**	(1,464)
Bank interest income	5	**(16,389)**	(18,172)
Loss on disposal of items of property, plant and equipment	6	**638**	132
Depreciation	6	**20,785**	23,523
Impairment of available-for-sale investment	6	**50,502**	–
Write-down of inventories provision		**13,509**	4,413
Amortisation of long term lease prepayment	6	**708**	–
		72,402	127,086
Decrease/(increase) in inventories		**16,616**	(50,026)
Decrease/(increase) in trade receivables		**67,380**	(11,468)
Decrease in prepayments, deposits and other receivables		**26,877**	32,448
(Decrease)/increase in trade payables		**(23,440)**	27,219
Increase/(decrease) in other payables and accruals		**1,259**	(29,781)
Cash generated from operations		**161,094**	95,478
Interest received		**12,950**	25,965
Mainland China corporate income tax paid		**(50,934)**	(55,450)
Hong Kong and Macau profits tax paid		**–**	(324)
Net cash flows from operating activities		**123,110**	65,669
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(44,574)**	(22,124)
Proceeds from disposal of items of property, plant and equipment		**90**	–
Purchase of available-for-sale investment	15	**(50,502)**	–
Increase in other prepayment for non-current asset	22	**–**	(58,000)
Prepayment for property, plant and equipment	22	**–**	(87,500)
(Increase)/decrease in pledged deposits and time deposits		**(24,632)**	30,378
Net cash flows used in investing activities		**(119,618)**	(137,246)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**456,229**	270,723
Repayment of bank loans		**(354,082)**	(28,110)
Purchases of shares held under the Share Award Plan		**(4,905)**	2,987
Interest paid		**(16,879)**	(8,472)
Dividends paid		**(8,518)**	(134,733)
Net cash flows from financing activities		**71,845**	102,395

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**75,337**	30,818
Cash and cash equivalents at beginning of year		**619,747**	592,693
Effect of foreign exchange rate changes, net		**507**	(3,764)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**695,591**	619,747
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*23*	**695,591**	590,694
Non-pledged time deposits with original maturity of less than three months when acquired	*23*	**–**	29,053
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows		**695,591**	619,747

Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSET			
Investments in subsidiaries	*19*	**–**	–
CURRENT ASSETS			
Due from subsidiaries	*19*	**712,763**	711,112
Cash and cash equivalents	*23*	**91**	5,831
Total current assets		**712,854**	716,943
CURRENT LIABILITIES			
Other payables and accruals	*25*	**1,850**	1,802
Due to subsidiaries	*19*	**170,647**	164,470
Total current liabilities		**172,497**	166,272
Net assets		**540,357**	550,671
EQUITY			
Issued capital	*28*	**829**	829
Reserves	*31(b)*	**539,528**	541,324
Proposed final dividend	*12*	**–**	8,518
Total equity		**540,357**	550,671

CHAN Yuk Ming
Director

CHEN Yunan
Director

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 address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal activity of the Company is investment holding.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") was principally engaged in the manufacturing and trading of clothing and clothing accessories.

In the opinion of the directors of the Company ("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 consolidated 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 predecessor Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These consolidated 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 2014. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the ordinary equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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 profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendments to IFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendments to IFRS 3 included in *Annual Improvements 2010–2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendments to IFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendments to IFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective IFRSs*

1 Effective from 1 July 2014

The adoption of the above revised standards and new interpretation has had no significant financial effect on these financial statements.

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28 (Revised)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
Amendments to IAS 1	*Discourse Inititative*[2]
Amendments to IFRS 10, IFRS12 and IAS 28 (Revised)	*Investment entities: Applying the consolidation Exception*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27 (Revised)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010–2012 Cycle	*Amendments to a number of IFRSs*[1]
Annual Improvements 2011–2013 Cycle	*Amendments to a number of IFRSs*[1]
Annual Improvements 2012–2014 Cycle	*Amendments to a number of IFRSs*[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to IFRS 10 and IAS 28 (Revised) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (Revised) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The Annual Improvements to IFRSs 2010-2012 Cycle issued in January 2014 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

IFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

The Annual Improvements to IFRSs 2012–2014 Cycle sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2016. 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 are expected to have a significant financial impact on the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* 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 to measure 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 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-related 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 of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRSs. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 acquired, the difference is, after reassessment, recognised in profit or loss 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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 of disposal, 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 statement of profit or loss 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 an 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 statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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 statement of profit or loss 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.

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:

Building	2.3%
Plant and machinery	18.00%–19.00%
Office and other equipment	18.00%–33.00%
Motor vehicles	9.70%–19.00%
Leasehold improvements	2.3%–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 including 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 statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Long term lease prepayment

Amortisation of the long term lease prepayment is calculated on the straight-line basis over the lease period.

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 statement of profit or loss on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, 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. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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 only had financial assets classified as “loans and receivables” and “available-for-sale financial investments” during the years.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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 other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments (continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually 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.

The amount of any impairment loss identified 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).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. 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 write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss.

Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" required judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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.

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

The Group's financial liabilities include trade and bills payables, other payables and accruals, and interesting-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

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 statement of profit or loss 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 statement of profit or loss.

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 consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of profit or loss.

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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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 is recognised against the sales revenue. The relevant cost of goods sold and closing inventories are also adjusted accordingly.

    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.

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

Share-based payments

The Company operates a share option scheme and a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. Further details of which are given in notes 29 and 30 to the financial statements.

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

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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 and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme

The costs of employee retirement benefits are recognised as expenses in the consolidated statement of profit or loss in the period in which they are incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits and/or share premium 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

The financial statements are presented in RMB, which is also adopted by the Company as the presentation currency of the Group. The Company's functional currency is Hong Kong dollars ("HK$"). These financial statements are presented in RMB for the convenience of the users of the financial statements as RMB is the currency of the primary economic environment in which the Group operates. 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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is 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 RMB. 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 prevailing at the end of the reporting period and their statements of profit or loss 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 statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of Hong Kong and overseas subsidiaries are translated into RMB 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 RMB at the weighted average exchange rates for the year since RMB has been defined.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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, 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 16.

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 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 27 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, children's wear and other accessories.

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

As all of the Group's revenue is derived from customers based in the People's Republic of China (the "PRC") and all of the Group's identifiable non-current assets are located in the PRC, no geographical information is presented in accordance with IFRS 8 *Operating Segments*.

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:

	2014 RMB'000	2013 RMB'000
Revenue		
Sale of goods	**548,328**	693,617
Other income and gains		
Bank interest income	**16,389**	18,172
Foreign exchange gains, net	**–**	1,350
Others	**895**	629
	17,284	20,151

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

	Notes	2014 RMB'000	2013 RMB'000
Cost of inventories sold		**169,191**	232,130
Depreciation	*14*	**20,785**	23,523
Amortisation of long term lease prepayment	*18*	**708**	–
Operating lease rental expense:			
— Minimum lease payments		**18,098**	21,121
— Contingent rents		**129,362**	150,679
		147,460	171,800
Auditors' remuneration		**2,053**	2,124
Employee benefit expense (excluding directors' remuneration (note 8)):			
— Wages and salaries		**81,220**	79,651
— Pension scheme contributions		**9,761**	9,270
		90,981	88,921
Impairment of available-for-sale investment	*15*	**50,502**	–
Write-down of inventories provision*		**13,509**	4,413
Foreign exchange losses, net*		**640**	–
Loss on disposal of items of property, plant and equipment*		**638**	132
Donations*		**–**	1,700

* These items are included in "Other expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest on bank borrowings	**17,598**	8,601

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2014 RMB'000	2013 RMB'000
Fees	**576**	570
Other emoluments:		
Salaries, allowances and benefits in kind	**6,480**	4,815
Pension scheme contributions	**77**	70
	6,557	4,885
	7,133	5,455

(a) Independent non-executive directors

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

	2014 RMB'000	2013 RMB'000
Mr. FONG Wo, Felix	**192**	190
Mr. KWOK Chi Sun, Vincent	**192**	190
Mr. CHENG King Hoi, Andrew	**192**	190
	576	570

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and the chief executive

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
2014				
Executive directors:				
CHEN Yunan (陳育南)	**–**	**2,176**	**32**	**2,208**
CHEN Minwen (陳敏文)	**–**	**2,158**	**32**	**2,190**
		4,334	**64**	**4,398**
Executive director and the chief executive:				
CHAN Yuk Ming (陳育明)	**–**	**2,146**	**13**	**2,159**
	–	**6,480**	**77**	**6,557**
2013				
Executive directors:				
CHEN Yunan (陳育南)	–	1,621	29	1,650
CHEN Minwen (陳敏文)	–	1,621	29	1,650
		3,242	58	3,300
Executive director and the chief executive:				
CHAN Yuk Ming (陳育明)	–	1,573	12	1,585
	–	4,815	70	4,885

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors and the chief executive (2013: two directors and the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2013: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2014	2013
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**3,351**	2,674
Pension scheme contributions	**46**	41
	3,397	2,715

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2014	2013
Nil to RMB1,000,000	**–**	–
RMB1,000,001 to RMB1,500,000	**1**	1
RMB1,500,001 to RMB2,000,000	**–**	1
RMB2,000,001 to RMB2,500,000	**1**	–
	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 profits derived from the Cayman Islands and the BVI in both 2014 and 2013 since the applicable profits tax rate was zero.

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2014.

Macau profits tax has been provided at the rates ranging from 0% to 12% (2013: 0% to 12%) depending on the extent of estimated assessable profits arising in Macau during the year ended 31 December 2014.

The income tax provision of the Group in respect of its operations in Mainland China has been provided at the rate of 25% (2013: 25%) on the taxable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

10. INCOME TAX (continued)

Group

	2014	2013
	RMB'000	RMB'000
Current — charge for the year		
Hong Kong	72	178
Macau	–	547
Mainland China	21,910	32,427
Deferred (note 27)	(3,687)	62
Total tax charge for the year	18,295	33,214

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate 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:

Group

	2014		2013	
	RMB'000	%	RMB'000	%
Profit/(loss) before tax	(15,490)		110,053	
Tax at the statutory tax rate	(3,873)	25.00	27,513	25.00
Lower tax rates enacted by local authorities	2,305	(14.88)	2,603	2.37
Effect of withholding tax at 10% on the bank interest income of the Group's Hong Kong subsidiaries	72	(0.46)	178	0.16
Income not subject to tax	(661)	4.27	(1,384)	(1.26)
Expenses not deductible for tax	15,417	(99.52)	1,362	1.24
Tax losses not recognised	5,035	(32.50)	2,942	2.67
Tax charge at the Group's effective rate	18,295	(118.11)	33,214	30.18

11. PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The consolidated profit/(loss) attributable to ordinary equity holders of the Company for the year ended 31 December 2014 includes a loss of RMB10,190,000 (2013: RMB9,129,000) which has been dealt with in the financial statements of the Company (note 31(b)).

12. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Interim — Nil (2013: RMB3.6 cents) per ordinary share	–	34,158
Proposed final — Nil (2013: RMB0.9 cents) per ordinary share	–	8,518
	–	42,676

The Board did not recommend the payment of a final dividend for the year ended 31 December 2014 to the shareholders of the Company.

13. EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earning/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the adjusted weighted average number of shares in issue of 941,887,470 (2013: 948,485,426) during the year ended 31 December 2014, which reflects the shares held for the Share Award Plan of the Company during the year.

The calculation of basic earning/(loss) per share is based on:

	2014 RMB'000	2013 RMB'000
Earning/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earning/(loss) per share calculation	**(33,785)**	76,839

	2014 '000	2013 '000
Shares		
Weighted average number of ordinary shares in issue	**946,390**	948,826
Weighted average number of shares purchased for the Share Award Plan	**(4,503)**	(340)
Adjusted weighted average number of ordinary shares in issue used in the basic earning per share calculation	**941,887**	948,486

No adjustment has been made to the basic earning/(loss) per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Construction in progress	Plant and machinery	Office and other equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2014						
1 January 2014:						
Cost	329,435	1,461	6,673	13,320	47,534	398,423
Accumulated depreciation	–	(1,355)	(4,467)	(6,885)	(21,603)	(34,310)
Net carrying amount	329,435	106	2,206	6,435	25,931	364,113
At 1 January 2014, net of accumulated depreciation	329,435	106	2,206	6,435	25,931	364,113
Additions	32,288	–	818	1,574	14,542	49,222
Disposals	–	–	(10)	(80)	(638)	(728)
Depreciation provided during the year	–	(6)	(1,000)	(1,473)	(18,306)	(20,785)
Exchange realignment	–	–	1	6	86	93
At 31 December 2014, net of accumulated depreciation	361,723	100	2,015	6,462	21,615	391,915
At 31 December 2014:						
Cost	361,723	1,461	7,331	12,218	40,133	422,866
Accumulated depreciation	–	(1,361)	(5,316)	(5,756)	(18,518)	(30,951)
Net carrying amount	361,723	100	2,015	6,462	21,615	391,915

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Construction in progress	Plant and machinery	Office and other equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2013						
1 January 2013:						
Cost	–	1,461	6,169	9,772	49,631	67,033
Accumulated depreciation	–	(1,330)	(3,706)	(4,876)	(20,613)	(30,525)
Net carrying amount	–	131	2,463	4,896	29,018	36,508
At 1 January 2013, net of accumulated depreciation	–	131	2,463	4,896	29,018	36,508
Additions	329,435	–	668	3,620	17,626	351,349
Disposals	–	–	(1)	–	(131)	(132)
Depreciation provided during the year	–	(25)	(922)	(2,060)	(20,516)	(23,523)
Exchange realignment	–	–	(2)	(21)	(66)	(89)
At 31 December 2013, net of accumulated depreciation	329,435	106	2,206	6,435	25,931	364,113
At 31 December 2013:						
Cost	329,435	1,461	6,673	13,320	47,534	398,423
Accumulated depreciation	–	(1,355)	(4,467)	(6,885)	(21,603)	(34,310)
Net carrying amount	329,435	106	2,206	6,435	25,931	364,113

15. AVAILABLE-FOR-SALE INVESTMENT

Group

	RMB'000
Listed equity investment, at fair value:	
At 31 December 2013 and 1 January 2014	–
Addition	50,502
Change in fair value taken to other comprehensive income	436
Reclassified from other comprehensive income to profit or loss	(436)
Impairment loss	(50,502)
At 31 December 2014	–

During the year, the Group subscribed for 29,400,000 ordinary shares of Fujian Nuoqi Co., Ltd. ("Nuoqi"), a listed company in Hong Kong, as a cornerstone investor at a cash consideration of RMB50,502,000. Market price of Nuoqi's shares declined significantly after its shares listed on 9 January 2014 and the trading of Nuoqi's shares has been suspended since 23 July 2014. The Directors consider that the significant and prolonged decline in market value of Nuoqi's shares indicates that the investment has been impaired and impairment loss of RMB50,502,000 (2013: Nil), which included a reclassification from other comprehensive income of RMB436,000 (2013: Nil), has been recognised in the consolidated statement of profit or loss for the year.

16. GOODWILL

Group

	RMB'000
Cost and net carrying amount at 31 December 2014 and 2013	1,880

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the product selling cash-generating unit 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 reflects current market assessments of the time value of money and the risks specific to the asset.

Assumptions were used in the value in use calculation of the product selling cash-generating unit for 31 December 2014 and 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development of the retail industry, discount rate and raw materials price inflation are consistent with external information sources.

17. OTHER INTANGIBLE ASSET

Group

	2014	2013
	RMB'000	RMB'000
Golf club debenture	**3,683**	3,592

The golf club debenture represents a club membership in Hong Kong. The Directors consider that no impairment of the balance of the golf club debenture is required as its fair value was higher than its carrying value as at 31 December 2014.

18. LONG TERM LEASE PREPAYMENT

Group

	RMB'000
1 January 2014, net of accumulated amortisation	–
Addition	68,000
Amortisation provided during the year	(708)
Net carrying amount	67,292

The long term lease prepayment was amortised on a straight-line basis over the lease period.

19. INVESTMENTS IN SUBSIDIARIES

Company

	2014	2013
	RMB'000	RMB'000
Unlisted share, at cost*	**–**	–

* Represented the investment cost in Sunsonic Holdings Limited of US$1 (equivalent to approximately RMB7).

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB712,763,000 (2013: RMB711,112,000) and RMB170,647,000 (2013: RMB164,470,000), respectively, are unsecured, interest-free and are repayable on demand.

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
			%	%	
Sunsonic Holdings Limited*	BVI/ Hong Kong	US$1/US$50,000	100	–	Investment holding
Richwood Management Limited*	BVI/ Hong Kong	US$1/US$50,000	–	100	Holding of trademarks and investment holding
Evergreen (International) Group Limited (長興集團（國際）有限公司)	Hong Kong	HK$1,000,000/ HK$1,000,000	–	100	Investment holding and trading of garment product

19. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
			%	%	
Evergreen (Asia) Trading Company Limited (長興（亞洲）貿易有限公司)	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)	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) *#	PRC/ Mainland China	HK$900,000,000/ HK$900,000,000	–	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) *#	PRC/ 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) *#	PRC/ Mainland China	RMB20,000,000/ RMB20,000,000	–	100	Sale of clothing and clothing accessories
VE Delure SARL*	France/ Hong Kong	EUR8,000/ EUR8,000	–	100	Holding of trademarks
Asia Effort Limited (振亞一人有限公司)	Macau	MOP25,000/ MOP25,000	–	100	Retailing and trading of garment products
Joy Business Investments Limited*	BVI/ Hong Kong	US$1/US$50,000	–	100	Investment holding
Best Ascent Limited	Hong Kong	HK$500,000/ HK$500,000	–	100	Retailing and trading of garment products
Glorious Wave Limited	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products

19. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
			%	%	
Loyal City Holdings Limited*	BVI/ Hong Kong	HK$1/HK$1	–	100	Investment holding
Orient Well Holdings Limited*	BVI/ Hong Kong	HK$1/HK$1	–	100	Investment holding
Evergreen Branding Limited*	BVI/ Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Sincere Star Limited	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Joyful Art Limited*	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Evergreen Brand Management Limited	Hong Kong	HK$300,000/ HK$300,000	–	100	Children's wear brands management
Leader Power Development Limited*	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Ascent Development Limited*	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Ocean Sense Limited*	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Profit Goal Development Limited*	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

\# All these companies are wholly-foreign-owned enterprises under the laws of the PRC. 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.

20. INVENTORIES

	Group 2014 RMB'000	2013 RMB'000
Raw materials	**11,054**	11,558
Work in progress	**4,063**	3,108
Finished goods	**294,355**	324,931
	309,472	339,597

The amount of the inventory provision recognised for the year ended 31 December 2014 was RMB13,509,000 (2013: RMB4,413,000).

21. TRADE RECEIVABLES

	Group 2014 RMB'000	2013 RMB'000
Trade receivables	**92,226**	159,606

Retail sales are made in cash or by credit card and sales through department stores are generally collectible within one month to three months. Sales to distributors 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 2014 RMB'000	2013 RMB'000
Within 1 month	**77,315**	104,026
1 to 3 months	**8,992**	21,534
3 to 6 months	**4,111**	29,368
6 months to 1 year	**1,072**	4,179
Over 1 year	**736**	499
	92,226	159,606

21. 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	
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	**86,307**	125,560
Less than 3 months past due	**4,111**	29,368
3 to 6 months past due	**960**	3,922
6 months to 1 year past due	**417**	322
Over 1 year past due	**431**	434
	92,226	159,606

Receivables that were neither past due nor impaired relate to a large number of diversified customers for 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 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.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2014	2013
	RMB'000	RMB'000
Non-current		
Other prepayment	**–**	68,000
	–	68,000
Current		
Prepayments	**12,373**	46,104
Deposits and other receivables	**54,458**	58,109
	66,831	104,213
	66,831	172,213

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.

23. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND PLEDGED DEPOSITS

		Group		Company	
		2014	2013	**2014**	2013
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**695,591**	590,694	**91**	5,831
Time deposits with original maturity within three months when acquired		**–**	29,053	**–**	–
Time deposits with original maturity of over three months when acquired		**232,350**	207,718	**–**	–
		927,941	827,465	**91**	5,831
Less:					
Pledged time deposits:					
Pledged for bank acceptance bills	*24*	**(2,350)**	(4,618)	**–**	–
Pledged for short term bank loans	*26*	**(230,000)**	(203,100)	**–**	–
Cash and cash equivalents		**695,591**	619,747	**91**	5,831

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi amounted to RMB895,579,000 (2013: RMB579,548,000), which is not freely convertible into other currencies. However, under Mainland China'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 at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods between seven days and two years depending on the cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

24. 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	
	2014	2013
	RMB'000	RMB'000
Within 1 month	**7,455**	7,108
1 to 3 months	**6,672**	16,605
3 to 6 months	**3,631**	32,746
6 months to 1 year	**1,045**	1,721
Over 1 year	**2,901**	836
	21,704	59,016

24. TRADE AND BILLS PAYABLES (continued)

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 their fair values.

Included in the trade and bills payables as at 31 December 2013 were bills payable of RMB13,872,000, which were secured by pledged deposits of RMB4,618,000. There were no outstanding bills payable as at 31 December 2014 and the related pledged deposits of RMB2,350,000 (note 23) were released in January 2015.

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances from customers	**6,417**	5,789	**–**	–
Other payables	**38,942**	31,585	**491**	479
Accruals	**1,794**	3,153	**1,359**	1,323
	47,153	40,527	**1,850**	1,802

Other payables are non-interest-bearing.

26. INTEREST-BEARING BANK BORROWINGS

	2014			2013		
Group	**Effective interest rate (%)**	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loan — secured	**–**	**N/A**	**–**	3.15	2014	94,837
Bank loans — secured	**1.68–2.68**	**On demand**	**220,144**	1.68–2.60	On demand	170,723
Bank loan — unsecured	**2.74**	**On demand**	**4,003**	–	–	–
Bank loans — unsecured	**3.54–6.30**	**2015**	**249,818**	6.00	2014	100,000
			473,965			365,560

26. INTEREST-BEARING BANK BORROWINGS (continued)

	Group 2014 RMB'000	Group 2013 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**473,965**	365,560
	473,965	365,560

Notes:

(a) Certain of the Group's bank loans are secured by the pledge of certain of the Group's time deposits amounting to RMB230,000,000 (2013: RMB203,100,000) as set out in note 23 to the financial statements.

(b) As at 31 December 2014, the Group's bank borrowings were denominated in Hong Kong dollars, Renminbi and US dollars with aggregate amounts of RMB224,147,000 (2013: RMB265,560,000), RMB200,000,000 (2013: RMB100,000,000) and RMB49,818,000 (2013: Nil), respectively.

27. DEFERRED TAX

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

Deferred tax liabilities

Group	2014 Depreciation allowance in excess of related depreciation RMB'000
At 1 January 2014 and 31 December 2014	–

27. DEFERRED TAX (continued)

Deferred tax assets

Group	2014			
	Impairment provision	Unrealised profit on inventories	Accrued expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	**4,288**	**1,150**	**1,658**	**7,096**
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	**3,377**	**(374)**	**684**	**3,687**
Gross deferred tax assets at 31 December 2014	**7,665**	**776**	**2,342**	**10,783**

Deferred tax liabilities

Group	2013
	Depreciation allowance in excess of related depreciation
	RMB'000
At 1 January 2013	60
Deferred tax credited to the statement of profit or loss during the year (note 10)	(60)
Gross deferred tax liabilities at 31 December 2013	–

27. DEFERRED TAX (continued)

Deferred tax assets

Group	2013				
	Impairment provision	Unrealised profit on inventories	Accrued expenses	Losses available for offsetting against future taxable profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	3,205	1,753	1,667	593	7,218
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	1,083	(603)	(9)	(593)	(122)
Gross deferred tax assets at 31 December 2013	4,288	1,150	1,658	–	7,096

The Group has tax losses arising in Hong Kong, Macau and Mainland China of RMB76,885,000 (2013: RMB46,833,000) that are available 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 People's Republic of China, 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.

At 31 December 2014, 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 RMB739,000,000 at 31 December 2014 (2013: RMB689,000,000).

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

28. SHARE CAPITAL

Shares

	2014	2013
	HK$'000	HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.001 each	**10,000**	10,000

	2014	2013
	RMB'000	RMB'000
Issued and fully paid:		
948,825,763 (2013: 948,825,763) ordinary shares of HK$0.001 each	**829**	829

29. 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 of directors 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 of directors 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.

At the extraordinary general meeting held on 6 January 2014 ("New Adoption Date"), the Scheme was terminated and a new share option scheme ("New Share Option Scheme") was adopted and approved by the shareholders of the Company. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing from the New Adoption Date up to 5 January 2024.

29. SHARE OPTION SCHEME (continued)

The board of directors may, at its absolute discretion, grant options to any full-time or part-time (with weekly working hours of 10 hours or above) employees of any member of the Group, any advisor or consultant, any providers of goods and/or services to the Group, director (whether executive, non-executive or independent non-executive director) of any member of the Group and any other persons that the board of directors may think fit upon the terms set out in the New Share Option Scheme. The purpose of the New Share Option Scheme is to attract, retain and motivate talented personnel to strive for future developments and expansion of the Group, and to provide the Company with a flexible means of giving incentive to, remunerating, compensating and/or providing benefits to them.

The total number of the shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any schemes of the Group shall not in aggregate exceed 10% of the total number of shares in issue as at the New Adoption Date (i.e. 94,882,576 shares), 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 the exercise of options granted to each grantee (including both exercised and outstanding options) in any period of 12 consecutive months up to and including the date of grant shall not exceed 1% of the shares in issue as at the date of grant, unless an approval of its shareholders is obtained. The amount payable on application or acceptance of the option shall be HK$1.00 and shall be paid within a period of 28 days from the date of offer or such other period as the board of directors may specify. The period within which the shares must be taken up under an option shall be determined by the board of directors 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 New Share Option Scheme.

The subscription price of a share payable on the exercise of any particular option shall be such price as determined by the board of directors in its absolute discretion, save that such price shall not be less than the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of offer which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares. Unless otherwise determined by the board of directors and specified in the offer letter, there is no minimum period for which an option must be held before it can be exercised and no performance target needs to be achieved by the grantee before the options can be exercised.

Since the New Adoption Date and up to 31 December 2014, no options have been granted pursuant to the New Share Option Scheme.

Subsequent to the end of the reporting period, on 23 January 2015, the Company granted share options to certain key employees under the New Share Option Scheme adopted on 6 January 2014, to subscribe for a total of 52,900,000 new shares of the Company at an exercise price of HK$0.78 per share.

Among the options granted, options which entitle the subscription of a total of 20,700,000 new shares were granted to the directors. The options granted to the executive directors and the employees shall vest on 30 April 2016, 2017 and 2018 subject to the fulfillment of the performance targets, and the options granted to independent non-executive directors shall vest on 30 April 2015.

At the date of approval of these financial statements, the Company had 20,700,000 share options outstanding under the New Share Option Scheme, which represented approximately 2.2% of the Company's shares in issue as at that date.

30. SHARE AWARD PLAN

On 27 August 2013 (the "Effective Date"), the board adopted a share award plan (the "Share Award Plan") in which any executive or employee of any member of the Group from time to time, but excluding a director of any member of the Group and any other connected person of the Company (the "Eligible Persons") will be entitled to participate. The purpose of the Share Award Plan is to recognise and reward contributions made by, and to encourage and incentivise sustained contribution of, the Eligible Persons to the growth and long-term development of the Group. The Share Award Plan shall be valid and remain in force for a term of ten years commencing from the Effective Date.

The Share Award Plan committee (the "Committee") may, at any time and at its absolute discretion, make an award to any Eligible Person ("Selected Person") and determine the number of shares to be awarded to him ("Awarded Shares") on such terms and subject to such vesting conditions, if any, as the Committee thinks fit.

The Committee (or any Director so authorised by the Committee) may from time to time instruct the independent trustee (the "Trustee") to purchase shares on the Stock Exchange at such prices as the Committee (or any Director so authorised by the Committee) considers appropriate, and such shares shall be held by the Trustee for the purposes of satisfying any future award(s) to be made by the Committee.

In any given financial year, the maximum number of shares to be purchased by the Trustee for the purpose of the Share Award Plan shall not exceed 5% of the total number of issued shares as at the beginning of such financial year.

The total number of shares purchased for the award(s) made to each Selected Person in any 12-month period up to and including the date on which the award is made to a Selected Person (the "Award Date") shall not exceed 1% of the shares in issue as at the Award Date.

The board of directors resolved to pay HK$10,000,000 to the Trustee of the Share Award Plan on 25 October 2013, so that the Trustee would then purchase and grant relevant shares to certain grantees under the Share Award Plan.

During the year ended 31 December 2014, based on the Company's instructions, the Trustee of the Share Award Plan has purchased a total of 7,476,000 ordinary shares of the Company on the Stock Exchange at a total consideration of about HK$9,998,000, equivalent to approximately RMB7,892,000 (including transaction costs).

On 23 January 2015, the Committee resolved to grant share awards in respect of a total of 10,250,000 shares to 68 award grantees who were all eligible persons under the Share Award Plan and who were independent of the Company and its connected persons. 5,130,000 awarded shares and 5,120,000 awarded shares shall vest in the award grantees on 30 April 2015 and 30 April 2016, respectively.

31. 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 42 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, which are restricted to use.

31. RESERVES (continued)

(a) Group (continued)

(iii) Acquisition reserve

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

(iv) Capital redemption reserve

The capital redemption reserve represents the nominal value of the shares of the Company which was transferred from the Company's retained earning upon repurchase and cancellation of shares by the Company.

(b) Company

	Notes	Share premium account RMB'000	Shares held for the Share Award Plan RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013		714,288	–	(66,412)	(35,014)	612,862
Total comprehensive loss for the year		–	–	(16,746)	(9,129)	(25,875)
Shares purchased for the Share Award Plan	30	–	(2,987)	–	–	(2,987)
Interim 2013 dividend	12	(34,158)	–	–	–	(34,158)
Proposed final 2013 dividend	12	(8,518)	–	–	–	(8,518)
At 31 December 2013		671,612	(2,987)	(83,158)	(44,143)	541,324
At 31 December 2013 and1 January 2014		**671,612**	**(2,987)**	**(83,158)**	**(44,143)**	**541,324**
Total comprehensive income/(loss) for the year		**–**	**–**	**13,299**	**(10,190)**	**3,109**
Shares purchased for the Share Award Plan	30	**–**	**(4,905)**	**–**	**–**	**(4,905)**
At 31 December 2014		**671,612**	**(7,892)**	**(69,859)**	**(54,333)**	**539,528**

32. PLEDGE OF ASSETS

Details of the Group's bills payables and bank loans, which are secured by the time deposits of the Group, are included in notes 24 and 26, respectively, to the financial statements.

33. OPERATING LEASE ARRANGEMENTS

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

As at 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within one year	**8,745**	9,933
In the second to fifth years, inclusive	**4,112**	8,783
After five years	**4,938**	4,671
	17,795	23,387

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2014	2013
	RMB'000	RMB'000
Contracted, but not provided for:		
Leasehold improvements	**384**	488
Capital contributions payable for an investment	**–**	49,973
	384	50,461

35. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	Group	
	2014	2013
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**13,786**	11,395
Pension scheme contributions	**253**	259
Total compensation paid to key management personnel	**14,039**	11,654

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

36. 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	
	2014	2013
	Loans and receivables	Loans and receivables
	RMB'000	RMB'000
Trade receivables	**92,226**	159,606
Financial assets included in prepayments, deposits and other receivables	**34,894**	28,518
Pledged deposits	**232,350**	207,718
Cash and cash equivalents	**695,591**	619,747
	1,055,061	1,015,589

Financial liabilities

	2014	2013
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	RMB'000	RMB'000
Trade and bills payables	**21,704**	59,016
Financial liabilities included in other payables and accruals	**3,085**	2,901
Interest-bearing bank borrowings	**473,965**	365,560
	498,754	427,477

Financial assets

	Company	
	2014	2013
	Loans and receivables	Loans and receivables
	RMB'000	RMB'000
Due from subsidiaries	**712,763**	711,112
Cash and cash equivalents	**91**	5,831
	712,854	716,943

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	2014 Financial liabilities at amortised cost RMB'000	2013 Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	**1,850**	1,802
Due to subsidiaries	**170,647**	164,470
	172,497	166,272

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade and bills payables, pledged deposits, time deposits, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, time deposits and interest-bearing bank borrowings. 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.

Foreign currency risk

The Group has transactional currency exposures. These 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% (2013: 6%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 8% (2013: 3%) of purchases were denominated in currencies other than the functional currencies of the operating units making the purchase. Approximately 4% (2013: 35%) 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/(loss) before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/ (decrease) in foreign currency rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity *
	%	RMB'000	RMB'000
2014			
If RMB weakens against HK$	**5**	**(5)**	**(3)**
If RMB strengthens against HK$	**(5)**	**5**	**3**
2013			
If RMB weakens against HK$	5	(2,598)	1,344
If RMB strengthens against HK$	(5)	2,598	(1,344)

* Excluding retained profits

Credit risk

There are no significant concentrations of credit risk within the Group as the Group's trade receivables are from diversified customers.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, 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 21 and 22 to the financial statements.

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 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:

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group

	2014			
	On demand	Less than 1 year	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	–	21,704	–	21,704
Financial liabilities included in other payables and accruals	3,085	–	–	3,085
Interest-bearing bank borrowings	224,147	256,523	–	480,670
	227,232	278,227	–	505,459

	2013			
	On demand	Less than 1 year	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	–	59,016	–	59,016
Financial liabilities included in other payables and accruals	2,901	–	–	2,901
Interest-bearing bank borrowings	170,723	198,646	–	369,369
	173,624	257,662	–	431,286

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	2014		
	On demand	Less than 1 year	Total
	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	–	1,850	1,850
Due to subsidiaries	170,647	–	170,647
	170,647	1,850	172,497

	2013		
	On demand	Less than 1 year	Total
	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	–	1,802	1,802
Due to subsidiaries	164,470	–	164,470
	164,470	1,802	166,272

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2014 and 2013.

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

Group

	2014 RMB'000	2013 RMB'000
Interest-bearing bank borrowings	**473,965**	365,560
Trade and bills payables	**21,704**	59,016
Other payables and accruals	**47,153**	40,527
Less: Cash and cash equivalents	**(695,591)**	(619,747)
Net debt	**(152,769)**	(154,644)
Equity attributable to ordinary equity holders of the Company	**1,316,027**	1,368,261
Capital and net debt	**1,163,258**	1,213,617
Gearing ratio	**N/A**	N/A

39. EVENTS AFTER THE REPORTING PERIOD

Save as mentioned in notes 29 and 30, there are no material subsequent events undertaken by the Company or by the Group after 31 December 2014.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2015.

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 published audited financial statements and the Company's prospectus dated 22 October 2010, is set out below:

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
REVENUE	**548,328**	693,617	749,101	757,411	600,131
Cost of sales	**(169,191)**	(232,130)	(244,681)	(262,338)	(214,712)
Gross profit	**379,137**	461,487	504,420	495,073	385,419
Other income and gains	**17,284**	20,151	37,376	47,984	7,098
Selling and distribution expenses	**(267,662)**	(307,877)	(275,129)	(242,614)	(160,232)
Administrative expenses	**(60,601)**	(48,789)	(44,953)	(45,731)	(34,452)
Other expenses	**(15,548)**	(6,318)	(6,226)	(480)	(10,622)
Impairment of available-for-sale investment	**(50,502)**	–	–	–	–
Finance costs	**(17,598)**	(8,601)	(2,196)	–	(11,073)
PROFIT/(LOSS) BEFORE TAX	**(15,490)**	110,053	213,292	254,232	176,138
Income tax expense	**(18,295)**	(33,214)	(58,040)	(64,161)	(23,137)
PROFIT/(LOSS) FOR THE YEAR	**(33,785)**	76,839	155,252	190,071	153,001
Attributable to:					
Ordinary equity holders of the Company	**(33,785)**	76,839	155,252	190,071	153,001

Assets, Liabilities and Equity

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**1,872,023**	1,875,562	1,724,608	1,675,156	1,582,200
TOTAL LIABILITIES	**(555,996)**	(507,301)	(299,654)	(234,965)	(115,559)
TOTAL EQUITY	**1,316,027**	1,368,261	1,424,954	1,440,191	1,466,641