富貴鳥股份有限公司
FUGUINIAO CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 01819

ANNUAL REPORT 2013

CONTENTS

Corporate Information	2
Financial Summary	3
Chairman's Statement	4
Management Discussion and Analysis	8
Biography of Directors, Supervisors and Senior Management	21
Report of the Directors	26
Report of the Board of Supervisors	35
Corporate Governance Report	37
Independent Auditor's Report	45
Consolidated Statement of Profit or Loss and Other Comprehensive Income	47
Consolidated Statement of Financial Position	48
Statement of Financial Position	49
Consolidated Statement of Changes in Equity	50
Consolidated Cash Flow Statement	51
Notes to the Financial Statements	52

CORPORATE INFORMATION

Directors

Executive Directors

Mr. Lam Wo Ping *(Chairman)*
Ms. Han Ying
Mr. Hong Huihuang

Non-executive Directors

Mr. Lam Wo Sze
Mr. Lam Kwok Keung
Mr. Lam Wing Ho
Mr. Zhai Gang

Independent non-executive Directors

Mr. Wang Zhiqiang
Ms. Long Xiaoning
Mr. Li Yuzhong
Mr. Zhang Huaqiao

Supervisors

Mr. Zhang Haimu *(Chairman)*
Mr. Zhou Xinyu
Ms. Wang Xinhui

Audit Committee

Mr. Wang Zhiqiang *(Chairman)*
Ms. Long Xiaoning
Mr. Lam Wo Sze

Remuneration Committee

Mr. Zhang Huaqiao *(Chairman)*
Mr. Li Yuzhong
Mr. Lam Wo Ping

Nomination Committee

Mr. Lam Wo Ping *(Chairman)*
Ms. Long Xiaoning
Mr. Li Yuzhong

Strategy Committee

Mr. Lam Wo Ping *(Chairman)*
Mr. Zhai Gang
Mr. Li Yuzhong

Company Secretary

Mr. Liu Guodong *(HKICPA)*

Authorised Representatives

Mr. Lam Wo Ping
Mr. Liu Guodong

Registered Office

Fuguiniao Industrial Park
East Section, Baqi Road
Shishi City
Fujian Province
The PRC

Headquarters and Principal Place of Business in PRC

Fuguiniao Industrial Park
East Section, Baqi Road
Shishi City
Fujian Province
The PRC

Principal Place of Business in Hong Kong

Room 1002, 10/F Harbour Crystal Centre
100 Granville Road
Tsim Sha Tsui
Kowloon
Hong Kong

Company's Website

www.fuguiniao.com

Auditors

KPMG
Certified Public Accountants

Legal Advisor as to Hong Kong Law

Orrick, Herrington & Sutcliffe

Compliance Adviser

Industrial Securities (HK) Capital Limited

H Share Registrar

Computershare Hong Kong Investor Services Limited

Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Agricultural Bank of China Limited
Shishi Sub-branch

No. 618, Jiu'er Road
Shishi City
Fujian Province
The PRC

Bank of China Limited
Shishi Sub-branch

Zhongyin Building
West Section of Baqi Road
Shishi City
Fujian Province
The PRC

FINANCIAL SUMMARY

	Year ended 31 December			
	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**2,294,287**	1,932,129	1,651,560	1,070,090
Profit from operations	**616,851**	474,056	376,252	201,826
Income tax expense	**(149,583)**	(108,352)	(72,129)	(42,235)
Profit for the year	**443,729**	323,587	253,854	118,741
Basic earnings per share (RMB)	**1.10**	N/A	N/A	N/A
Gross profit margin	**38.6%**	33.8%	31.0%	26.4%
Operating profit margin	**26.9%**	24.5%	22.8%	18.9%
Net profit margin	**19.3%**	16.7%	15.4%	11.1%

	As at 31 December			
	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**128,599**	328,626	236,713	224,602
Current assets	**2,614,462**	1,132,944	1,384,006	1,130,373
Current liabilities	**803,364**	660,028	1,000,440	878,176
Net current assets	**1,811,098**	472,916	383,566	252,197
Total assets less current liabilities	**1,939,697**	801,542	620,279	476,799
Net assets	**1,939,697**	801,542	620,279	476,799
Capital	**533,340**	400,000	293,633	273,339
Reserves	**1,406,357**	401,542	326,646	203,460
Total equity	**1,939,697**	801,542	620,279	476,799

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of **Fuguiniao Co., Ltd.** (the "Company"), I am pleased to present the annual performance report of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2013 ("the year under review").

In 2013, the global economy recovered slowly, and China's economic growth also decelerated slightly in the first half of the year, and retail sales growth showed a sign of slowing down. However, in the middle of the year, driven by small-scale stimulus measures introduced by the Chinese Government, the overall Chinese economy began to rebound. Overall, the unfavorable macroeconomic environment led to a subdued consumer confidence and hence, a slowdown in the growth of domestic consumption. Affected by such systematic factors, the overall performance of the footwear and apparel industry in 2013 was average on the whole.

During the year under review, traditional retail channels experienced great evolution and changes. The rapid development of e-commerce shunted a large part of customers from the offline channels. For footwear companies, in addition to continuing to seize the market share of the existing traditional retail market, it has become an irresistible trend for them to focus on the development of e-commerce channels.

Faced with the ever-changing market environment, the Group has always adhered to the brand mission of "Innovational Development, Quality Excellency, and Efficient Management", and effectively grasping the pulse of the market, strengthening efforts in online product development and market expansion, endeavoring to expand the sales network to several other direct distribution channels, improving the quality and design level of its products, increasing the operational efficiency as well as maintaining the brand image, to maintain our position as the leading branded footwear and menswear companies in China.

With the efforts of our staff and relevant parties, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2013, marking that the Group's development has entered a new level. We believe that the successful listing will enable the Company to have more robust development and stronger competitiveness, and will consolidate its leadership position in the industry. We look forward to sharing the Company's greater outcomes of development with its shareholders and investors very much.

Operational Performance Kept Steady Growth

During the year under review, the Group's turnover was about RMB2,294.3 million (2012: RMB1,932.1 million), up 18.7% year on year ("YoY"). The strong performance of the Group's footwear products continued to be our primary growth driver, and the turnover of the Group's footwear products recorded RMB1,815.5 million (2012: RMB1,500.5 million), accounting for 79% of the Group's total sales. The Group's gross profit amounted to RMB886.3 million (2012: RMB652.3 million), up 35.9% YoY. Profit attributable to shareholders amounted to about RMB443.7 million (2012: RMB323.6 million), up 37.1% YoY. The basic earnings per share was RMB1.10 for the year under review.

Maintain Leadership Position in the Industry

The Group has fully seized market growth opportunities to create significant advantages for the Fuguiniao brand by means of its exquisite design, excellent quality and superior comfort, helping the brand win the position as China's leading business and casual footwear brand.

In 2013, affected by the overall business environment, the retail market growth slowed down slightly; but in such an environment, the Group's turnover still increased steadily, mainly because the turnover of our proprietary retail outlets increased and our online sales in the year under review grew more than doubled compared to 2012. The sales of the Company's men's apparel products also maintained a rapid growth, mainly due to the increase in turnover from distributors.

Develop a Diversified Product Portfolio

The Group offers a diversified product portfolio to customers and has established three brands, namely, "Fuguiniao", "FGN" and "AnyWalk". For different consumers, it offers a variety of different grades and styles of men's leather shoes, ladies' leather shoes, men's clothing and related accessories. Such a diversified product portfolio makes the Group stand out in China's footwear and apparel markets and occupy a dominant position in the markets.

In 2013, the Group continued to develop and improve its product portfolio, offering customers more options in large leather accessories, such as leather luggage, briefcases and handbags, to further enrich its product mix and enhance its brand awareness.

Meanwhile, the Group has further consolidated and enhanced its product design and development capabilities to ensure that its products have excellent quality, sophisticated production technology as well as innovation and upgrades. As of 31 December 2013, our research, design and development team comprised 279 members, including five design directors, six chief designers and several senior designers, who possessed an approximate average of 15 years of design experience in the footwear industry. In addition, in 2013, the Group continued to practice the stringent quality control and carry out ongoing research in the materials, models and sizes of shoes to ensure that the shoes produced by the Group have high comfort, durability and availability for a variety of purposes.

Continue to Optimize and Expand Sales Channels

In 2013, in the face of changes in the overall market channel pattern, the Group continued to optimize its existing terminal sales network and boost its precise sales promotion to improve the quality and operating level of its outlets and expand sales. As of 31 December 2013, the Group's improved nationwide retail network had 3,359 retail outlets in 31 provinces, autonomous regions and municipalities throughout China, added 128 stores compared to the previous year. Among these retail outlets, 262 were proprietary retail outlets, added 30 compared to the previous year.

In addition to the proprietary retail outlets, the Group has expanded its sales network to several other direct distribution channels, including large-scale institutional purchases and online sales platforms such as Taobao Mall (淘寶商城). Meanwhile, the Group also provided and sold customized footwear and men's clothing products directly to large enterprises, government agencies and other entities in China.

Improve and Strengthen Management Standard

The Group has adopted a vertically integrated business model and can supervise and manage its product design, raw material procurement, production and outsourcing, marketing and promotion, product sales and distribution as well as other business operations. In 2013, the Group continued to further improve the business model, enhance control on all the important stages of the production process and strengthen communication between different departments in different stages of the production process, thereby making its planning and operations more effective and efficient. In addition, during the year under review, the Group's delivery cycle and replenishment cycle were also kept at a relatively short time frame to maintain the Group's competitiveness in the industry.

Future Prospects

In 2014, the international economic situation will remain uncertain, but benefited from China's macroeconomic policy of encouraging consumption, stimulating domestic demand and promoting urbanization as well as mainland Chinese citizens' rising spending power and its small and medium cities' growing market demand, the Chinese footwear market outlook is still optimistic. According to Frost & Sullivan's data, it is expected that Chinese footwear retail sales will further increase in 2013 to 2017 and is estimated to reach about RMB583.7 billion in 2017, having a CAGR of 11.1% in the coming five years. With the impact of European and U.S. business and leisure cultures, Chinese male consumers' business and leisure activities have increased, so their spending on men's business and casual shoes is increasing. Thus, we are firmly optimistic about the future development prospects and opportunities of China's footwear and apparel industries.

Looking ahead, the Group will further consolidate and expand its sales and distribution networks, further promote its brands, increase its marketing efforts to enhance its brand awareness, improve and expand its brand image into comfortable, high quality and popular footwear and other apparel and leather accessories brands. The Group will continue to expand and diversify its product mix and strengthen its product design and development capabilities, actively seeking overseas opportunities and strengthening the construction of its information technology system to improve its vertically integrated business model.

In addition, faced with the rise of the e-commerce model in recent years, the Group plans to build partnerships with more e-commerce platforms to increase its online sales. In 2014, the Company will expand its new product lines. Health shoes are expected to be put into mass production and enter the specific sales market this year. We believe that timely grasping changes in the industry trend and ultimate consumers' consumption concepts, and maintaining innovation are the root causes for the long-term stable development of the Company in the past decades. The Company will continue to adhere to this concept and keep evolving to form its new core competitive edges.

Finally, I would like to thank our Board members, management and staff for their contributions to the Company. At the same time, I would also like to express my deep gratitude to our shareholders and customers for their long-term support! The Group will continue to seize opportunities for future growth, exploring and innovating to attain more excellent performance and to bring more satisfactory returns to our shareholders and investors.

Lam Wo Ping
Chairman and Executive Director

Hong Kong
26 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In 2013, China continued restructure in economy amidst the slow recovery of the global economy. China's GDP growth slowed down to 7.7%, while the consumer price index increased by 2.6% year-on-year. China's total retail sales of consumer goods rose 13.1% year-on-year (real growth of 11.5% on a price-adjusted basis), with the growth rate decreasing slightly compared to 2012.

The unfavourable macroeconomic environment led to a subdued consumer confidence and hence, a slowdown in the growth of domestic consumption. Affected by such systematic factors, the development and growth of the PRC footwear and apparel industry in 2013 was average on the whole.

In addition, in 2013, in view of the swift development of e-commerce, the footwear and apparel industry experienced a structural change based on consumer demand, with online channels continuing to challenge the market space dominated by offline channels. While mid-to-low class footwear and apparel products were hard hit by e-commerce, such trend also began to gradually permeate the mid-to-high end footwear and apparel market. By adjusting its strategies in advance to put more substantial efforts into online product research and development and marketing, our Group was well-prepared for such changes.

Our Group remains confident in the future development and opportunities of the PRC footwear and apparel industry in view of (i) the PRC government's macroeconomic policy on economic restructuring will benefit the consumer goods industry in the long run, and the footwear and apparel industry is set to follow a path of steady long-term growth; and (ii) the urbanisation of China will continue to enhance the income level of the rural household, which has a large population base and will continue to be the target end-customers of our brands as a result of our long-standing position across China.

Business Review

We conduct our business under two main models: a branded product business model, under which we sell products under our own brands, and an OEM/ODM business model, under which we manufactures footwear products for third-party brands. Our products include men's and women's footwear and business casual menswear products sold under our Fuguiniao, FGN and AnyWalk brands, as well as leather accessories sold under our Fuguiniao brand.

Sales and distribution network

We sell our branded products through our network of distributors and certain direct sales channels, including direct large-scale institutional purchases and online sales. We primarily sell our branded products on a wholesale basis to our distributors, who then sell them to end customers through retail outlets they operate or which are operated by third-party retailers with whom they contract. We also sell our products directly to end customers through proprietary outlets we operate.

We distribute our branded products through an extensive nationwide retail network consisting of 3,359 retail outlets across 31 provinces, autonomous regions and municipalities in the PRC as at 31 December 2013. The following table sets forth the number of distributors and retail outlets operated by us, our distributors and third-party retailers by region in the PRC as at 31 December 2012 and 2013:

	As at 31 December			
	2013		2012	
PRC regions	**No. of retail outlets(1)**	**No. of distributors(2)**	No. of retail outlets(1)	No. of distributors(2)
Northeastern PRC	**392**	**7**	382	7
Northern PRC	**705**	**11**	690	11
Eastern PRC	**874**	**17**	861	17
Central Southern PRC	**649**	**12**	621	12
Northwestern PRC	**286**	**5**	260	5
Southwestern PRC	**453**	**8**	417	8
Total	**3,359**	**60**	3,231	60

Notes:

(1) The number of retail outlets refers to retail outlets operated by us directly and by our distributors and third-party retailers.

(2) The number of distributors are categorised in accordance with their locations.

Among the 3,359 retail outlets as at 31 December 2013, 1,334 retail outlets were owned and operated by our distributors, 1,763 retail outlets were owned and operated by third-party retailers and the remaining 262 outlets were operated directly by us. In addition, as at 31 December 2013, of our 3,359 retail outlets, 2,235 were department store outlets and the remaining were stand-alone stores.

The following table sets forth the number of retail outlets operated by us, our distributors and third-party retailers by sales channel as of 31 December 2012 and 2013:

	As at 31 December	
Sale Channels	**2013**	2012
Retail outlets operated by our distributors and third-party retailers	**3,097**	2,999
Proprietary retail outlets	**262**	232
Total	**3,359**	3,231

Below is a summary of the changes in the number of retail outlets during the year ended 31 December 2013:

	As at 31 December 2012	Opened	**Closed**	**As at 31 December 2013**
Retail outlets operated by our distributors and third-party retailers	2,999	532	**434**	**3,097**
Proprietary retail	232	30	**–**	**262**
Total	3,231	562	**434**	**3,359**

After a period of rapid expansion of our distribution network in 2011 when we began selling our business casual menswear products, we have taken a more conservative approach in expanding our retail network in 2013 in line with our business growth and to ensure the success of newly opened retail stores.

Retail network and inventory management

We require all of the retail outlets operated by our distributors and third-party retailers to exclusively sell our products. In order to provide uniform, quality services across our retail network, we set out in our operations manual uniform standards for, among other things, store decoration and displays, marketing activities and daily operations for our distributors and third-party retailers, and we require our distributors and their third-party retailers to obtain our approval for the final location of each retail outlet.

To further implement our retail policies, we conduct random on-site inspections at individual retail outlets to ensure that the decorations, displays and retail prices in each retail outlet comply with our requirements. Through these inspections and visits, we seek to ensure that the terms and conditions of the distributorship agreements are being complied with throughout our distribution network. We identify and inform distributors of any non-conforming individual retail outlets and require them to rectify the problems within a certain period of time. We also require our distributors to conduct regular site visits to the retail outlets operated by third-party retailers they have authorised to check whether our operating standards are being followed. We believe this system of uniform operating standards and periodic checks and visits helps us to ensure all retail outlets are efficiently operated and create a pleasant shopping experience to our retail customers. We are not aware of any breach of our retail policies by the retail outlets operated by our distributors and third-party retailers in 2013.

We also recognise that controlling inventory levels is important to our overall profitability. Sales orders from our trade fairs enable us to manage our inventory of raw materials and finished products more efficiently. For this reason, we typically have low inventory levels of unused raw materials and unsold or obsolete finished products at the end of the year. As in 2013, our average inventory turnover days were 62.8 days, which increased compared to 59.3 days in 2012. The increase of average inventory turnover days in 2013 was mainly attributable to having more finished products needed to meet the operation of our proprietary outlets.

To facilitate our distributors in managing their inventory levels, we launched an in-house developed online trading platform, whereby our distributors may, exchange with each other certain of our products in their inventories that may be considered out-of-season or less popular within their respective authorised regions of operation. Prior to launching this trading platform, we conducted a thorough review of the system to minimize any potential legal risks, including, among others, intellectual property infringement and personal data security. We have launched and operated this online trading platform since December 2013.

Product design and development

We have strong in-house research, design and development capabilities that have been critical to our success. For each of our brands, Fuguiniao, FGN and AnyWalk, we have a separate research, design and development team. We further subdivide our Fuguiniao design and development team into Fuguiniao men's footwear and women's footwear teams. We also have a menswear design and development team responsible for the overall product planning and design for our business casual menswear products. Each of our footwear design teams consists of one design director, one to two chief designers, three to ten senior designers, assistant designers and other staff and is responsible for creating designs for a wide variety of products for their particular market segment based on domestic and international fashion trends, distinctive features of the brand and market demand. As at 31 December 2013, our research, design and development team comprised 279 members, including five design directors, six chief designers and several senior designers, who possessed an approximate average of 15 years of design experience in the footwear industry. In addition, our accessories design team and our menswear design team each comprises one chief designer.

We conduct detailed product research involving the collection of market and fashion information to create a wide variety of products that are consistent with the contemporary international fashion trends and cater to the preferences of our target consumer groups in China. Members of our design and development team regularly attend domestic and overseas trade and fashion shows to obtain latest trends and market developments in terms of design, material usage and color schemes. To better understand consumer preferences, our distributors and their third-party retailers periodically provide us customer feedback information.

Based on our detailed research on fashion trends, domestic consumer preferences and certain other relevant information, our footwear designers and brand design directors typically determine applicable seasonal themes with respect to the styles, colors, materials and other features of footwear products to be developed. After the seasonal themes have been determined, our design team commences the design of the collections by preparing drawings and sketches of a particular style and shoe last. The first batch of shoe plates would be created based on these drawings and sketches. Plates that passed our preliminary selection process are matched with suitable colors and made into prototypes. Our technical team then analyses and approves the technologies used in making the prototypes before they are submitted to the prototype selection meetings. In a prototype selection meeting, we consider a number of factors, including adherence to our initial design concepts and suitability for mass production before the prototypes can be displayed at our trade fairs. We would also invite several representatives from our distributors to participate in our design processes to preview and evaluate the molds, styles and colors of our new footwear products. We are thus able to draw upon their market sensitivity and local knowledge in making products that cater to the varying tastes of our end customers.

With respect to design and development of our menswear products, we maintain a design and development process for our jacket products and outsource the design and development of our other menswear products, such as pants and sweaters. We also design and make our own ODM product prototypes in accordance with our ODM customers' requirements.

We believe by leveraging our in-depth knowledge of the market and fashion trends and the preferences of our target consumer groups in China, we are able to transform our designs into commercially viable, high-quality and widely accepted products. We believe our strong research and development capabilities enable us to maintain our brand image, expand our product portfolio and strengthen our competitiveness in the PRC footwear and menswear industries. As at 31 December 2013, we had the capacity to introduce over 1,500 SKUs into the market for our branded footwear products and approximately 300 SKUs for our business casual menswear products for each season.

Production

We have three production facilities strategically located in Shishi City, Fujian Province, China, which have easy access to sea ports, airports and expressways. As at 31 December 2013, we had a combined annual production capacity of approximately 5.8 million pairs of footwear (calculated on the basis that our production facilities operate for eight hours per day and 300 days per year).

Marketing and promotion

During 2013, we continued to engage in, among others, advertising campaigns, fashion shows and department store promotional events to increase our brand awareness. Our national advertising primarily focuses on promoting our brand image and generating consumer attention through national television advertising and advertisements in fashion magazines and newspapers. We continued to engage Mr. Lu Yi, a well-known actor in the PRC, to be the ambassador of our business casual menswear products. He has appeared in TV and print commercials and has participated in our fashion shows and promotional events.

We continue to hold fashion shows in our trade fairs in 2013 through which we display advertising videos to promote our brands and to present our newly-released footwear and menswear collections. In addition, we organize product theme promotions in department stores where a majority of our retail outlets are located. We set display boards in our retail outlets showcasing newly-arrived products to allow end customers to be familiarized with our products and styles. We generally invite singers, actors and other PRC celebrities to participate in these promotional events.

Trade fairs

We hold national trade fairs in March, May, September and October each year for the autumn, winter, spring and summer collections of our Fuguiniao and FGN branded footwear and Fuguiniao branded leather accessories, and in April and September each year for the autumn/winter and spring/summer collections of our AnyWalk branded footwear and Fuguiniao branded menswear, such trade fairs are attended by our existing or potential distributors, as well as for certain third-party retailers and retail store managers. Our distributors can place orders with us directly and third-party retailers and retail store manager can place orders through our distributors.

Financial Review

Turnover

Our turnover for the year ended 31 December 2013 amounted to RMB2,294.3 million, representing an increase of 18.7% as compared to RMB1,932.1 million for the year ended 31 December 2012. This increase was primarily a result of the increase in the sales of our footwear products.

The table below sets forth our turnover by product type for the years indicated:

	Year ended 31 December			
Product Type	**2013**		2012	
	RMB'000	**%**	RMB'000	%
Footwear	**1,815,521**	**79.2**	1,500,469	77.7
Men's footwear	**618,883**	**27.0**	509,201	26.4
Women's footwear	**1,196,638**	**52.2**	991,268	51.3
Menswear	**473,504**	**20.6**	428,195	22.2
Leather accessories	**5,262**	**0.2**	3,465	0.1
Total	**2,294,287**	**100.0**	1,932,129	100.0

Turnover from the sales of our footwear products increased by RMB315.0 million, or 21.0%, from RMB1,500.5 million for the year ended 31 December 2012 to RMB1,815.5 million for the year ended 31 December 2013. This increase consisted of increase of RMB109.7 million in the turnover from the sales of men's footwear and RMB205.4 million in the turnover from the sales of women's footwear, and was primarily due to (i) an increase in the turnover generated from our proprietary retail outlets; (ii) an increase in the turnover from our online sales, which more than doubled in 2013 compared to 2012; and (iii) an increase in average sales prices of our footwear products in response to the increase in footwear sales price in the PRC. For the year ended 31 December 2013, the sales volume of our footwear products was 8.6 million pairs, an increase of 10.3% from 7.8 million pairs for the year ended 31 December 2012. The average sales price also increased from RMB193.36 per pair to RMB211.93 per pair. This was primarily a result of the increase in suggested price ranges we provided to our distributors of our footwear products and stronger bargaining power reflecting our improving brand recognition, which allowed us to raise the prices of the products we sold to our distributors and to our end customers through our proprietary retail outlets.

Turnover from the sales of our menswear products increased by RMB45.3 million, or 10.6%, from RMB428.2 million for the year ended 31 December 2012 to RMB473.5 million for the year ended 31 December 2013. This increase was primarily due to the increase in turnover from distributors. The sales volume of our menswear products was 3.1 million units, an increase of 10.7% from 2.8 million units for the year ended 31 December 2012. The average sales price also increased from RMB150.67 per unit to RMB153.64 per unit. This was primarily a result of increase in suggested price ranges we provided to our distributors of our menswear products and stronger bargaining power reflecting our improving brand recognition.

Turnover from the sales of leather accessories increased by RMB1.8 million, or 51.9%, from RMB3.5 million for the year ended 31 December 2012 to RMB5.3 million for the year ended 31 December 2013, primarily as a result of higher demand from our distributors. The sales volume of leather accessories was approximately 53,000 units, a decrease of 42.4% from approximately 92,000 units for the year ended 31 December 2012. The average sales price also increased from RMB37.66 per unit to RMB99.28 per unit. This was primarily a result of the change in our product mix, which included more large leather accessories, such as leather luggage, briefcases and handbags, rather than smaller leather accessories, such as leather wallets and belts.

The following table sets forth the number of units sold and the average sales price for each of our product type for the years indicated:

	Year ended 31 December					
	2013			2012		
	Turnover RMB'000	**Units Sold '000**	**Avg. Sales Price RMB**	Turnover RMB'000	Units Sold '000	Avg. Sales Price RMB
Product Type						
Footwear	**1,815,521**	**8,567**	**211.93**	1,500,469	7,760	193.36
Menswear	**473,504**	**3,082**	**153.64**	428,195	2,842	150.67
Leather accessories	**5,262**	**53**	**99.28**	3,465	92	37.66
Total	**2,294,287**			1,932,129		

In addition, turnover from the sales of our Fuguiniao branded products increased by RMB376.8 million, or 27.0%, from RMB1,394.8 million for the year ended 31 December 2012 to RMB1,771.6 million for the year ended 31 December 2013. This increase was primarily due to an increase in the sales volume of our footwear products and an increase in average sales price. Turnover from the sales of our FGN products increased by RMB21.4 million, or 20.3%, from RMB105.5 million for the year ended 31 December 2012 to RMB126.9 million for the year ended 31 December 2013, primarily due to an increase in sales volume, partially offset by a decrease in average sales price. Turnover from the sales of our AnyWalk products decreased slightly from RMB46.8 million for the year ended 31 December 2012 to RMB45.4 million for the year ended 31 December 2013, primarily due to the on-going adjustment we are making to the products' style, which resulted in us selling a higher portion of in-stock products with less offering of new products. Turnover from the sales of our OEM/ODM products decreased by RMB34.6 million, or 9.0%, from RMB385.0 million for the year ended 31 December 2012 to RMB350.4 million for the year ended 31 December 2013. This decrease was primarily due to our allocation of more production capacity to produce products under our self-owned brands, mainly Fuguiniao and FGN.

The table below sets forth a breakdown of our turnover by brands and our OEM/ODM sales for the years indicated:

	Year ended 31 December			
	2013		2012	
	RMB'000	**%**	RMB'000	%
Brands				
Fuguiniao	**1,771,568**	**77.2**	1,394,785	72.2
FGN	**126,949**	**5.5**	105,515	5.5
AnyWalk	**45,398**	**2.0**	46,797	2.4
OEM/ODM	**350,372**	**15.3**	385,032	19.9
Total	**2,294,287**	**100.0**	1,932,129	100.0

As a result of an increase in the order from our distributors and an increase in the average sales price of our products, turnover from our distributors increased by RMB213.1 million, or 15.3%, from RMB1,392.8 million for the year ended 31 December 2012 to RMB1,605.9 million for the year ended 31 December 2013. Turnover from our proprietary outlets increased by RMB133.5 million, or 151.7%, from RMB88.0 million for the year ended 31 December 2012 to RMB221.5 million for the year ended 31 December 2013. This increase was primarily due to an increase in the number of proprietary outlets opened in our retail network. As we expanded sales of our products to large institutional customers and through online platforms, turnover from large-scale institutional purchases and online sales increased from RMB28.3 million and RMB38.0 million, respectively, for the year ended 31 December 2012, to RMB37.9 million and RMB78.5 million, respectively, for the year ended 31 December 2013.

The following table sets forth the breakdown of our turnover from the sales of our branded products and OEM/ODM products by sales channel during the years indicated:

	Year ended 31 December			
	2013		2012	
	RMB'000	**%**	RMB'000	%
Channel				
Distributors	**1,605,926**	**70.0**	1,392,784	72.1
Proprietary outlets	**221,524**	**9.7**	88,020	4.6
Large-scale institutional purchases	**37,940**	**1.6**	28,269	1.4
Online sales	**78,526**	**3.4**	38,024	2.0
OEM/ODM customers	**350,371**	**15.3**	385,032	19.9
Total	**2,294,287**	**100.0**	1,932,129	100.0

Cost of sales and gross profit margin

For the year ended 31 December 2013, cost of sales amounted to RMB1,408.0 million, an increase of RMB128.2 million, or 10.0%, from RMB1,279.8 million for the year ended 31 December 2012. The increase in our total cost of sales was primarily due to an increase in the sales volume of our products.

	2013		2012	
	RMB'000	**%**	RMB'000	%
Raw materials	**557,378**	**75.9**	517,270	73.7
Direct labor	**106,251**	**14.5**	107,587	15.3
Production overhead	**70,073**	**9.6**	77,457	11.0
Cost of sales for in-house production	**733,702**	**100.0**	702,314	100.0

	2013		2012	
	RMB'000	**%**	RMB'000	%
Cost of sales for in-house production	**733,702**	**52.1**	702,314	54.9
Sub-contracting charges	**674,314**	**47.9**	577,519	45.1
Total cost of sales	**1,408,016**	**100.0**	1,279,833	100.0

Gross profit margin was 38.6% compared to 33.8% for the year ended 31 December 2012. This increase was primarily a result of our ability to control the average unit cost of our products by outsourcing a higher percentage of our products to subcontractors, which had relatively lower average unit cost.

Other revenue and other net income

Other revenue and other net income primarily consisted of gain on disposal of fixed assets, interest income from bank deposits, government grants, offset by net foreign exchange loss. The increase from RMB36.5 million for the year ended 31 December 2012 to RMB41.3 million for the year ended 31 December 2013 was mainly due to the proceeds we received from the disposal of a property to a related party.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB49.4 million, or 38.7%, from RMB127.5 million for the year ended 31 December 2012 to RMB176.9 million for the year ended 31 December 2013, accounting for 7.7% of our total turnover. The increase was primarily due to an increase in salaries and benefits of our sales and marketing personnel, outlet management fees and transportation costs in line with the increase in our sales.

Administrative expenses

Our administrative expenses increased by RMB46.5 million, or 53.3%, from RMB87.3 million for the year ended 31 December 2012 to RMB133.8 million for the year ended 31 December 2013, accounting for 5.8% of our total turnover. The increase was mainly due to (i) an increase in the listing expenses incurred; (ii) an increase in the research and development expenses as we increased our research and development efforts and (iii) an increase in the salaries and benefits of our administrative personnel due to an increase in headcount.

Finance costs

Our finance costs decreased by RMB18.6 million, or 44.2%, from RMB42.1 million for the year ended 31 December 2012 to RMB23.5 million for the year ended 31 December 2013. The decrease was primarily due to a decrease in interest on bank loans and other borrowings as a result of a decrease in outstanding bank loans and other borrowings during the year.

Income tax

Our income tax increased by RMB41.2 million, or 38.0%, from RMB108.4 million for the year ended 31 December 2012 to RMB149.6 million for the year ended 31 December 2013. Our income tax expenses increased primarily because of an increase in our profit before taxation. Our effective income tax rate increased slightly from 25.1% for the year ended 31 December 2012 to 25.2% for the year ended 31 December 2013.

Profit for the year

Profit for the year ended 31 December 2013 increased by 37.1%, or RMB120.1 million, from RMB323.6 million for the year ended 31 December 2012.

Liquidity, financial resources and capital structure

As at 31 December 2013, we had net current asset of RMB1,811.1 million, which increased significantly from RMB472.9 million as at 31 December 2012. This increase was primarily due to increase in current assets, partially offset by an increase in current liabilities. The increase in current assets mainly included (i) an increase of RMB460.6 million of trade and other receivables due to increased sales of our products, and (ii) an increase of RMB503.4 million in fixed deposits at banks with maturity over three months and an increase of RMB480.6 million in cash and cash equivalents, each due to the proceeds we received from the global offering of our H shares in December 2013. The increase in current liabilities mainly included an increase of RMB58.8 million in bank loans and an increase of RMB52.7 million in trade and other payables.

Our liquidity position remains strong in 2013 and we have sufficient cash and available banking facilities to meet our working capital requirements and commitments. This strong cash position also allows us to expand our retail network in accordance with our expansion plan and increase business development opportunities across China.

Working Capital Management

Average inventory turnover days were 62.8 days in 2013, as compared to 59.3 days in 2012. The increase of average inventory turnover days in 2013 was mainly attributable to having more finished products needed to meet the operation of our proprietary retail outlets.

Average turnover days of our trade and bills receivables were 83.8 days in 2013, as compared to 64.0 days in 2012. The increase of average turnover of days of trade and bills receivables in 2013 was mainly attributable to the increased amount of credit limit we granted to our distributors in 2013, by taking into account of factors such as their credit record, purchase volume, capital needs for expansion of retail network and local market conditions.

Average turnover days of our trade and bills payables were 48.7 days in 2013, as compared to 37.7 days in 2012. The increase of average turnover of days of trade and bills payables in 2013 was mainly attributable to our ability to more effectively utilise the credit period offered by our suppliers.

We regularly and actively monitors our capital structure to ensure sufficient working capital we need to operate our business and to maintain a balanced capital structure between providing steady returns to our shareholders and benefits to our other stakeholders and having adequate level of borrowing and security.

Liquidity and Financial Resources

Our net cash inflow from operating activities for the year ended 31 December 2013 amounted to RMB31.8 million compared to a net cash inflow from operating activities of RMB422.0 million for the year ended 31 December 2012. The decrease in operating cash flow was primarily due to a substantial increase in trade and other receivables as a result of our adjustment of the amount of credit limit granted to our distributors. As at 31 December 2013, cash and cash equivalents, including bank deposits and cash in hand, and fixed deposits with banks with maturities over three months amounted to RMB1,447.7 million, representing a net increase of RMB983.9 million as compared to the position as at 31 December 2012. The increase was primarily due to net cash generated from operating activities and net proceeds from the global offering of our H shares in December 2013 of approximately HK$1,134.1 million.

As at 31 December 2013, we had RMB1,460.0 million of credit facilities made available to us, of which RMB514.4 million were utilised.

In 2013, we did not enter into any interest rate swaps arrangements to hedge against interest rate risks.

Foreign Currency Risks

Although our Group mainly operates in the PRC with most of the transactions settled in RMB and its reporting currency is RMB, part of its receivables and borrowings and cash balances that are denominated in Hong Kong dollars, United States dollars and Euros. Our Company also pays dividends in Hong Kong dollars. To ensure that net exposure to currency risk is kept to an acceptable level, our Group generally buys and sells foreign currencies at spot rate, or enter into forward contracts that hedge against currency risk where necessary to address short-term imbalances. Any substantial exchange rate fluctuation of foreign currencies against RMB may have a financial impact on our Group.

Pledge of Assets

As at 31 December 2013, deposits with certain banks amounting to RMB31.6 million were pledged as securities for bank loans and bills payable compared to the amount of RMB2.2 million as at 31 December 2012. The pledged bank deposits will be released upon the settlement of the relevant bank loans and bills payable.

Commitments and Contingencies

As at 31 December 2013, we had a total operating lease commitment of RMB43.8 million. In addition, we had notional amounts of foreign currency forward contracts denominated in United States dollars and Euros of RMB42.7 million and RMB37.9 million, respectively. As at 31 December 2013, we had no material contingent liabilities.

Employment and Emoluments

As at 31 December 2013, our Group employed a total of 5,511 fulltime employees, which included management and administrative, finance and quality control staff, manufacture and production technicians, product design, research and development personnel and sales and marketing staff. For the year ended 31 December 2013, our Group's total employee remuneration was RMB223.6 million, representing 9.7% of the Group's total turnover.

We place great emphasis on recruiting and training quality personnel by providing introduction training programs to our new employees and on-going internal training to our existing employees to enhance their industrial, technical and product knowledge, their work ethic as well as their knowledge of industry quality standards and work safety standards. Furthermore, we encourage our employees to take advanced courses and obtain professional certifications. We also organise and pay for external trainings for certain employees whom we believe are particularly dedicated to our Group.

Prospects

In 2014, the global economy will remain on a path to recovery, and the PRC economy will likely maintain high-speed growth. Our Group is optimistic about the development and opportunities of the PRC footwear and apparel industry in 2014. The macroeconomic policies of promoting consumption and boosting domestic demand and the urbanisation of China will benefit the footwear and apparel industry in the long term. In line with our original targets, we will pursue the following strategies in 2014:

- further strengthen and expand our sales and distribution network;
- further promote our brands and enhance our marketing efforts to increase brand awareness;
- further expand and diversify our product offering;
- continue to strengthen our product design and development capabilities;
- actively pursuing business opportunities overseas; and
- enhance our information systems technology so as to strengthen our vertically integrated business model.

In light of the new industrial trend, we plan to expand our investment in the e-commerce sector. In addition, we intend to develop a new production line for health function footwear, which is expected to be put into mass production and launched to the specific market later this year. Both efforts will help diversify our revenue source and increase our profitability, while maintaining our market share in the existing PRC footwear market.

Our Group believes that by precisely identifying the changes of industrial trends, continuous innovation and introduction of products that match the health concepts of the consumers, we will continue to grow our business and develop new core competency in light of the fierce market competition.

Use of Proceeds

The H shares of our Company became listed on the main board of the Hong Kong Stock Exchange on 20 December 2013 with net proceeds from the global offering of approximately HK$1,134.1 million (after deducting underwriting commissions and related expenses). The net proceeds are expected to be used in the following manner:

Purpose of net proceeds	**Percentage**	**Amount of net proceeds** HK$'Million
Opening new proprietary outlets in China	35%	396.9
Assisting our distributors to open new outlets in China	10%	113.4
Maintaining and promoting existing sales channels	15%	170.2
Overseas expansion	25%	283.5
Purchases of relevant equipment and software	10%	113.4
Working capital and other general corporate purposes	5%	56.7
		1,134.1

As at 31 December 2013, none of the net proceeds from the global offering have been utilised and all of the net proceeds were deposited into interest bearing bank accounts with licensed commercial banks and authorised financial institutions in Hong Kong. The Directors intend to apply the net proceeds in the manner as set out in the prospectus of our Company, dated 10 December 2013.

Directors

Executive Directors

Mr. Lam Wo Ping (林和平), aged 56, is one of the Founders of our Group, and is an executive Director and the chairman of the Board of our Company. He concurrently also serves as director of our subsidiaries of Hong Kong Fuguiniao and Hong Kong Anywalk, as well as the chairman of board of directors of our subsidiary Fujian Fuguiniao. Mr. Lam is primarily responsible for the overall strategies, planning and business development of our Group. Mr. Lam has over 29 years of experience in the footwear and apparel industry. He once held positions of chairman of board of directors of Fulin Footwear from August 1991 to October 2010, the chairman of board of directors of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from November 1995 to July 2011, and the chairman of board of directors of our predecessor Fuguiniao (China) Co., Ltd.(富貴鳥（中國）有限公司) from July 2011 to June 2012.

Mr. Lam has received numerous recognitions and awards during the past years,including the recognition as a senior economist (高級經濟師) by Fujian Title Reform Leading Group (福建省職稱改革領導小組) and Fujian Human Resources Department (福建省人事廳) in December 1997, and the title of National Model Worker in Light Industry (全國輕工業勞動模範) by the Ministry of Personnel of the PRC (中華人民共和國人事部), China National Light Industry Council (中國輕工業聯合會) and All China Federation of Handicraft Industrial Cooperatives (中國全國手工業合作總社) in December 2007. He has also been the vice president of the Fujian Industry and Commerce League (General Chamber of Commerce) (福建省工商業聯合會) since September 2012. Mr. Lam Wo Ping has enrolled to and is currently attending the course in relation to capital operation for chief executives organised by Executive Development Program Center of the Management School of Xiamen University (廈門大學), which is a one year course.

Mr. Lam Wo Ping is the brother of Mr. Lam Wo Sze, our non-executive Director, as well as a cousin of both Mr. Lam Kwok Keung and Mr. Lam Wing Ho, our non-executive Directors.

Ms. Han Ying (韓英), aged 59, is an executive Director and a vice general manager of our Company, and is primarily responsible for the overall management and development of our women's footwear business. Ms. Han has over 42 years of experience in the footwear and apparel industry. Before joining our Group, she worked as the chief statistician of Hangzhou Honglei Leather Shoe Factory (杭州紅雷皮鞋廠) from January 1971 to June 1987. From July 1987 to March 1997, she worked for Teliya Co., Ltd. (特麗雅有限公司), a sino-foreign joint venture, and held positions including workshop manager, manager of production department, manager of supply department and assistant to the general manager. Ms. Han joined our Company in April 1997, and held positions including the manager of women's footwear unit and general manager of our Group. Ms. Han passed the self-study examinations in statistics and received a graduation certificate from Hangzhou Electronics Industry College (杭州電子工業學院) (now Hangzhou University of Electronic Science and Technology (杭州電子科技大學)) in December 1989.

Mr. Hong Huihuang (洪輝煌), aged 43, is an executive Director and a vice general manager of our Company, and is primarily responsible for the overall management and development of our casual menswear business. Mr. Hong has over 26 years of experience in the footwear and apparel industry. He was mainly engaged in administration and management of his own apparel business from the beginning of 1987 to December 2003. Mr. Hong obtained license from our Group in May 2004 for the sale of business casual menswear products under Fuguiniao brand and has held the position of general manager of Shishi Fuguiniao Apparel Development Co., Ltd. (石獅富貴鳥服飾發展有限公司). Mr. Hong has been the chief executive of the apparel business unit of our Group since April 2011.

Non-Executive Directors

Mr. Lam Wo Sze (林和獅), aged 60, is one of the Founders of our Group, and is a non-executive Director of our Company. He concurrently also serves as director of our subsidiaries of Hong Kong Fuguiniao, Hong Kong Anywalk, and Fujian Fuguiniao. Mr. Lam has over 29 years of experience in the footwear and apparel industry. He once held positions of vice chairman of board of directors of Fulin Footwear from August 1991 to October 2010, vice chairman of board of directors of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from November 1995 to July 2011, and the vice chairman of board of directors of our predecessor Fuguiniao (China) Co.,Ltd. (富貴鳥(中國)有限公司) from July 2011 to June 2012. He was recognised as a senior economist (高級經濟師) by Fujian Human Resources Department (福建省人事廳) in September 2001.

Mr. Lam Wo Sze is the brother of Mr. Lam Wo Ping, our executive Director, as well as a cousin of both Mr. Lam Kwok Keung and Mr. Lam Wing Ho, our non-executive Directors.

Mr. Lam Kwok Keung (林國強), aged 56, is one of the Founders of our Group, and is a non-executive Director of our Company. He concurrently also serves as director of our subsidiaries of Hong Kong Fuguiniao, Hong Kong Anywalk, and Fujian Fuguiniao. Mr. Lam has over 29 years of experience in the footwear and apparel industry. He once held positions of vice chairman of board of directors of Fulin Footwear from August 1991 to October 2010, vice chairman of board of directors of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from November 1995 to July 2011, and vice chairman of board of directors of our predecessor Fuguiniao (China) Co.,Ltd. (富貴鳥(中國)有限公司) from July 2011 to June 2012. He was recognised as a senior economist (高級經濟師) by Fujian Human Resources Department (福建省人事廳) in September 2001.

Mr. Lam Kwok Keung is a cousin of Mr. Lam Wo Ping, our executive Director, as well as a cousin of both Mr. Lam Wo Sze and Mr. Lam Wing Ho, our non-executive Directors.

Mr. Lam Wing Ho (林榮河), aged 57, is one of the Founders of our Group, and is a non-executive Director of our Company. He concurrently also serves as director of our subsidiaries of Hong Kong Fuguiniao, Hong Kong Anywalk, and Fujian Fuguiniao. Mr. Lam has over 29 years of experience in the footwear and apparel industry. He once held positions of the vice-chairman and general manager of Fulin Footwear from August 1991 to October 2010, a director of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from November 1995 to July 2011, and a director of our predecessor Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司) from July 2011 to June 2012. He was recognised as a senior economist (高級經濟師) by Fujian Human Resources Department (福建省人事廳) in September 2001. He concurrently also holds positions including deputy chairman of China National Garment Association (中國服裝協會) and honorary chairman of Quanzhou Textile and Garments Commerce Chamber (泉州市紡織服裝商會).

Mr. Lam Wing Ho is a cousin of Mr. Lam Wo Ping, our executive Director, as well as a cousin of both Mr. Lam Wo Sze and Mr. Lam Kwok Keung, our non-executive Directors.

Mr. Zhai Gang (翟剛), aged 39, is a non-executive Director of our Company. Mr. Zhai has over 12 years of experience in investment management. He once held positions of senior staff member of Jiangsu Planning and Economic Committee (江蘇省計劃經濟委員會副主任科員) from July 1995 to July 2000, the deputy director of the investment department of Jiangsu Traffic Holding Co., Ltd. (江蘇省交通控股公司) from January 2001 to August 2009, and general manager of Nanjing Sharelink Venture Capital Co., Ltd. (南京協力創業投資有限公司) from October 2009 to December 2011. Since January 2012, he has been the general manager of Nanjing Sharelink Investment Management Co., Ltd. (南京協力投資管理有限公司). He also holds a concurrent position as the representative of the managing partner of Junding Investments, one of our Shareholders. He received a bachelor's degree in quantitative economics from Nanjing University (南京大學) in July 1995 and a master's degree in business administration from Nanjing University in May 2001.

Independent Non-Executive Directors

Mr. Wang Zhiqiang (王志強), aged 46, is an independent non-executive Director of our Company. He is also a professor in accounting and doctoral supervisor in accounting of Xiamen University (廈門大學). From July 1991 to September 1998, he held positions of lecturer and associate professor of the School of Economics, Xiamen University. Since September 1998, he has held positions including associate professor, professor and assistant to dean of the School of Management, Xiamen University. For the period from September 2006 to September 2008, he also held concurrent positions as assistant to the dean of the Institute for Financial Management & Accounting Studies from of Xiamen University. In addition to his academic participation, Mr. Wang has also been an independent director of Fujian Minfa Aluminum Inc (福建省閩發鋁業股份有限公司, stock code: 002578) since December 2010, and an independent director of Fujian Septwolves Industry Co., Ltd. (福建七匹狼實業股份有限公司, stock code: 002029) since July 2010, both of which are listed on the Small and Medium Enterprise Board of Shenzhen Stock Exchange (深圳證券交易所中小板). He has also been an independent director of Shenyang Sinqi Pharmaceutical Co., Ltd. (瀋陽興齊眼藥股份有限公司) since December 2011 and an independent director of Deerway Co., Ltd. (德爾惠股份有限公司) since September 2012. He received a doctorate in economics (specialized in accounting) from Xiamen University in July 2002. Mr. Wang have also attended and completed the training provided by Shenzhen Stock Exchange to senior management of listed companies in March 2010.

Ms. Long Xiaoning (龍小寧), aged 42, is an independent non-executive Director of our Company. She once held the positions of assistant professor and associate professor of Colgate University in the United States from July 2001 to June 2007 and from July 2007 to July 2011, respectively. She has been a professor of Wang Yanan Institute for Studies in Economics (王亞南經濟研究院) and School of Economics, Xiamen University since September 2011. She received a doctorate in economics from Washington University in St. Louis in May 2001. She has been appointed as the head of the Department of Economics of Xiamen University (廈門大學) since February 2013.

Mr. Li Yuzhong (李玉中), aged 47, is an independent non-executive Director of our Company. He worked for China Leather and Footwear Industry Research Institute (中國皮鞋和制鞋研究院) from July 1989 to April 1990, and then has been working for China Leather Association (中國皮革協會) since April 1990, where he held the position of vice secretary general from September 1999 to September 2007, vice president from September 2007 to September 2011, and has been vice managing president and secretary general since September 2011. He has also been an independent director of Guirenniao Co., Ltd. (貴人鳥股份有限公司) since March 2011 and an independent director of Qingdao Hengda Co., Ltd.(青島亨達股份有限公司) since June 2011. He received a bachelor's degree in leather engineering from Northwest Institute of Light Industry (西北輕工業學院) (now Shaanxi University of Science and Technology (陝西科技大學)) in July 1989, and completed a long distance learning program and graduated as a postgraduate student in economic management from Party School of the Central Committee of C.P.C. (中共中央黨校) in May 2001.

Mr. Zhang Huaqiao (張化橋), aged 50, is an independent non-executive Director of our Company. He has been a director of Nanjing Central Emporium (Group) Co., Ltd. (南京中央商場（集團）股份有限公司)(stock code: 600280), a company listed on Shanghai Stock Exchange (上海證券交易所) since March 2013. He is also an independent non-executive director of Fosun International Limited (stock code: 656), Zhong An Real Estate Limited (stock code: 672) and China Huirong Financial Holdings Limited (stock code: 1290), and a non-executive director of Boer Power Holdings Limited (stock code: 1685),a non-executive director and the chairman of the Board of Oriental City Group Holdings Limited (stock code: 8325), the shares of which are all listed on the Stock Exchange. He was the chairman of Guangzhou Wansui Micro Credit Co., Ltd. before and an executive director and chief executive officer of Man Sang International Limited (stock code:938), a company whose shares are listed on the Stock Exchange, between September 2011 and April 2012. From July 1994 to July 1995, Mr. Zhang was employed in the equity capital markets department of Swiss Bank Corporation. From June 1999 to April 2006, Mr. Zhang had worked with UBS Securities Asia Limited and was promoted to the co-head of the China research team of its equities department as his last capacity. From May 2006 to September 2008, he served as an executive director and the chief operation officer of Shenzhen Investment Limited (深圳控股有限公司) (stock code: 604), a company whose shares are listed on the Stock Exchange. From September 2008 to June 2011, he was employed by UBS AG and the last capacity he held was deputy head of UBS China IBD. Mr. Zhang graduated from the Graduate School of the People's Bank of China with a master's degree in economics in July 1986 and from the Australian National University with a master's degree in economics in April 1991.

Supervisors

Mr. Zhang Haimu (章海木), aged 37, is the chairman of the board of Supervisors and the chairman of the labor union of our Company. Mr. Zhang has over 18 years of experience in financial management. Mr. Zhang once held positions of financial staff of Hainan Industrial Equipment Installation Supplies Co., Ltd. (海南省工業設備安裝物質公司) from July 1995 to January 2001. He has been financial staff of our Company since April 2001, and was elected as the chairman of the labor union of our Company since August 2010 for a term of three years. He was elected as a member of the fifth committee of Shishi General Union (石獅市總工會) in February 2012 with a term of three years. He was also elected as the supervising chairman of the council of the Chamber of Commerce of Anxi, Shishi (石獅市安溪商會) in April 2013 with a term of three years. Mr. Zhang passed the self-study examinations in computer accounting and received a graduation certificate from Hainan University (海南大學) in December 1998.

Mr. Zhou Xinyu (周新宇), aged 37, is a Supervisor of our Company. He has also been the director of the human resource administrative department of our Company since March 2011. Mr. Zhou has over 13 years of experience in human resources management and corporate administration. He once held positions of human resource director and manager in Jealousy International Garments (Guangdong) Co., Ltd. (廣東嘉莉詩(國際)服裝集團) from August 1999 to July 2002, head of the personnel administration division of Matsubayashi Optics (Guangzhou) Co., Ltd. (天活松林光學(廣州)有限公司) from July 2002 to July 2005,chief human resource officer of Guangzhou Postel Mobile Co., Ltd. (廣州中郵普泰移動通訊設備有限公司) from August 2005 to August 2007, and administrative vice manager, chief human resource officer and chairman of the labor union of Fujian Fynex Textiles Technology Co., Ltd. (福建鳳竹紡織科技股份有限公司) from August 2007 to December 2010. Mr. Zhou received a master's degree in business administration from Lingnan College, Sun Yat-Sen University (中山大學嶺南學院) in June 2007. He also received the certificate of senior level of human resources management issued by Hubei Province Human Resources and Social Security Bureau (湖北省人力資源和社會保障廳) (formerly known as Hubei Province Labor and Social Security Bureau (湖北省勞動和社會保障廳) in September 2005.

Ms. Wang Xinhui (汪心慧), aged 40, is a Supervisor of our Company. Ms. Wang once was a full-time attorney of Anhui Chengyi Law Firm (安徽承義律師事務所) from December 2002 to December 2010, and a partner and the head of capital and securities team with the Shanghai Office of Beijing Yingke Law Firm (北京盈科(上海)律師事務所) since July 2011.Since February 2012, she has been working as the chief legal adviser of Leading Investments, one of the Shareholders of our Company. Ms. Wang received a bachelor's degree in law from East China College of Politic Science and Law (華東政法學院) (now East China University of Politic Science and Law (華東政法大學) in July 1995.

Senior Management

Mr. Lu Wenli (路文曆), aged 52, is the chief executive officer of our Company and is primarily responsible for the operation of our Group. Mr. Lu has over 14 years of experience in footwear and apparel industry. Mr. Lu once serves as the marketing director of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from January 2003 to December 2007. From January 1999 to May 2000, Mr Lu served as sales and marketing director of Quanzhou Yiyuan Shoe Industry Co., Ltd. (泉州益源鞋業有限公司). From March 2001 to December 2002, he worked as the sales and marketing director of Xtep (China) Co., Ltd. (特步中國有限公司). Mr. Lu rejoined our Group in January 2013 and has held the position of general manager since April 2013. Mr. Lu has enrolled to and is currently taking the EMBA program at Xiamen University (廈門大學).

Ms. Wu Haimin (吳海民), aged 42, is a vice general manager of our Company and is primarily responsible for the management of production of our Group. Ms. Wu has over 24 years of experience in management of production of footwear. Prior to joining our Group,she held the position of workshop manager in Teliya Leather Shoe Co., Ltd. (特麗雅皮鞋有限公司) from September 1989 to July 1997. She joined our Group in July 1997 and held positions of workshop manager, production manager, and manager of production department of our Company till December 2007. She has served as a vice general manager of our Group since January 2008. Ms. Wu received a junior college degree of English language from Zhejiang Province Department Employee Colleges (浙江省級機關職工業餘大學) in July 1994.

Mr. Tong Jinlong (童金龍), aged 61, is a vice general manager of our Company and is primarily responsible for the marketing and sales of the products of our Group. Mr. Tong has over 30 years of experience in the footwear industry. Prior to joining our Group, he once worked at Shanghai Baoji Leather Shoes Factory (上海寶屐皮鞋廠). He joined our Group in September 1998 and had held the position of marketing and sales vice general manager of the Company until January 2008. In February 2008, he was promoted to vice general manager of the Company. He received a junior college degree of Equipment Management from Business School of Shanghai University (上海大學) in December 1990.

Ms. Yang Jian (楊健), aged 40, is the chief financial officer of our Company and secretary to the Board, and is primarily responsible for the overall financial and accounting affairs, as well as general affairs of the Board of the Company. Ms. Yang has over 17 years of experience in finance and accounting. Prior to joining our Group, she worked for China Construction Bank Co., Ltd. Haidian Sub-branch directly under the Hainan head office (中國建設銀行股份有限公司海南省直屬海甸支行) from July 1995 to June 1999, and held positions including accounting manager, deputy director of general office, etc.. From August 2001 to March 2002, she served as accounting supervisor in Guangdong Ciba Specialty Chemicals Co., Ltd. (廣東汽巴精化有限公司). From January 2003 to March 2006, she worked as senior manager of Baass Business Solutions Inc. in Canada. She joined our Group in September 2006 and has held the position of chief financial officer since March 2008. Ms.Yang received a bachelor's degree in investment economics from Huazhong University of Science and Technology (華中科技大學) in July 1995, a master's degree in accounting from Jinan University (暨南大學) in June 2002 and a MBA degree from Schulich School of Business, York University in June 2008. She was qualified as a Certified Public Accountant of PRC, Certified General Accountant of Canada and fellow member of Association of Chartered Certified Accountants (ACCA) in December 2002, April 2006 and November 2009, respectively.

Company Secretary

Mr. Liu Guodong (劉國棟), aged 32, was appointed as the company secretary of our Company on 30 July 2013. Mr. Liu joined our Group in January 2010 and has served as the manager of securities department and financial department of our predecessor Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司) and subsequently our Company since then. Prior to joining our Group, he worked for Xiamen Dahao Lianhe Accounting Firm (廈門達豪聯合會計師事務所) and held the position of auditing manager from August 2004 to January 2010. Mr.Liu obtained a bachelor's degree in management from Xiamen University (廈門大學) in July 2004. He was qualified as a Certified Public Accountant in Hong Kong (as defined in the Professional Accountants Ordinance) in July 2010, a Certified Public Accountant in the PRC in September 2006, a Certified Tax Agent in the PRC in June 2008 and a Certified Public Valuer in the PRC in September 2010.

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

Principal Place of Business

The Company was incorporated in the PRC and is domiciled in Hong Kong and has its registered office and its principal place of business in Hong Kong at Room 1002, 10/F Harbour Crystal Centre, 100 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Group's principal place of business is in the PRC.

Principal Activities

The principal activities of the Group are manufacturing and sale of footwear and business casual menswear in the PRC. The principal activities and other particulars of the subsidiaries are set out in note 12 to the consolidated financial statements.

Major Customers and Suppliers

During the year ended 31 December 2013, aggregate sales to the Group's largest and five largest customers accounted for 4.1% (2012: 18.0%) and 18.5% (2012: 34.6%), respectively, of the Group's total revenue for the year.

Aggregate purchases from the Group's largest and five largest suppliers accounted for 5.8% (2012: 7.1%) and 21.0% (2012: 17.8%), respectively, of the Group's total purchases for the year ended 31 December 2013.

At no time during the year have the Directors, their associates or any shareholder of the Company (who or which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers, raw material suppliers and subcontractors.

Four-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the latest four financial years is set out on page 3 of the annual report. This summary does not form part of the audited consolidated financial statements.

Financial Statements

The profit of the Group for the year ended 31 December 2013 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 47 to 92 of the annual report.

A discussion and analysis of the Group performance during the year and material factors underlying its results and financial position are set out in the Management Discussion and Analysis section of this annual report.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2013 are set out in note 11 to the consolidated financial statements.

Reserves

Details of movements in reserves of the Company during the year are set out in note 21 to the financial statements, of which details of reserves available for distribution to shareholders of the Company are set out in note 21(f) to the financial statements.

Dividend

On 28 June 2013, the Company declared dividends in the amount of RMB200.0 million. All these dividends (excluding the amount of the withholding tax) have been paid prior to 20 December 2013, the date of listing of the H shares of the Company on the Main Board of the Stock Exchange (the "**Listing Date**").

For the year ended 31 December 2013, the Board has proposed a final dividend of RMB0.24 per ordinary share (before tax) and RMB128,378,208 in aggregate (before tax) (the "**2013 Final Dividends**"), subject to approval by the shareholders of the Company at the upcoming annual general meeting of the Company to be held on 23 May 2014 (the "**AGM**"). Dividends on domestic shares will be paid in RMB and dividends on H shares will be paid in Hong Kong dollars. Detailed plan of distribution will be separately announced in due course.

Pursuant to the Corporate Income Tax Law of the PRC and its implementation rules and other relevant rules, where the Company distributes the proposed 2013 Final Dividend to nonresident enterprise shareholders whose names appear on the register of members for H shares of the Company, it is required to withhold corporate income tax. The applicable tax rate is generally 10% and can be reduced to 5%, depending on the tax treaties between the PRC and those countries or regions where the non-resident enterprises reside if certain criteria are met. Any H shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other organisations or groups, will be treated as shares being held by non-resident enterprise shareholders, and consequently will be subject to the withholding of the corporate income tax.

Pursuant to the PRC Individual Income Tax Law, the Implementation Regulations of the Individual Income Tax Law, the Tentative Measures on Withholding and Payment of Individual Income Tax and other relevant laws and regulations, the foreign individuals who are the holders of H shares shall pay individual income tax at a tax rate of 20% upon their receipt of distribution of dividend from domestic enterprises which issued such H shares, which shall be withheld and paid by such domestic enterprises on behalf of the such individual H shareholders. However, the Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax effective from 13 May 1994 (the "**1994 Notice**") grants exemption to foreign individuals from PRC individual income tax on dividend from foreign-invested enterprises. Since the Company is a "foreign-invested enterprise" as approved by the relevant PRC authorities, the individual shareholders who hold the Company's H shares and whose names appear on the register of members of H shares of the Company (the "**Individual H Shareholders**") are not required to pay PRC individual income tax when the Company distributes the 2013 Final Dividend based on the 1994 Notice. Therefore, the Company will not withhold any amount of the 2013 Final Dividend to be distributed to the Individual H Shareholders to pay the PRC individual income tax.

Shareholders are recommended to consult their taxation advisors for advice on the PRC, Hong Kong and other tax effects with respect to the holding and disposing of H shares of the Company.

According to the articles of association of the Company (the "**Articles of Association**"), unless otherwise provided by the relevant laws and regulations, for the payment of cash dividends and other payments in foreign currency, the applicable exchange rates shall be the average selling price announced by the People's Bank of China for the one calendar week before the declaration date of such cash dividends and other payments.

Closure of Register of Members

In order to ascertain shareholders' entitlement to attend and vote at the AGM and to the 2013 Final Dividends, the H share register of members of the Company will be closed from Wednesday, 23 April 2014 to Friday, 23 May 2014 (both days inclusive) and from Thursday, 29 May 2014 to Tuesday, 3 June 2014 (both days inclusive), respectively, during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, holders of H shares of the Company shall lodge transfer documents with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Tuesday, 22 April 2014. In order to qualify for receiving the 2013 Final Dividends (subject to the approval by shareholders of the Company at the forthcoming AGM), holders of H shares of the Company shall lodge transfer documents with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the above mentioned address for registration before 4:30 p.m. on Wednesday, 28 May 2014.

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB1.79 million (2012: RMB0.65 million).

Bank Borrowings and Other Borrowings

Details of bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2013 are set out in note 18 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 21 to the consolidated financial statements. 133,340,000 H shares of the Company were issued during the year in relation to the global offering of the Company, and 1,569,200 H shares were issued in January 2014 upon partial exercise of over-allotment option in relation to the global offering.

Sufficiency of Public Float

Based on the information publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Rules Governing the LIsting of Securities on the Stock Exchange (the "**Listing Rules**") from the Listing Date, 20 December 2013, to 31 December 2013 and at any time up to the date of this annual report.

Pre-Emptive Rights

Pursuant to the Articles of Association and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing shareholders in proportion to their shareholdings.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2013.

Directors and Supervisors

The following table sets forth information concerning the Directors and supervisors of the Company for the year ended 31 December 2013.

Name	Age	Position	Appointment Date
Mr. Lam Wo Ping (林和平)	56	Executive Director and chairman of the Board	29 June 2012
Ms. Han Ying (韓英)	59	Executive Director and vice general manager	29 June 2012
Mr. Hong Huihuang (洪輝煌)	43	Executive Director and vice general manager	29 June 2012
Mr. Lam Wo Sze (林和獅)	60	Non-executive Director	29 June 2012
Mr. Lam Kwok Keung (林國強)	56	Non-executive Director	29 June 2012
Mr. Lam Wing Ho (林榮河)	57	Non-executive Director	12 May 2013
Mr. Zhai Gang (翟剛)	39	Non-executive Director	29 June 2012
Mr. Wang Zhiqiang (王志強)	46	Independent non-executive Director	29 June 2012
Ms. Long Xiaoning (龍小寧)	42	Independent non-executive Director	29 June 2012
Mr. Li Yuzhong (李玉中)	47	Independent non-executive Director	29 June 2012
Mr. Zhang Huaqiao (張化橋)	50	Independent non-executive Director	12 May 2013
Mr. Zhang Haimu (章海木)	37	Chairman of the board of supervisors	29 June 2012
Mr. Zhou Xinyu (周新宇)	37	Supervisor	29 June 2012
Ms. Wang Xinhui (汪心慧)	40	Supervisor	29 June 2012

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to 3.13 of the Listing Rules and considers that all of the independent non-executive Directors are independent of the Company.

Biographies of Directors, Supervisors and Senior Management

Biographical details of Directors, supervisors and senior management of the Company are set out on pages 21 to 25 of this annual report.

Service Contracts of Directors and Supervisors

Each of the Directors and supervisors of the Company has entered into a service contract with the Company on 28 November 2013. Each service contract is for a term commencing on the Listing Date and ending on the expiration of the term of the first Board of Directors or the first board of supervisors (as the case may be), each of which is for a period of three years from 29 June 2012.

Save as disclosed above, none of the Directors or supervisors of the Company has or is proposed to have a service contract with the Group (other than contracts expiring or determinable by any member of the Group within one year without payment of compensation, other than statutory compensation).

Remuneration of Directors and Supervisors

Details of the remuneration of the Directors and supervisors of the Company are set out in note 7 to the consolidated financial statements.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2013.

Directors', Supervisors' and Chief Executives' Interests in Securities

As at 31 December 2013, the interests or short positions of the Directors, supervisors and the chief executive in the Company's shares, underlying shares and debentures of the associated corporations of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), will be as follows:

(i) Interests of the Directors in the shares of our Company

Name of Director	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital(1)	Percentage in the total issued share capital(1)
Mr. Lam Wo Ping(2)(3)	H shares	351,200,000	Interest in a controlled corporation	72.48%	65.85%
Mr. Lam Wo Sze(2)	H shares	331,200,000	Interest in a controlled corporation	68.35%	62.10%
Mr. Lam Kwok Keung(2)	H shares	331,200,000	Interest in a controlled corporation	68.35%	62.10%
Mr. Lam Wing Ho(2)	H shares	331,200,000	Interest in a controlled corporation	68.35%	62.10%
Ms. Han Ying(4)	Domestic shares	12,000,000	Interest in a controlled corporation	24.59%	2.25%

(1) The calculation is based on the total number of 533,340,000 ordinary shares of the Company in issue as at 31 December 2013, which was comprised of 48,800,000 domestic shares and 484,540,000 H shares.

(2) Fuguiniao Group Limited (富貴鳥集團有限公司) (the "**Fuguiniao Holdco**") is owned as to 32.5% by Mr. Lam Wo Ping, 22.5% by Mr. Lam Wo Sze, 22.5% by Mr. Lam Kwok Keung and 22.5% by Mr. Lam Wing Ho. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are also cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho. Each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho is deemed to be interested in the H shares of the Company held by Fuguiniao Holdco for the purpose of the SFO.

(3) Wo Hing (China) Trading Limited (和興(中國)貿易有限公司) (the "**Wo Hing Trading**") is wholly-owned and controlled by Mr. Lam Wo Ping and Mr. Lam Wo Ping is therefore deemed to be interested in all the 20,000,000 H shares of the Company in which Wo Hing Trading is interested.

(4) Ms. Han Ying is deemed to be interested in the domestic shares of the Company held by Xiamen City Yuncai Equity Investments Partnership (Limited)* (廈門市韞財股權投資合夥企業(有限合夥)) (the "**Yuncai Investments**") by virtue of Yuncai Investments being controlled by her.

(ii) Interests of the Directors in the shares of Fuguiniao Holdco (being a holding company of our Company)

Name	Number of shares	Nature of interest	Percentage in issued share capital
Mr. Lam Wo Ping	3,250	Beneficial owner	32.50%
Mr. Lam Wo Sze	2,250	Beneficial owner	22.50%
Mr. Lam Kwok Keung	2,250	Beneficial owner	22.50%
Mr. Lam Wing Ho	2,250	Beneficial owner	22.50%

Saved as disclosed above, as at 31 December 2013, none of the Directors, supervisors and the chief executive of the Company and their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Substantial Shareholders

As at 31 December 2013, the persons or corporations who had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Shareholder	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital[1]	Percentage in the total issued share capital[1]
Fuguiniao Holdco[2]	H shares	331,200,000	Beneficial owner	68.35%	62.10%
Mr. Lam Wo Ping[2][3]	H shares	351,200,000	Interest in a controlled corporation	72.48%	65.85%
Mr. Lam Wo Sze[2]	H shares	331,200,000	Interest in a controlled corporation	68.35%	62.10%
Mr. Lam Kwok Keung[2]	H shares	331,200,000	Interest in a controlled corporation	68.35%	62.10%
Mr. Lam Wing Ho[2]	H shares	331,200,000	Interest in a controlled corporation	68.35%	62.10%

(1) The calculation is based on the total number of 533,340,000 ordinary shares in issue as at 31 December 2013, which was comprised of 48,800,000 domestic shares and 484,540,000 H shares.

(2) Fuguiniao Holdco is owned as to 32.5% by Mr. Lam Wo Ping, 22.5% by Mr. Lam Wo Sze, 22.5% by Mr. Lam Kwok Keung and 22.5% by Mr. Lam Wing Ho. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are also cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho. Each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho is deemed to be interested in the Shares held by Fuguiniao Holdco for the purpose of SFO.

(3) Wo Hing Trading is wholly-owned and controlled by Mr. Lam Wo Ping and Mr. Lam Wo Ping is therefore deemed to be interested in all the 20,000,000 H shares of the Company in which Wo Hing Trading is interested.

Save as disclosed above, as at 31 December 2013, the Directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

Continuing Connected Transactions

Certain of the related party transaction for the year as disclosed in note 24 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules, which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. Details of such continuing connected transactions (as defined under the Listing Rules) are set out below in accordance with the requirements of the Listing Rules:

Lease agreement with Fujian Shishi Fuguiniao Group Co., Ltd.* (福建石獅市富貴鳥集團有限公司) ("Shishi Fuguiniao")

Shishi Fuguiniao is owned as to 25% by Mr. Lam Wo Ping, 25% by Mr. Lam Wo Sze, 25% by Mr. Lam Kwok Keung and 25% by Mr. Lam Wing Ho, with all of whom also as its directors. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are also cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho.

Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho are also Directors and substantial shareholders of the Company, and therefore are connected persons of the Group. Pursuant to Rule 14A.11(4)(c)(ii) of the Listing Rules, as Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho in aggregation hold the entire equity interest in Shishi Fuguiniao, Shishi Fuguiniao shall be deemed as an associate of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho, and therefore, a connected person of our Group.

Certain members of the Group have entered into the following lease agreements (the "**Lease Agreements**") with Shishi Fuguiniao, which constitute continuing connected transactions of the Group under the Listing Rules:

No.	Location	Member of the Group as Lessee	Lessor	Term and Rental (RMB)	Type of Premises
1.	Nos. 217-219, 1st Floor, Fulin Building, Changfu Road, Shishi City, Fujian Province	Fuguiniao (Fujian) Shoes Clothes Co., Ltd. (富貴鳥(福建)鞋服有限公司)	Shishi Fuguiniao	Term: from 1 July 2013 to 31 December 2015 Rental: 8,000/month	Retail store with a gross floor area of approximately 231.55 square meters
2.	Qianyuan Village, Baogai Town, Shishi City, Fujian Province	the Company	Shishi Fuguiniao	Term: from 1 November 2013 to 31 December 2015 Rental: 500,000/month	Office buildings, workshops and dormitories, with a gross floor area of 62,078.87 square meters
3.	Baqi Road, Shishi City, Fujian Province	the Company	Shishi Fuguiniao	Term: from 1 November 2013 to 31 December 2015 Rental: 750,000/month	Office facilities, workshops and dormitories, with a gross floor area of approximately 95,579.46 square meters

During the year ended 31 December 2013, total rental paid or payable by the Group under the Lease Agreements amounted to RMB2,548,000, which did not exceed the annual caps for these transactions.

Opinion from the independent non-executive Directors and auditor on the continuing connected transactions

The Directors (including all independent non-executive Directors) have reviewed the above mentioned continuing connected transactions and confirmed that these transactions were entered into:

(1) in the ordinary and usual course of business of the Group;
(2) on normal commercial terms; and
(3) in accordance with the relevant Lease Agreements and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

KPMG, the auditor of the Company, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong* Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The Company has received an unqualified letter from KPMG containing their finding and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Directors' and Supervisors' Interests in Contracts

Save as disclosed in the paragraph headed "Continuing Connected Transactions" above and in note 24 to the consolidated financial statements, no contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or supervisor of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Contracts of Significance

During the year, save as disclosed in note 24 to the consolidated financial statements and in the paragraph headed "Continuing Connected Transactions" in this report, there had been no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

Competing Business

None of the Directors and their associates had any interest in any competing business with the Company or any of its subsidiaries during the year.

Compliance with Non-Compete Undertaking

Each of Fuguiniao Holdco, Wo Hing Trading, Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho (the controlling shareholders (within the meaning of the Listing Rules) of the Company) has confirmed to the Company that he/it has complied with the non-compete undertaking given by them to the Company on 28 November 2013. The independent non-executive Directors of the Company have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with throughout the period from the Listing Date, 20 December 2013, to 31 December 2013.

Arrangement for Directors and Supervisors to Purchase Shares or Debentures

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or supervisors of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

Retirement Schemes

The Group participates in defined contribution retirement benefit schemes organized by the PRC municipal and provincial government authorities for the Group's eligible employees in the PRC, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 20 to the consolidated financial statements.

Compliance with the Corporate Governance Code

Since the date of listing of the Company's H shares on the Main Board of the Stock Exchange on 20 December 2013 up to and including 31 December 2013, the Company complied with all code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

Significant Legal Proceedings

For the year ended 31 December 2013, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

Events After the Reporting Period

There were no significant events after the reporting period of the Group.

Audit Committee

The audit committee of the Board has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the review of the Group's consolidated annual results for the year ended 31 December 2013.

Auditor

The consolidated financial statements for the year ended 31 December 2013 have been audited by KPMG, who shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Group is to be proposed at the AGM.

By order of the Board
Fuguiniao Co., Ltd.
Lam Wo Ping
Chairman

Hong Kong, 26 March 2014

REPORT OF THE BOARD OF SUPERVISORS

On 29 June 2012, the current session of the board of supervisors of the Company was established upon the approval of the inaugural meeting of the Company. The current session of the board of supervisors is comprised of three supervisors, namely Mr. Zhang Haimu, Mr. Zhou Xinyu and Ms. Wang Xinhui.

In the year ended 31 December 2013, for the Company's long term interests and shareholders' interests, the board of supervisors of the Company acted in strict compliance with relevant laws, regulations, rules, regulatory documents, the Articles of Association and Listing Rules and earnestly performed their duties of supervision as to the acts of the Directors and senior management of the Company. The main area of work of the board of supervisors in 2013 is summarised as follows:

I. Meeting conducted by the Board of Supervisors

The board of supervisors of the Company convened 2 meetings in the year ended 31 December 2013:

II. Work of the Board of Supervisors

The work of the first session of the board of supervisors mainly comprised of the followings:

1. Inspection over implementation of resolutions of the general meetings

The board of supervisors of the Company exercised supervision and inspection of the implementation of the resolutions in general meetings by the Board and the senior management through observation and attendance at the board meetings and general meetings. The board of supervisors is of the opinion that the Directors and senior management of the Company have diligently performed their duties in compliance with resolutions of the general meetings. No violation of any laws or regulations or Articles of Association or any act which jeopardises the interests of the Company or shareholders of the Company has been found in the performance of the Company's Directors and senior management.

2. Inspection over legal compliance of the Group's operations

The board of supervisors of the Company exercised supervision on a regular basis over the legal compliance and rationality of the Group's operation and management in its ordinary work. It has also exercised supervision over work performance of the Board and senior management. The board of supervisors is of the opinion that, the Group's operation is sound and rational, and is in compliance with all applicable laws, regulations and rules and the Articles of Association. The members of the Board and senior management of the Group have conscientiously and diligently performed their duties, and none of their act would prejudice the interests of the Group or the shareholders of the Company.

3. Inspection over the Group's daily operating activities

The board of supervisors of the Company exercised supervision over the Group's operating activities. The board of supervisors is of the opinion that the Group has a sound internal control system and has made great progress in the formulation and implementation of its internal work procedures, thus effectively controlled its exposure to various operating risks. The Group's operation is in compliance with the PRC laws and regulations and the Articles of Association.

4. Inspection over the Group's financial condition

The board of supervisors of the Company has verified the Group's 2013 consolidated financial statements, supervised and inspected the Group's implementation of relevant financial policies and legislations as well as details on the Group's assets, financial income and expenditure and connected transactions. It is of the opinion that the financial report for 2013 fairly reflected its financial position and operating results, all of the continuing connected transactions were entered into on a fair basis and the pricing of the transactions is determined on arm's length basis and did not impair the interests of the Group and the shareholders of the Company.

Looking forward, the board of supervisors of the Company will continue to carry out its duties in strict compliance with the Articles of Association and the relevant laws and regulations and protect the interests of the shareholders of the Company.

Chairman of the Board of Supervisors
Zhang Haimu

Hong Kong, 26 March 2014

CORPORATE GOVERNANCE REPORT

The Board is committed to upholding a high standard of corporate governance and business ethics in the firm belief that they are essential for enhancing investors' confidence and maximizing shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders, comply with increasingly stringent regulatory requirements and fulfill its commitment to excellence in corporate governance.

After reviewing the Company's corporate governance practices and the relevant regulations of the Corporate Governance Code and Corporate Governance Report (the "**CG code**") as set out in Appendix 14 to the Listing Rules, the Board is satisfied that the Company complied with the CG code provisions for the period from the Listing Date, namely, 20 December 2013, to 31 December 2013.

Board of Directors

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its shareholders. The Board has established four Board committees, being the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee (each a "**Board Committee**" and collectively the "**Board Committees**"), to oversee different areas of the Company's affairs.

The Board currently comprises three Executive Directors, namely Mr. Lam Wo Ping, Ms. Han Ying and Mr. Hong Huihuang, four non-executive Directors, namely, Mr. Lam Wo Sze, Mr. Lam Kwok Keung, Mr. Lam Wing Ho and Mr. Zhai Gang, and four independent non-executive Directors, namely, Mr. Wang Zhiqiang, Ms. Long Xiaoning, Mr. Li Yuzhong and Mr. Zhang Huaqiao.

Their biographical Details and (where applicable) their family relationships are set out in the section headed "Biography of Directors, Supervisors and Senior Management" on pages 21 to 25 in the annual report. A list of the Directors identifying their role and function and whether they are independent non-executive Directors are available on the Company's website.

Mr. Lam Wo Ping, an executive Director and the Chairman of the Board, is the brother of Mr. Lam Wo Sze, a non-executive Director, as well as a cousin of both Mr. Lam Kwok Keung and Mr. Lam Wing Ho, non-executive Directors of the Company. Save as disclosed, there are no other financial, business, family or other material/relevant relationships among members of the Board.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Group. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, investment policy, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors and members of senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of directors and senior management. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance.

All Board members have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request. Since December 2013, all Directors are provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis and when necessary.

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Directors' Continuous Training and Professional Development

All Directors are aware of their responsibilities to the shareholders of the Company and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director receives an induction to ensure that he has a proper understanding of the business and operations of the Group and that he is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

In May 2013, the Company, together with its legal adviser, organized training sessions to each of the Directors in relation to continuous responsibilities of Hong Kong listed company and its directors before and after the listing. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices.

Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are separate and are not performed by the same individual as this ensures better checks and balances and hence better corporate governance. Mr. Lam Wo Ping holds the position of the Chairman, who is primarily responsible for the overall strategies, planning and business development of the Group. Mr. Lu Wenli serves as the Chief Executive Officer, who is primarily responsible for the operations of the Group.

Independence of Independent Non-Executive Directors

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of the shareholders and the Group. They serve actively on the Board and Board Committees to provide their independent and objective views.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed four independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive director has submitted annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive Directors are independent.

Board Committees

The Board is supported by a number of committees, including the Audit Committee, Nomination Committee, Remuneration Committee and Strategy Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. Their terms of reference are available on the Company's website.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

(i) Audit Committee

The Audit Committee was established on 27 April 2013. The Audit Committee consists of three Directors: Mr. Wang Zhiqiang (independent non-executive Director), Ms. Long Xiaoning (independent non-executive Director) and Mr. Lam Wo Sze (non-executive Director). Mr. Wang Zhiqiang, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee.

The principal responsibilities of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems and relationship with external auditors of the Group, oversee the audit process and perform other duties and such responsibilities as assigned by the Board. These include reviewing the Group's interim and annual reports.

Pursuant to the meeting of the Audit Committee on 21 March 2014, the Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2013, including the accounting principles and practices adopted by the Group, report prepared by the external auditors covering major findings in the course of the audit, and selection and appointment of the external auditors. Two meetings were held by the Audit Committee during the year ended 31 December 2013 and all members of the Audit Committee attended each of these two meetings.

(ii) Remuneration Committee

The Remuneration Committee was established on 27 April 2013. The Remuneration Committee comprises three Directors: Mr. Zhang Huaqiao (independent non-executive Director), Mr. Li Yuzhong (independent non-executive Director) and Mr. Lam Wo Ping (executive Director). Mr. Zhang Huaqiao is the chairman of the Remuneration Committee. The principal responsibilities of the Remuneration Committee are to review and make recommendations to the Board on the overall remuneration structure and policy for all Directors and senior management as well as the specific remuneration packages for the executive Directors and senior management and on the establishment of a formal and transparent process for developing such remuneration policy. No Director takes part in any discussion on his own remuneration. The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each director's workload, performance, responsibility, job complexity and the Group's performance are taken into account.

Pursuant to the first meeting of the Remuneration Committee on 21 March 2014, the Remuneration Committee has reviewed the remuneration policy and structure relating to the Directors and senior management of the Company. One meeting was held by the Remuneration Committee during the year ended 31 December 2013 and all members of the Remuneration Committee attended the meeting.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2013 is set out below:

Remuneration bands (HK$)	Number of persons
Nil to 500,000	3
500,000 to 1,000,000	1

(iii) Nomination Committee

The Nomination Committee was established on 27 April 2013 and comprises three Directors: Mr. Lam Wo Ping (executive Director), Ms. Long Xiaoning (independent non-executive Director) and Mr. Li Yuzhong (independent non-executive Director). Mr. Lam Wo Ping is the Chairman of the Nomination Committee. The principal responsibilities of the Nomination Committee are to review the composition of the Board, including its structure, size and diversity, at least annually to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group. It is also responsible to consider and recommend to the Board suitably qualified persons to become a member of the Board, monitor the succession planning of Directors and assess the independence of independent non-executive Directors. The Nomination Committee will also give consideration to the Board Diversity Policy (as defined below) when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy (as defined below), so as to develop and review measurable objectives for the implementing the Board Diversity Policy (as defined below) and to monitor the progress on achieving these objectives.

Pursuant to the first meeting of the Nomination Committee on 21 March 2014, the Nomination Committee has reviewed the structure, size and composition of the Board and assessed independence of the independent non-executive Directors. One meeting was held by the Nomination Committee during the year ended 31 December 2013 and all members of the Nomination Committee attended the meeting.

(iv) Strategy Committee

The Strategy Committee was established on 9 July 2012 and comprises three Directors: Mr. Lam Wo Ping (executive Director), Mr. Zhai Gang (non-executive Director) and Mr. Li Yuzhong (independent non-executive Director). Mr. Lam Wo Ping is the Chairman of the Strategy Committee.

The primary function of the Strategy Committee is to make recommendations to the Board on the long-term development strategies of the Company.

One meeting was held by the Strategy Committee during the year ended 31 December 2013 and all members of the Strategy Committee attended the meeting.

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, and the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Board Proceedings

Pursuant to the Articles of Association, the Board is required to hold at least four Board meetings each year, to be convened and hosted by the Chairman of the Board. A notice of at least fourteen days shall be dispatched for a regular Board meeting. The notice shall state the time, venue and means by which the Board meeting will be convened.

The quorum for a Board meeting is the present of at least half of the total number of the Directors. A Director may attend the Board meeting in person, or appoint another Director in writing as his proxy to attend the Board meeting. The secretary to the Board of the Company is responsible for preparing and keeping the minutes of Board meetings and ensuring that such minutes are available for inspection by any Director.

During the year ended 31 December 2013, there were seven Board meetings held and all Directors attended the meetings.

Appointment and Re-Election of Directors

Pursuant to the Articles of Association, Directors shall subject to election at general meetings with a term of office of three years and may be re-elected. The Company has implemented a set of effective procedures for the appointment of new Directors. The nomination committee shall, in accordance with provisions of the relevant laws and regulations and the Articles of Association, take into account the practical situations of the Company, consider the selection criteria, selection procedures and terms of office of the Directors of the Company, and record and submit the resolutions to the Board for approval. All newly nominated directors are subject to election and approval at general meetings.

Each of the Directors has entered into a service contract with the Company for a term commencing on the Listing Date and ending on the expiration of the term of the first Board of Directors, which is for a period of three years from 29 June 2012, subject to his retirement and re-election at annual general meeting of the Company.

Board Diversity Policy

Pursuant to the CG Code, the Board adopted a board diversity policy (the "**Board Diversity Policy**") on 28 November 2013. The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

Board of Supervisors

The board of supervisors of the Company consists of three members. The employee representative supervisor, namely Mr. Zhang Haimu, was elected by employees, and the other supervisors were elected by the shareholders of the Company. Each of the supervisors has entered into a service contract with the Company for a term commencing on the Listing Date and ending on the expiration of the term of the first board of supervisors, which is for a period of three years from 29 June 2012. The functions and duties of the board of supervisors include, but are not limited to: reviewing and verifying financial reports; and, if in doubt, appointing certified public accountants and practicing auditors to re-examine the Company's financial information; monitoring the business activities of the Company; supervising the performance of the Directors, the Chairman of the Board and other senior management members, and monitoring whether they had acted in violation of the laws, regulations and Articles of Association in the performance of their duties; requesting the Directors, the Chairman of the Board and senior management members to rectify actions which are damaging to the Company's interests; and exercising other rights given to them under the Articles of Association.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' and supervisors' securities transactions ("**Model Code**"). Upon specific enquiries, all Directors and supervisors of the Company confirmed that they have complied with the relevant provisions of the Model Code throughout the period from the Listing Date to 31 December 2013.

Senior management who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code.

Company Secretary

Mr. Liu Guodong, the Company Secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. Mr. Liu is responsible for advising the Board through the Chairman and/or the Chief Executive Officer on governance matters.

During the financial year, the Company Secretary has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the Company Secretary is set out in the section headed "Biography of Directors, Supervisors and Senior Management" in the annual report.

Financial Reporting and Internal Control

Financial Reporting

The Board acknowledges its responsibility to prepare the Company's financial statements which give a true and fair view of the Group's state of affairs, results and cash flows for the year and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and the disclosure requirements of the Hong Kong Companies Ordinance. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

The responsibilities of KPMG, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

Internal Controls

The Board recognizes its responsibility to ensure the Company maintains a sound and effective internal control system and the Board has conducted a review of the effectiveness of the internal control system of the Group during the year. The Group's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis based on the risk assessments of the operations and controls. No major issue but areas for improvement have been identified. The Board and the Audit Committee considered that the key areas of the Group's internal control systems are reasonably implemented.

External auditor

KPMG has been appointed as the external auditor of the Company. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by KPMG and considered that such services have no adverse effect on the independence of the external auditor.

During the year, the fees payable to KPMG in respect of its audit services provided to the Group was RMB1.48 million. The total fees paid and payable to KPMG for the reporting accountant service in relation to the listing of the Company on the Main Board of the Stock Exchange and certain agreed-upon procedures in connection with the internal controls of the Company and its major operating subsidiary was approximately RMB5.38 million and RMB0.5 million, respectively.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year under review.

Communication With Shareholders and Shareholders' Rights

The Company aims to, via its corporate governance structure, enable all its shareholders an equal opportunity to exercise their rights in an informed manner and allow all shareholders to engage actively with the Company. Under the Company's Articles of Association, the shareholder communication policy and other relevant internal procedures of the Company, the shareholders of the Company enjoy, among others, the following rights:

(i) Participation at general meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the shareholders. The Company encourages the participation of the shareholders through annual general meetings and other general meetings where the shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the shareholders no less than 45 days before the meeting. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual Directors.

(ii) Enquiries and proposals to the Board

The Company encourages shareholders to attend shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board Committees at the general meetings or providing written notice of such proposals for the attention of the Company Secretary at the registered office of the Company in Hong Kong currently situated at Room 1002, 10/F Harbour Crystal Centre, 100 Granville Road, Tsim Sha Tsui, Kowloon or via email to simonliu@fuguiniao.com.

(iii) Convening extraordinary general meetings

Pursuant to the Articles of Association, the Board shall convene an extraordinary general meeting or class meeting within two months where any shareholder holding, severally or jointly, 10% or more of the Company's issued shares carrying voting rights requests in writing for the convening of an extraordinary general meeting or class meeting. The shareholders holding, severally or jointly, 10% or more of voting shares at such proposed meeting may request the Board to convene an extraordinary general meeting or class meeting by signing and submitting one or several written requests with the same format and contents and specifying the agenda of the meeting. An extraordinary general meeting or class meeting shall be convened by the Board as soon as practicable upon receipt of the aforesaid written request. The aforesaid shareholding shall be calculated on the basis of the date on which the relevant shareholders submit the written request. If the Board fails to despatch a notice of convening such meeting within 30 days upon receipt of the aforesaid written request, the shareholders individually or jointly holding 10% or more of the shares of the Company may convene such a meeting by themselves within 4 months of the date of the receipt of such request by the Board. The procedures for convening such meeting should follow those for convening a general meeting or class meeting of shareholders by the Board as closely as practicable.

All reasonable expenses incurred by convening and holding the aforesaid meeting by shareholders due to the failure of the Board to hold such meeting in response to the aforesaid request shall be borne by the Company. Such expenses shall be deducted from the amounts due by the Company to the Director(s) who have defaulted their duties.

(iv) Procedures for putting forward proposals at a general meeting

In overseeing and monitoring the business operation of the Company, the shareholders of the Company have the right to put forward proposals and raise inquiries. Shareholders individually or together holding 3% or more of the Company's voting shares have the right to put up ad hoc proposals in writing to the Company 10 days before the holding of the general meeting, and the Company shall include such ad hoc proposals into the agenda for such general meeting.

The contents of the proposals to be raised shall be within the scope of duties of the general meetings. It shall have a clear topic and specific matters to be resolved on, and shall be in compliance with relevant requirements of the laws, administrative regulations and the Articles of Association of the Company.

Constitutional Documents

Pursuant to resolutions of the shareholders of the Company passed on 12 May 2013 and 30 October 2013, the Articles of Association of the Company were adopted with effect from the Listing Date. Save as disclosed above, during the period from the Listing Date to 31 December 2013, there was no change in the Articles of Association of the Company.

The Articles of Association of the Company are available on the websites of the Stock Exchange and the Company.

Independent auditor's report to the shareholders of Fuguiniao Co., Ltd.
(Incorporated in the People's Republic of China with joint stock limited liability)

We have audited the consolidated financial statements of Fuguiniao Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 47 to 92, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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.

Auditor's Responsibility

Our responsibility is to express an opinion on consolidated financial statements based on our audit. This 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 auditor's 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 auditor considers internal control relevant to the entity's preparation of the 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 Group and of the Company as at 31 December 2013 and of the Group's consolidated profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor,
Prince's Building
10 Chater Road
Central, Hong Kong

26 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

(Expressed in Renminbi)

	Note	**2013 RMB'000**	2012 RMB'000
Turnover	*3*	**2,294,287**	1,932,129
Cost of sales		**(1,408,016)**	(1,279,833)
Gross profit		**886,271**	652,296
Other revenue	*4*	**12,095**	34,601
Other net income	*4*	**29,204**	1,883
Selling and distribution expenses		**(176,929)**	(127,451)
Administrative and other operating expenses		**(133,790)**	(87,273)
Profit from operations		**616,851**	474,056
Finance costs	*5(a)*	**(23,539)**	(42,117)
Profit before taxation	*5*	**593,312**	431,939
Income tax	*6*	**(149,583)**	(108,352)
Profit for the year		**443,729**	323,587
Other comprehensive income for the year			
Exchange differences on translation of financial statements of operations outside the mainland China		**(615)**	–
Total comprehensive income		**443,114**	323,587
Basic earnings per share (RMB)	*10*	**1.10**	N/A

The notes on pages 52 to 92 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 21(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013
(Expressed in Renminbi)

	Note	**2013 RMB'000**	2012 RMB'000
Non-current assets			
Fixed assets	*11*		
– Property, plant and equipment		**113,079**	234,184
– Interests in leasehold land held for own use under operating leases		**9,055**	86,405
Deferred tax assets	*13(b)*	**6,465**	8,037
		128,599	328,626
Current assets			
Inventories	*14*	**246,135**	238,525
Trade and other receivables	*15*	**888,976**	428,422
Pledged bank deposits	*16*	**31,640**	2,213
Fixed deposits at banks with maturity over three months	*17*	**604,358**	101,000
Cash and cash equivalents	*17*	**843,353**	362,784
		2,614,462	1,132,944
Current liabilities			
Bank loans	*18*	**417,769**	359,000
Trade and other payables	*19*	**294,965**	242,245
Current tax payable	*13(a)*	**90,630**	58,783
		803,364	660,028
Net current assets		**1,811,098**	472,916
Total assets less current liabilities		**1,939,697**	801,542
Net assets		**1,939,697**	801,542
Capital and reserves	*21*		
Share capital		**533,340**	400,000
Reserves		**1,406,357**	401,542
Total equity		**1,939,697**	801,542

Approved and authorised for issue by the board of directors on 26 March 2014.

Lam Wo Ping
Directors

Lam Kwok Keung
Directors

The notes on pages 52 to 92 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Fixed assets	*11*		
– Property, plant and equipment		**105,301**	226,451
– Interests in leasehold land held for own use under operating leases		**9,055**	86,405
Investments in subsidiaries	*12*	**100,529**	50,529
Deferred tax assets	*13(b)*	**–**	1,317
		214,885	364,702
Current assets			
Inventories	*14*	**202,176**	189,039
Trade and other receivables	*15*	**1,604,484**	489,240
Pledged bank deposits	*16*	**31,640**	2,213
Fixed deposits at banks with maturity over three months	*17*	**204,358**	101,000
Cash and cash equivalents	*17*	**565,448**	335,468
		2,608,106	1,116,960
Current liabilities			
Bank loans	*18*	**417,769**	359,000
Trade and other payables	*19*	**368,430**	247,897
Current tax payable	*13(a)*	**89,634**	57,567
		875,833	664,464
Net current assets		**1,732,273**	452,496
Total assets less current liabilities		**1,947,158**	817,198
Net assets		**1,947,158**	817,198
Capital and reserves	*21*		
Share capital		**533,340**	400,000
Reserves		**1,413,818**	417,198
Total equity		**1,947,158**	817,198

Approved and authorised for issue by the board of directors on 26 March 2014.

Lam Wo Ping
Directors

Lam Kwok Keung
Directors

The notes on pages 52 to 92 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013
(Expressed in Renminbi)

	Note	Capital/ share capital RMB'000 *Note 21(d)*	Capital reserve RMB'000 *Note 21(e)(i)*	Statutory reserve RMB'000	Exchange reserve RMB'000 *Note 21(e)(iii)*	Retained profits RMB'000	Total RMB'000
As at 1 January 2012		293,633	976	63,148	–	262,522	620,279
Changes in equity for 2012:							
Profit for the year		–	–	–	–	323,587	323,587
Other comprehensive income for the year		–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	323,587	323,587
Appropriation to statutory reserve	*21(e)(ii)*	–	–	25,874	–	(25,874)	–
Capital injection	*21(a)(i)*	19,330	22,163	–	–	–	41,493
Business combination under common control	*21(a)(ii)*	(25,554)	(5,826)	–	–	–	(31,380)
Conversion to joint stock limited liability company	*21(a)(iii)*	112,591	125,822	(43,281)	–	(195,132)	–
Dividends declared	*21(c)*	–	–	–	–	(152,437)	(152,437)
As at 31 December 2012 and 1 January 2013		400,000	143,135	45,741	–	212,666	801,542
Changes in equity for 2013:							
Profit for the year		–	–	–	–	443,729	443,729
Other comprehensive income for the year		–	–	–	(615)	–	(615)
Total comprehensive income for the year		–	–	–	(615)	443,729	443,114
Appropriation to statutory reserve	*21(e)(ii)*	–	–	43,745	–	(43,745)	–
Issue of H shares, net of listing expenses	*21(a)(iv)*	133,340	761,701	–	–	–	895,041
Dividends declared	*21(c)*	–	–	–	–	(200,000)	(200,000)
As at 31 December 2013		533,340	904,836	89,486	(615)	412,650	1,939,697

The notes on pages 52 to 92 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Operating activities			
Cash generated from operations	*17(b)*	**147,950**	514,133
Income tax paid		**(116,164)**	(92,085)
Net cash generated from operating activities		**31,786**	422,048
Investing activities			
Payment for the purchase of fixed assets		**(3,337)**	(38,322)
Proceeds from disposal of fixed assets		**216,000**	–
Net proceeds from other financial assets		**–**	2,000
Proceeds from disposal of a subsidiary, net of cash disposed of		**–**	4,782
Net repayment from related parties		**–**	37,381
Placement of time deposits with original maturity over three months		**(690,358)**	(101,000)
Maturity of time deposits with original maturity over three months		**187,000**	23,700
Interest received from related parties		**–**	10,294
Interest received from banks		**7,899**	5,148
Net cash used in investing activities		**(282,796)**	(56,017)
Financing activities			
Proceeds from bank loans		**574,887**	608,624
Capital contributions from the equity owners of the Group		**–**	41,493
Payment of considerations in respect of business combination under common control		**–**	(7,851)
Repayment of bank loans		**(515,826)**	(1,030,382)
Proceeds from issue of H shares, net of issuing expenses		**895,041**	–
Net (increase)/decrease in pledged deposits for foreign currency loans		**(7,500)**	17,474
Dividend paid		**(190,720)**	(64,937)
Interest paid		**(23,597)**	(42,141)
Net cash generated from/(used in) financing activities		**732,285**	(477,720)
Net increase/(decrease) in cash and cash equivalents		**481,275**	(111,689)
Cash and cash equivalents at 1 January		**362,784**	474,663
Effect of foreign exchange rate changes		**(706)**	(190)
Cash and cash equivalents at 31 December	*17(a)*	**843,353**	362,784

The notes on pages 52 to 92 form part of these financial statements.

1 Significant Accounting Policies

(a) Statement of compliance

The Company was incorporated in the People's Republic of China (the "PRC") on 20 November 1995 as a limited liability company and was converted into a joint stock limited liability company on 29 June 2012. The foreign-invested shares ("H shares") of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2013.

These consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The Group has early adopted all new and revised IFRSs that are first effective for the accounting period beginning 1 January 2013 in its financial statements for the years ended 31 December 2010, 2011 and 2012 and 30 June 2013 included in the accountants' report in its prospectus for global offering of its H shares dated 20 December 2013. The Group has not early adopted any new and revised IFRSs that are not yet effective for the accounting period beginning 1 January 2013 in the current or previous accounting period (see note 27).

(b) Basis of preparation and presentation of the financial statements

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

During the year 2012, the Company entered into certain agreements with Fuguiniao Group Limited ("Fuguiniao Group"), the immediate and ultimate holdings company of the Group, under which the Company acquired certain companies which were under the control of the ultimate holding company. All these transactions were considered as business combinations under common control for the purpose of preparation of the consolidated financial statements of the Group (see note 1(d)).

These consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand which is the Group's presentation currency and the functional currency of the Company and its subsidiaries in mainland China.

These consolidated financial statements are prepared on the historical cost basis except that derivative financial instruments which are stated at their fair value as explained in the accounting policies set out below (see note 1(e)).

The preparation of these consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1 Significant Accounting Policies (Continued)

(b) Basis of preparation and presentation of the financial statements (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(h)(ii)).

(d) Business combination for entities under common control

Business combination arising from transfer of interests in entities that are under the common control of the equity holders that control the Group are accounted for using book value accounting as if the acquisition had occurred at the beginning of the reporting periods.

Upon transfer of interest in an entity to another entity that is under the control of the equity owner that controls the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised directly in equity.

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

1 Significant Accounting Policies (Continued)

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(h)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(s)).

No depreciation is provided in respect of construction in progress.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value of 10%, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.

– Plant and machinery	10 years
– Leasehold improvements	3 years
– Motor vehicles	8 years
– Furniture, fixtures and equipment	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(g) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

1 Significant Accounting Policies (Continued)

(h) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are stated at amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and bills receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and bills receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 Significant Accounting Policies (Continued)

(h) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– interests in leasehold land held for own use under operating leases; and

– investment in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior year. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(h)(i) and (ii)).

1 Significant Accounting Policies (Continued)

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(h)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 1(h)(i)).

Trade and other receivables are derecognised if substantially all the risks and rewards of ownership of the trade and other receivables are transferred. If substantially all the risks and rewards of ownership of trade and other receivables are retained, the trade and other receivables are continued to recognise in the consolidated statement of financial position.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

1 Significant Accounting Policies (Continued)

(n) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous year.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1 Significant Accounting Policies (Continued)

(o) Income tax (Continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provision and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the group or the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 Significant Accounting Policies (Continued)

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the related risks and rewards of ownership. Revenue excludes value added tax ("VAT") and is after deduction of any trade discounts.

(ii) Interest income

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

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same year in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful lives of the asset by way of reduced depreciation expense.

Unconditional discretionary government grants from the local municipal government authorities are recognised in the profit or loss as other revenue when the amount is received.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside mainland China are translated into Renminbi at the average exchange rates for the year which approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates ruling at the end of the reporting period.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(t) Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised as an expense in the year which it is incurred.

1 Significant Accounting Policies (Continued)

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third party 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).

(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).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Significant Accounting Estimates and Judgements

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

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Impairments

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates at the end of the reporting period.

(c) Impairment of trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of the reporting period.

(d) Depreciation and amortisation

Fixed assets excluding construction in progress are depreciated and amortised on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives are based on the Group's experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

(e) Bank acceptance bills

As set out in notes 15(c) and 22(a)(i), the Group considers that the credit risk associated with bank acceptance bills with recourse issued by major banks in the PRC to be minimal. The Group monitors the credit risk of issuing banks and the judgement to de-recognise bank acceptance bills with recourse upon discounting or endorsement is reviewed when the credit risk of issuing banks deteriorates significantly.

3 Turnover and Segment Reporting

(a) Turnover

The principal activities of the Group are manufacturing and trading of shoes and menswear in the PRC. Turnover represents the sales value of goods sold less returns, discounts and VAT.

The Group's customer base is diversified and only one customer with whom transactions have exceeded 10% of the Group's turnover for the year ended 31 December 2012. The amounts of sales to this customer amounted to RMB347,640,000 for the year ended 31 December 2012. No customer with whom transactions have exceeded 10% of the Group's turnover for the year ended 31 December 2013. Details of concentrations of credit risk arising from these customers are set out in note 22(a).

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Design, manufacture and trading of shoes and accessories ("Shoes")

– Design and trading of menswear ("Menswear")

(i) Segment results

In presenting the information on the basis of business segments, segment turnover and results are based on the turnover and gross profit of Shoes and Menswear.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2012 and 2013 is set out below:

	Shoes		Menswear		Total	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Reportable segment turnover	**1,820,783**	1,503,934	**473,504**	428,195	**2,294,287**	1,932,129
Cost of sales	**(1,120,991)**	(1,019,692)	**(287,025)**	(260,141)	**(1,408,016)**	(1,279,833)
Reportable segment gross profit	**699,792**	484,242	**186,479**	168,054	**886,271**	652,296
Depreciation and amortisation	**9,637**	10,713	**–**	–	**9,637**	10,713

The Group does not allocate any specific assets or expenditures for property, plant and equipment to the operating segments as the Group's most senior executive management does not use the information to measure the performance of the reportable segments. The performance of the reportable segments is assessed by the Group's most senior executive management base on a measure of the gross profit.

3 Turnover and Segment Reporting (Continued)

(b) Segment reporting (Continued)

(ii) Geographic information

The following table sets out information about the geographical location of the Group's turnover from external customers. The geographical location of customers is based on the location at which the goods are delivered.

	2013 RMB'000	2012 RMB'000
The PRC	**1,948,599**	1,578,493
Russia	**124,997**	153,369
Italy	**97,360**	62,683
Austria	**61,696**	60,297
Canada	**38,458**	48,986
Others	**23,177**	28,301
	2,294,287	1,932,129

4 Other Revenue and Other Net Income

	2013 RMB'000	2012 RMB'000
Other revenue		
Interest income	**9,628**	15,442
Government grants	**1,969**	18,844
Others	**498**	315
	12,095	34,601
Other net income		
Net foreign exchange (loss)/gain	**(4,501)**	2,741
Gain/(loss) on disposals of fixed assets	**33,871**	(57)
Unrealised loss on forward foreign exchange contracts	**–**	(871)
Others	**(166)**	70
	29,204	1,883

5 Profit Before Taxation

Profit before taxation is arrived at after charging/(crediting):

		2013 RMB'000	2012 RMB'000
(a)	Finance costs:		
	Interest on bank borrowings	**23,539**	41,489
	Interest on other borrowings wholly repayable within five years	**–**	628
		23,539	42,117
(b)	Staff costs:		
	Contributions to defined contribution retirement plans *(note 20)*	**6,827**	4,441
	Salaries, wages and other benefits	**216,738**	194,120
		223,565	198,561
(c)	Other items:		
	Depreciation and amortisation	**21,432**	19,063
	Written back of provision for impairment of trade receivables	**–**	(9,207)
	Written back of provision for impairment of other receivables	**–**	(74)
	Written back of provision for diminution in value of inventories	**–**	(45)
	Gain on disposal of a subsidiary	**–**	(70)
	Auditor's remuneration		
	– Audit services	**1,480**	28
	– Other services	**5,880**	1,400
	Operating lease charges in respect of properties	**8,423**	4,670
	Research and development costs *(note (i))*	**39,203**	24,581
	Cost of inventories *(note (ii))*	**1,408,016**	1,279,833

Notes:

(i) Research and development costs for the year ended 31 December 2013 include staff costs of employees in the design, research and development department of RMB14,840,000 (2012: RMB13,830,000), which are also included in the staff costs as disclosed in note 5(b).

(ii) Cost of inventories for the year ended 31 December 2013 includes RMB134,794,000 (2012: RMB129,949,000) relating to staff costs, depreciation and amortisation and operating lease charges in respect of properties, which amounts are also included in the respective total amounts disclosed separately above or in notes 5(b) and (c) for each of these types of expenses.

6 Income Tax in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2013 **RMB'000**	2012 RMB'000
Current tax – PRC Corporate Income Tax		
Provision for the year	**147,951**	114,589
Over-provision in respect of prior year	**(824)**	–
Current tax – Hong Kong Profits Tax		
Provision for the year	**884**	–
Deferred tax		
Reversal and origination of temporary differences *(note 13(b))*	**1,572**	(6,237)
	149,583	108,352

(i) The Company and its subsidiaries in mainland China are subject to the PRC Corporate Income Tax at the statutory rate of 25%.

(ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits arising in Hong Kong for the year ended 31 December 2013. No provision was made for Hong Kong Profits Tax for the year ended 31 December 2012 as the Group did not earn any assessable profit subject to Hong Kong Profits Tax.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2013 **RMB'000**	2012 RMB'000
Profit before taxation	**593,312**	431,939
Notional tax on profit before taxation, calculated at the standard tax rates applicable to the respective tax jurisdictions	**147,780**	108,015
Non-deductible expenses	**1,527**	868
Effect of change in tax rate on deferred tax balances	**–**	(531)
Reversal of temporary differences recognised	**1,100**	–
Over-provision in respect of prior year	**(824)**	–
Actual tax expense	**149,583**	108,352

7 Directors' and Supervisors' Remuneration

Directors' and supervisors' remuneration are as follows:

	Directors' fee RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	2013 Total RMB'000
Executive directors					
Mr Lam Wo Ping	–	362	–	–	362
Ms Han Ying	–	602	–	–	602
Mr Hong Huihuang	–	570	2	–	572
Non-executive directors					
Mr Lam Wo Sze	–	–	–	–	–
Mr Lam Wing Ho (b)	–	–	–	–	–
Mr Lam Kwok Keung	–	–	–	–	–
Mr Zhai Gang	–	–	–	–	–
Independent non-executive directors					
Mr Wang Zhiqiang	80	–	–	–	80
Ms Long Xiaoning	80	–	–	–	80
Mr Li Yuzhong	80	–	–	–	80
Mr Zhang Huaqiao (f)	128	–	–	–	128
Supervisors					
Mr Zhang Haimu	–	179	2	–	181
Mr Zhou Xinyu	–	250	2	–	252
Ms Wang Xinhui	–	–	–	–	–
Total	368	1,963	6	–	2,337

7 Directors' and Supervisors' Remuneration (Continued)

	Directors' fee RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	2012 Total RMB'000
Executive directors					
Mr Lam Wo Ping	–	940	–	–	940
Ms Han Ying (a)	–	426	–	–	426
Mr Hong Huihuang (a)	–	395	1	–	396
Non-executive directors					
Mr Lam Wo Sze	–	255	–	–	255
Mr Lam Wing Ho (b)	–	255	–	–	255
Mr Lam Kwok Keung	–	255	–	–	255
Mr Zhai Gang (c)	–	–	–	–	–
Independent non-executive directors					
Mr Wang Zhiqiang (d)	40	–	–	–	40
Ms Long Xiaoning (d)	40	–	–	–	40
Mr Li Yuzhong (d)	40	–	–	–	40
Supervisors					
Mr Zhang Haimu (e)	–	101	1	–	102
Mr Zhou Xinyu (e)	–	132	1	–	133
Ms Wang Xinhui (e)	–	–	–	–	–
Total	120	2,759	3	–	2,882

(a) Appointed as executive director on 29 June 2012.

(b) Ceased to be a non-executive director on 29 June 2012 and re-appointed as a non-executive director on 12 May 2013.

(c) Appointed as non-executive director on 29 June 2012.

(d) Appointed as independent non-executive director on 29 June 2012.

(e) Appointed as supervisor on 29 June 2012.

(f) Appointed as independent non-executive director on 12 May 2013.

8 Individual with Highest Emoluments

Of the five individuals with the highest emoluments, two (2012: three) are directors of the Company. The emoluments of these directors, excluding the emoluments before their directorship, are disclosed in note 7 above. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2013 RMB'000	2012* RMB'000
Salaries and other emoluments	**1,455**	1,404
Contributions to retirement benefit scheme	**2**	4
	1,457	1,408

* The amounts for the year ended 31 December 2012 include emoluments of the two individuals with highest emoluments, before the commencement of their directorship on 29 June 2012.

The emoluments of all the remaining individuals with the highest emoluments for the years ended 31 December 2012 and 2013, and the emoluments of the two individuals with highest emoluments for the year ended 31 December 2012 respectively who were appointed as directors of the Company on 29 June 2012, are within the band of HK$Nil to HK$1,000,000.

9 Profit Attributable to Equity Shareholders of the Company

The consolidated profits attributable to equity shareholders of the Company include a profit of RMB434,919,000 (2012: RMB339,160,000) which has been dealt with in the financial statements of the Company.

10 Basic Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2013 is based on the profit for the year of RMB443,729,000 and the weighted average of 404,384,000 shares in issue in 2013.

Weighted average number of ordinary shares

	2013 '000
Issued ordinary shares at 1 January	**400,000**
Effect of issuance of shares by share offer *(note 21(a)(iv))*	**4,384**
Weighted average number of ordinary shares at 31 December	**404,384**

Earnings per share information for the year ended 31 December 2012 are not presented as its inclusion, for the purpose of the financial statements, is not considered meaningful due to the reorganisation as set out in note 21(a).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares for the year ended 31 December 2013 and, therefore, diluted earnings per share are the same as the basic earnings per share.

11 Fixed Assets

The Group

	Buildings RMB'000	**Plant and machinery** RMB'000	**Motor vehicles** RMB'000	**Furniture, fixtures and equipment** RMB'000	**Leasehold improvement** RMB'000	**Construction in progress** RMB'000	**Sub-total** RMB'000	**Interests in leasehold land held for own use under operating leases** RMB'000	**Total** RMB'000
Cost:									
1 January 2012	130,692	103,871	13,154	20,892	–	199	268,808	68,591	337,399
Additions	59,492	2,968	988	8,601	7,693	729	80,471	57,644	138,115
Transfer from construction in progress	928	–	–	–	–	(928)	–	–	–
Disposals	–	–	(218)	–	–	–	(218)	(33,297)	(33,515)
At 31 December 2012	191,112	106,839	13,924	29,493	7,693	–	349,061	92,938	441,999
1 January 2013	191,112	106,839	13,924	29,493	7,693	–	349,061	92,938	441,999
Additions	–	1,325	564	3,217	–	–	5,106	–	5,106
Disposals	(125,749)	(285)	–	–	–	–	(126,034)	(82,530)	(208,564)
At 31 December 2013	65,363	107,879	14,488	32,710	7,693	–	228,133	10,408	238,541
Accumulated depreciation and amortisation:									
1 January 2012	10,799	68,193	7,087	11,986	–	–	98,065	4,421	102,486
Charge for the year	8,261	4,052	1,242	2,610	786	–	16,951	2,112	19,063
Written back on disposals	–	–	(139)	–	–	–	(139)	–	(139)
At 31 December 2012	19,060	72,245	8,190	14,596	786	–	114,877	6,533	121,410
1 January 2013	19,060	72,245	8,190	14,596	786	–	114,877	6,533	121,410
Charge for the year	7,657	4,454	1,317	3,646	2,564	–	19,638	1,794	21,432
Written back on disposals	(19,205)	(256)	–	–	–	–	(19,461)	(6,974)	(26,435)
At 31 December 2013	7,512	76,443	9,507	18,242	3,350	–	115,054	1,353	116,407
Net book value:									
At 31 December 2013	57,851	31,436	4,981	14,468	4,343	–	113,079	9,055	122,134
At 31 December 2012	172,052	34,594	5,734	14,897	6,907	–	234,184	86,405	320,589

11 Fixed Assets (Continued)

The Company

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:									
1 January 2012	130,692	103,871	13,154	20,845	–	199	268,761	35,294	304,055
Additions	52,712	2,968	988	7,447	7,693	729	72,537	57,644	130,181
Transfer from construction in progress	928	–	–	–	–	(928)	–	–	–
Disposals	–	–	(218)	–	–	–	(218)	–	(218)
At 31 December 2012	184,332	106,839	13,924	28,292	7,693	–	341,080	92,938	434,018
1 January 2013	184,332	106,839	13,924	28,292	7,693	–	341,080	92,938	434,018
Additions	–	1,325	399	2,807	–	–	4,531	–	4,531
Disposals	(125,749)	(285)	–	–	–	–	(126,034)	(82,530)	(208,564)
At 31 December 2013	58,583	107,879	14,323	31,099	7,693	–	219,577	10,408	229,985
Accumulated depreciation and amortisation:									
1 January 2012	10,799	68,193	7,087	11,982	–	–	98,061	4,421	102,482
Charge for the year	8,085	4,052	1,242	2,542	786	–	16,707	2,112	18,819
Written back on disposals	–	–	(139)	–	–	–	(139)	–	(139)
At 31 December 2012	18,884	72,245	8,190	14,524	786	–	114,629	6,533	121,162
1 January 2013	18,884	72,245	8,190	14,524	786	–	114,629	6,533	121,162
Charge for the year	7,352	4,454	1,295	3,443	2,564	–	19,108	1,794	20,902
Written back on disposals	(19,205)	(256)	–	–	–	–	(19,461)	(6,974)	(26,435)
At 31 December 2013	7,031	76,443	9,485	17,967	3,350	–	114,276	1,353	115,629
Net book value:									
At 31 December 2013	51,552	31,436	4,838	13,132	4,343	–	105,301	9,055	114,356
At 31 December 2012	165,448	34,594	5,734	13,768	6,907	–	226,451	86,405	312,856

12 Investments in Subsidiaries

	The Company	
	2013 RMB'000	2012 RMB'000
Unlisted investments, at cost	**100,529**	50,529

Details of subsidiaries of the Group are set out below:

Name of company	Place of incorporation and business	Type of entity	Particulars of Issued/paid up capital	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by a subsidiary	
Fuguiniao (Fujian) Shoes Clothes Co., Ltd.* ("Fuguiniao Fujian") (富貴鳥(福建)鞋服有限公司)	PRC	Limited liability company	HK$30,000,000	100%	75%	25%	Trading of shoes and business casual wear
Hong Kong Anywalk International Fashions Limited ("Anywalk Hong Kong")	Hong Kong	Limited liability company	10,000 shares of HK$1 each	100%	–	100%	Trading
Fuguiniao (HongKong) Limited ("Fuguiniao HongKong")	Hong Kong	Limited liability company	27,000,000 shares of RMB1 each	100%	100%	–	Investment holding and trading
Fuguiniao Sales Company Limited* ("Fuguiniao Sales") (富貴鳥銷售有限公司)	PRC	Limited liability company	RMB50,000,000	100%	100%	–	Trading

* The English translation of the companies' name is for reference only. The official names of these companies are in Chinese.

13 Income Tax in the Statements of Financial Position

(a) Current taxation in the statements of financial position

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Provision for PRC Corporate Income Tax	**89,746**	58,783	**89,634**	57,567
Provision for Hong Kong Profits Tax	**884**	–	**–**	–
	90,630	58,783	**89,634**	57,567

(b) Deferred tax assets recognised

The components of deferred tax assets recognised in the statements of financial position and the movements in 2012 and 2013 are as follows:

	The Group					
	Provision for doubtful debts RMB'000	**Provision for diminution in value of inventories** RMB'000	**Unrealised profits** RMB'000	**Accrued expenses** RMB'000	**Derivative financial instruments** RMB'000	**Total** RMB'000
At 1 January 2012	1,789	11	–	–	–	1,800
(Charged)/credited to profit or loss *(note 6(a))*	(1,789)	(11)	6,720	1,100	217	6,237
At 31 December 2012	–	–	6,720	1,100	217	8,037
At 1 January 2013	–	–	6,720	1,100	217	8,037
Charged to profit or loss *(note 6(a))*	–	–	(255)	(1,100)	(217)	(1,572)
At 31 December 2013	–	–	6,465	–	–	6,465

13 Income Tax in the Statements of Financial Position (Continued)

(b) Deferred tax assets recognised (Continued)

	The Company				
	Provision for doubtful debts RMB'000	**Provision for diminution in value of inventories** RMB'000	**Accrued expenses** RMB'000	**Derivative financial instruments** RMB'000	**Total** RMB'000
At 1 January 2012	1,258	11	–	–	1,269
(Charged)/Credited to profit or loss	(1,258)	(11)	1,100	217	48
At 31 December 2012	–	–	1,100	217	1,317
At 1 January 2013	–	–	1,100	217	1,317
Charged to profit or loss	–	–	(1,100)	(217)	(1,317)
At 31 December 2013	–	–	–	–	–

(c) Deferred tax liability not recognised

The Group is subject to PRC Corporate Income Tax on dividends receivable from its Hong Kong subsidiaries due to differential income tax rate. Deferred tax liability of RMB455,000 (2012: Nil) relating to such undistributed profit of the Company's Hong Kong subsidiaries were not recognised as the Company controls the dividend policy of the subsidiary. Based on the assessment made by management as at the end of the reporting period, it was determined that the undistributed profits of the Company's Hong Kong subsidiary would not be distributed in the foreseeable future.

14 Inventories

	The Group		The Company	
	2013 **RMB'000**	2012 RMB'000	**2013** **RMB'000**	2012 RMB'000
Raw materials	**108,112**	128,353	**108,112**	128,353
Work in progress	**50,677**	25,048	**50,677**	25,048
Finished goods	**87,346**	85,124	**43,387**	35,638
	246,135	238,525	**202,176**	189,039

14 Inventories (Continued)

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2013 **RMB'000**	2012 RMB'000
Carrying amount of inventories sold	**1,408,016**	1,279,878
Write back of provision for diminution in value of inventories	**–**	(45)
	1,408,016	1,279,833

15 Trade and Other Receivables

	The Group		**The Company**	
	2013 **RMB'000**	2012 RMB'000	**2013** **RMB'000**	2012 RMB'000
Trade receivable				
– third parties	**833,990**	352,272	**765,932**	316,517
– subsidiary	**–**	–	**136,410**	105,541
Bills receivable *(note (c))*	**1,200**	17,600	**1,200**	17,600
Trade and bills receivables *(note (a),(b))*	**835,190**	369,872	**903,542**	439,658
Prepayments to suppliers	**30,654**	11,237	**27,974**	10,874
Amount due from a subsidiary	**–**	–	**658,815**	4,026
VAT deductible	**6,329**	12,240	**–**	–
Other prepayments	**10,828**	14,638	**9,124**	14,405
Other receivables	**5,975**	20,435	**5,029**	20,277
	888,976	428,422	**1,604,484**	489,240

Trade and other receivables of the Group and the Company included deposits of RMB4,246,000 (2012: RMB3,003,000) which are expected to be recovered or recognised as expenses after more than one year. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

Amount due from a subsidiary of the Company is unsecured, non-interest bearing and repayable on demand.

15 Trade and Other Receivables (Continued)

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivables (which are included in trade and other receivables), based on invoice date and net of allowance for doubtful debts, is as follows:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Within 3 months	**649,525**	355,082	**702,877**	416,577
More than 3 months but within 6 months	**124,557**	10,456	**130,763**	18,747
More than 6 months but within 1 year	**59,878**	4,254	**68,672**	4,254
More than 1 year	**1,230**	80	**1,230**	80
	835,190	369,872	**903,542**	439,658

Trade receivables are normally due within 90 days from the date of billing. The Group sets a maximum revolving credit limit to each domestic distributor. In determining the amount of the credit limit, the Group takes into account the factors including the credit history, prior year's purchases, estimated purchases for the current year, funding required by that distributor to expand the retail network and market conditions. The Group generally evaluates the revolving credit limit of each domestic distributor annually upon renewal of the relevant distribution agreement. Further details on the Group's credit policy are set out in note 22(a).

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly (see note 1(h)(i)).

The movement in the provision for impairment of trade and bills receivables in 2012 and 2013 is as follows:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
At 1 January	**–**	9,207	**–**	4,957
Impairment loss written back	**–**	(9,207)	**–**	(4,957)
At 31 December	**–**	–	**–**	–

15 Trade and Other Receivables (Continued)

(b) Impairment of trade and bills receivables (Continued)

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is set out as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Neither past due nor impaired	**649,525**	355,082	**702,877**	416,577
Less than 3 months past due	**124,557**	10,456	**130,763**	18,747
More than 3 months past due	**61,108**	4,334	**69,902**	4,334
	835,190	369,872	**903,542**	439,658

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group.

Based on experience, management believes that no impairment allowance 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.

(c) Bills receivable

Bills receivable represented bank acceptance bills not matured.

As at 31 December 2013, the Group and the Company had discounted or endorsed bank acceptance bills with recourse of RMB184,310,000 (2012: RMB209,053,000). These bank acceptance bills matured within three or six months from the date of issue. As the Group only accepts bank acceptance bills from major banks in the PRC, management considered that the credit risk of these bills is minimal. Accordingly, the respective bills receivable are de-recognised upon discounting or endorsement of the bills.

16 Pledged Bank Deposits

	The Group and the Company	
	2013	2012
	RMB'000	RMB'000
Bank deposits pledged as security for:		
Bills payable *(note 19(a))*	**24,140**	–
Bank loans *(note 18)*	**7,500**	–
Foreign exchange forward contracts	**–**	2,213
	31,640	2,213

17 Cash and Cash Equivalents

(a) Cash and cash equivalents and fixed deposits at banks comprise:

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Deposits with banks within three months to maturity when placed	**432,795**	–	**432,795**	–
Cash at bank and in hand	**410,558**	362,784	**132,653**	335,468
Cash and cash equivalents	**843,353**	362,784	**565,448**	335,468
Deposits with banks with more than three months to maturity when placed	**604,358**	101,000	**204,358**	101,000
	1,447,711	463,784	**769,806**	436,468

At 31 December 2013, the cash and deposits of the Group and the Company that were placed with banks in the mainland China amounted to RMB898,465,000 (2012: RMB446,055,000) and RMB403,998,000 (2012: RMB436,224,000), respectively.

Remittance of funds out of mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(b) Reconciliation of profit before taxation to cash generated from operations:

	2013 RMB'000	2012 RMB'000
Profit before taxation	**593,312**	431,939
Adjustments for:		
Depreciation and amortisation	**21,432**	19,063
Write back of provision for impairment of trade receivables	**–**	(9,207)
Write back of provision for impairment of other receivables	**–**	(74)
Write back of provision for diminution in value of inventories	**–**	(45)
Interest expense	**23,539**	42,117
Net unrealised foreign exchange (gain)/loss	**(201)**	250
Interest income	**(9,628)**	(15,442)
(Gain)/loss on disposals of fixed assets	**(33,871)**	57
Gain on disposal of a subsidiary	**–**	(70)
Unrealised loss on forward foreign exchange contracts	**–**	871
Changes in working capital		
Increase in inventories	**(7,610)**	(61,407)
(Increase)/decrease in trade and other receivables	**(459,253)**	34,947
(Increase)/decrease in pledged deposits	**(21,927)**	3,681
Increase in trade and other payables	**42,157**	67,453
Cash generated from operations	**147,950**	514,133

17 Cash and Cash Equivalents (Continued)

(c) Major non-cash transactions during the year ended 31 December 2012

(i) During the year ended 31 December 2012, the Group purchased certain buildings and interest in leasehold land on which the buildings located from Fujian Shishi Fuguiniao Group Co., Ltd. ("Shishi Fuguiniao Group") at a consideration of RMB101,561,000, RMB101,561,000 of which was settled through offsetting the amount due from Shishi Fuguiniao Group upon the date of the transaction.

(ii) During the year ended 31 December 2012, the Company acquired 75% of interests in Fuguiniao Fujian at a consideration of RMB23,528,000 which was settled through offsetting the amount due from Shishi Fuguiniao Group upon the date of the transaction.

(iii) During the year ended 31 December 2012, dividend payable of RMB95,000,000 in respect of that declared by the Company in 2012 was net off against the amount due from Shishi Fuguiniao Group of the Company in accordance with an agreement entered into by Fuguiniao Group, Shishi Fuguiniao Group and the Company dated 27 January 2012.

18 Bank Loans

At 31 December 2013, the bank loans were repayable within one year as follows:

	The Group and the Company	
	2013	2012
	RMB'000	RMB'000
Bank loans		
– secured *(note 16)*	**7,369**	–
– guaranteed by related parties	**–**	359,000
– unsecured	**410,400**	–
	417,769	359,000

As at 31 December 2013, a bank loan of the Group and the Company was secured by pledged bank deposits of RMB7,500,000 (2012: RMB Nil) (see note 16).

19 Trade and Other Payables

	The Group		The Company	
	2013 **RMB'000**	2012 RMB'000	**2013** **RMB'000**	2012 RMB'000
Trade payables				
– third parties	**79,726**	175,287	**79,007**	175,230
– subsidiaries	**–**	–	**22,192**	–
Bills payable *(note (a))*	**120,700**	–	**120,700**	–
Trade and bills payables *(note (b))*	**200,426**	175,287	**221,899**	175,230
Receipts in advance	**10,499**	19,063	**7,706**	19,063
Amount due to subsidiaries	**–**	–	**59,866**	13,253
Amount due to a related party *(note 24(c))*	**2,268**	–	**2,268**	–
VAT and other taxes payable	**24,838**	9,571	**24,682**	9,456
Other payables and accruals	**56,934**	37,453	**52,009**	30,024
Derivative financial instruments *(note (c))*	**–**	871	**–**	871
	294,965	242,245	**368,430**	247,897

(a) All of the bills payable of the Group and the Company as at 31 December 2013 was secured by pledged bank deposits of RMB24,140,000 (2012: RMB Nil) (see note 16).

(b) An ageing analysis of the trade and bills payables based on the invoice date is as follows:

	The Group		The Company	
	2013 **RMB'000**	2012 RMB'000	**2013** **RMB'000**	2012 RMB'000
Within 3 months	**135,306**	169,815	**156,833**	169,758
More than 3 months but within 6 months	**62,803**	4,032	**62,851**	4,032
More than 6 months but within 1 year	**1,230**	1,430	**1,128**	1,430
More than 1 year	**1,087**	10	**1,087**	10
	200,426	175,287	**221,899**	175,230

(c) The amount represented the fair value of the foreign currency forward contracts entered into by the Group and the Company (see note 22(e)).

20 Employee Retirement Benefits

Defined contribution retirement plans

The Company and the PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the Company and the PRC subsidiaries are required to make contributions at the rate of 11% to 22% of the eligible salaries of eligible employees to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 (HK$20,000 prior to June 2012). Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

21 Capital and Reserves

(a) Movements in components of equity of the Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of movements in components of equity of the Group in 2012 and 2013 are set out below:

(i) On 25 April 2012, new shareholders of the Company injected capital of USD6,590,000 (equivalent to RMB41,493,000), including paid-in capital of USD3,070,000 (equivalent to RMB19,330,000) to the Company. The paid-in capital of the Company increased to USD38,390,000 (equivalent to RMB287,409,000) accordingly and the premium on the issue was credited to capital reserve of the Company.

(ii) On 13 March 2012 and 19 April 2012, Fuguiniao Fujian and Anywalk Hong Kong were transferred to the Group from Fuguiniao Group, respectively. The difference between Fuguniao Group's interest in the carrying amount of the assets and liabilities of Fuguiniao Fujian and Anywalk Hong Kong upon the date of transfers and the considerations paid by the Group to Fuguniao Group was dealt with in capital reserve of the Group according to the accounting policy set out in note 1(d).

(iii) On 29 June 2012, the Company converted into a joint stock limited liability company and 400,000,000 shares of RMB1.00 each were issued. The retained profits and statutory reserve of the Company upon the conversion were transferred to share capital and capital reserve of the Company accordingly under rules and regulations in respect of conversion to a joint stock limited liability company in the PRC.

(iv) The H shares of the Company were listed on the Stock Exchange on 20 December 2013, with a total number of 484,540,000 H shares, among which 133,340,000 (25% of the enlarged total number of shares of the company) were issued at HK$8.81 per share upon the initial public offering. The Group raised approximately HK$1,134,069,000 (equivalent to RMB895,041,000) in total, net of related listing expenses.

21 Capital and Reserves (Continued)

(b) Movements in components of equity of the Company

	Note	Capital/ share capital RMB'000	Capital reserve RMB'000 *Note21(e)(i)*	Statutory reserve RMB'000 *Note21(e)(ii)*	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2012		268,079	12,816	43,281	212,369	536,545
Changes in equity for 2012:						
Profit and total comprehensive income for the year		–	–	–	339,160	339,160
Appropriation to statutory reserve	*21(e)(ii)*	–	–	25,330	(25,330)	–
Capital injection	*21(a)(i)*	19,330	22,163	–	–	41,493
Conversion to joint stock limited liability company	*21(a)(iii)*	112,591	125,822	(43,281)	(195,132)	–
Dividends declared	*21(c)*	–	–	–	(100,000)	(100,000)
Balance at 31 December 2012 and 1 January 2013		400,000	160,801	25,330	231,067	817,198
Changes in equity for 2013:						
Profit and total comprehensive income for the year		–	–	–	434,919	434,919
Appropriation to statutory reserve	*21(e)(ii)*	–	–	43,491	(43,491)	–
Issue of H shares, net of listing expenses	*21(a)(iv)*	133,340	761,701	–	–	895,041
Dividends declared	*21(c)*	–	–	–	(200,000)	(200,000)
Balance at 31 December 2013		533,340	922,502	68,821	422,495	1,947,158

(c) Dividends

Dividends payable to equity shareholders of the Company attributable to the year

	2013 RMB'000	2012 RMB'000
Dividend declared	**–**	152,437
Interim dividend declared and paid of RMB0.5 per ordinary share	**200,000**	–
	200,000	152,437
Final dividend proposed after the end of the reporting period of RMB0.24 per ordinary share	**128,378**	–

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

21 Capital and Reserves (Continued)

(c) Dividends (Continued)

Dividends declared during the year ended 31 December 2012 represent dividend declared by the companies comprising the Group to their equity holders. The dividend per share for the year ended 2012 is not presented as such information is not meaningful having regards purpose of these financial statements.

(d) Share capital

	2013 **RMB'000**	2012 RMB'000
Ordinary shares, issued and fully paid		
Domestic shares of RMB1.00 each	**48,800**	48,800
Unlisted foreign shares of RMB1.00 each	**–**	351,200
H shares of RMB1.00 each		
– original foreign shares *(note 21(a)(iv))*	**351,200**	–
– shares issued upon initial public offering *(note 21(a)(iv))*	**133,340**	–
	533,340	400,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

On 15 January 2014, a total number of 1,569,200 H shares were issued at HK$8.81 per share upon the exercise of over-allotment option.

(e) Nature and purpose of reserves

(i) Capital reserve

Capital reserve mainly represented:

– the difference between the Group's interest in the net book value of an entity under common control of the shareholders that control the Group and the cost of consideration of acquisition of that entity;

– the difference between the nominal value of shares of the subsidiary acquired over the consideration paid by the Company thereafter;

– premium arising from capital injection from shareholders and conversion to joint stock limited liability company; and

– the share premium which is the difference between the total amount of the par value of 133,340,000 H shares issued for the initial public offering (the "IPO") and the net proceeds received from the IPO amounting to RMB895,041,000.

21 Capital and Reserves (Continued)

(e) Nature and purpose of reserves (Continued)

(ii) Statutory reserve

According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the Company Law of the PRC to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the Company and is non-distributable other than in liquidation.

(iii) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the mainland China which are dealt with in accordance with the accounting policies as set out in note 1(r).

(f) Distributable reserves

At 31 December 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Company Law of the PRC, were RMB422,495,000 (2012: RMB231,067,000). After the end of the reporting period, the directors proposed a final dividend of RMB0.24 per ordinary share (note 21(c)). This dividend has not been recognised as a liability at the end of the reporting period.

(g) Capital management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there were adequate working capital to service its debt obligations. The Group's gearing ratio, being the Group's total bank loans and other borrowings over its total equity, at 31 December 2013 was 22% (2012: 45%).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

22 Financial Risk Management and Fair Values

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and deposits with bank. Management has a credit policy in place and the exposures to the credit risks are monitored on an ongoing basis.

(i) Trade and other receivables

Credit evaluations are performed on customers requiring credit terms. These evaluations focus on the customer's history of making payments and current abilities to pay and take into account information specific to the customer as well as to the economic environment. Normally, the Group does not obtain collateral from customers. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 15.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 1% (2012: Nil) and 20% (2012: 14%) of the total trade and bills receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. As at 31 December 2013, the Group does not provide any guarantees which would expose the Group to credit risk.

In addition, as set out in note 15(c), as at 31 December 2013, the Group had discounted or endorsed certain bank acceptance bills with recourse amounted to RMB184,310,000 (2012: RMB209,053,000) and the respective receivables were de-recognised upon discounting or endorsement. The Group's maximum loss in case of default is the face value of the discounted bills. As the Group only accepts bank acceptance bills from major banks in the PRC, management considered that the credit risk of these bills is minimal.

(ii) Deposits with banks and forward contracts

The Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit rating and by entering into forward contracts with counterparties of sound credit standing and with whom the Group has a signed netting agreement. Given their high credit standing, management does not expect any counterparty to fail to meet its obligations.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

22 Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk (Continued)

All non-interest bearing financial liabilities of the Group are carried at amount not materially different from their contractual undiscounted cash flow as all the financial liabilities are with maturities within one year or repayable on demand at the end of the reporting period.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

	The Group		**The Company**	
	Total contractual undiscounted cash flow/ within 1 year or on demand RMB'000	**Carrying amount on consolidated statement of financial position RMB'000**	**Total contractual undiscounted cash flow/ within 1 year or on demand RMB'000**	**Carrying amount on statement of financial position RMB'000**
At 31 December 2013				
Bank loans	**431,050**	**417,769**	**431,050**	**417,769**
Trade and bills payables	**200,426**	**200,426**	**221,899**	**221,899**
Amount due to a subsidiary	**–**	**–**	**59,866**	**59,866**
Amount due to a related party	**2,268**	**2,268**	**2,268**	**2,268**
Other payables and accruals	**56,934**	**56,934**	**52,009**	**52,009**
	690,678	**677,397**	**767,092**	**753,811**

	The Group		The Company	
	Total contractual undiscounted cash flow/ within 1 year or on demand RMB'000	Carrying amount on consolidated statement of financial position RMB'000	Total contractual undiscounted cash flow/ within 1 year or on demand RMB'000	Carrying amount on statement of financial position RMB'000
At 31 December 2012				
Bank loans	368,697	359,000	368,697	359,000
Trade and bills payables	175,287	175,287	175,230	175,230
Amount due to a subsidiary	–	–	13,253	13,253
Other payables and accruals	37,453	37,453	30,024	30,024
Derivative financial instruments	871	871	871	871
	582,308	572,611	588,075	578,378

22 Financial Risk Management and Fair Values (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. Bank loans that are at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profiles as monitored by management is set out below.

The following table details the interest rate profile of the Group's and the Company's borrowings at the end of the reporting period:

	The Group and the Company			
	2013		2012	
	Effective interest rate	**Amount RMB'000**	Effective interest rate	Amount RMB'000
Fixed rate instruments:				
Bank loans	**2.54%~6.30%**	**417,769**	5.40%~7.54%	359,000

Fair value risk arising from these bank loans is considered insignificant given these loans have short maturities.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables and borrowings and cash balances that are denominated in a foreign currency other than RMB. The currencies giving rise to this risk are primarily Hong Kong dollars, United States dollars and Euros.

The Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rate, or entering into forward contracts to hedge against currency risk where necessary to address short-term imbalances. The forward contracts were entered in anticipation of forecasted export sale transactions.

22 Financial Risk Management and Fair Values (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk

The following table details the Group's and the Company's major exposure as at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date.

The Group

	2013				2012	
	United States Dollars RMB'000	**Euros RMB'000**	**Hong Kong Dollars RMB'000**	**RMB RMB'000**	United States Dollars RMB'000	Euros RMB'000
Cash and cash equivalents	**187**	**7,127**	**397,200**	**500,007**	3,005	6,528
Trade and other receivables	**9,468**	**52,790**	**158,815**	**8,493**	24,460	3,885
Bank loans and other borrowings	**(7,369)**	**–**	**–**	**–**	–	–
Trade and other payables	**(32,842)**	**(14,693)**	**–**	**–**	(444)	(351)
Notional amount of forward contracts	**(42,678)**	**(37,885)**	**–**	**–**	–	(58,223)
	(73,234)	**7,339**	**556,015**	**508,500**	27,021	(48,161)

The Company

	2013			2012	
	United States Dollars RMB'000	**Euros RMB'000**	**Hong Kong Dollars RMB'000**	United States Dollars RMB'000	Euros RMB'000
Cash and cash equivalents	**187**	**2,645**	**397,198**	3,005	3,410
Trade and other receivables	**9,468**	**42,845**	**158,815**	28,486	3,885
Bank loans and other borrowings	**(7,369)**	**–**	**–**	–	–
Trade and other payables	**(32,842)**	**(5,104)**	**–**	(444)	(351)
Notional amount of forward contracts	**(42,678)**	**(37,885)**	**–**	–	(58,223)
	(73,234)	**2,501**	**556,013**	31,047	(51,279)

22 Financial Risk Management and Fair Values (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's and the Company's profit after tax and equity that would arise if the foreign exchange rates to which the Group and the Company has significant exposure as at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

The Group

	2013			2012	
	Increase/ (decrease) in foreign exchange rates in %	**Effect on profit after tax RMB'000**	**Effect on equity RMB'000**	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after tax and equity RMB'000
United States Dollars	**1**	**(549)**	**(549)**	1	203
	(1)	**549**	**549**	(1)	(203)
Euros	**1**	**67**	**67**	1	(359)
	(1)	**(67)**	**(67)**	(1)	359
Hong Kong Dollars	**1**	**4,170**	**4,170**	–	–
	(1)	**(4,170)**	**(4,170)**	–	–
RMB	**1**	**5,085**	**–**	–	–
	(1)	**(5,085)**	**–**	–	–

The Company

	2013		2012	
	Increase/ (decrease) in foreign exchange rates in %	**Effect on profit after tax and equity RMB'000**	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after tax and equity RMB'000
United States Dollars	**1**	**(549)**	1	233
	(1)	**549**	(1)	(233)
Euros	**1**	**19**	1	(385)
	(1)	**(19)**	(1)	385
Hong Kong Dollars	**1**	**4,170**	–	–
	(1)	**(4,170)**	–	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes. As the Hong Kong Dollars is pegged to the United States Dollars, which is the functional currency of an overseas subsidiary of the Company, the assets or liabilities of the subsidiary denominated in Hong Kong Dollars are not included in the above exposure for sensitivity analysis.

22 Financial Risk Management and Fair Values (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group and the Company which expose the Group and the Company to foreign currency risk as at the end of the reporting periods which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2012.

(e) Fair values

As at 31 December 2013, the carrying amounts of the Group's and the Company's financial instruments are carried at amounts not materially different from their fair values because of the short maturities of these instruments.

The fair value of foreign currency forward contracts is categorised as level 1 of the fair value hierarchy as defined in IFRS13 – Fair Value Measurement, which was measured using quoted prices in active markets for similar financial instruments. The fair value of foreign currency forward contracts entered into by the Group and the Company was insignificant as at 31 December 2013.

23 Commitments

(a) Operating leases commitments

At 31 December 2012 and 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**20,311**	7,458	**17,035**	4,555
After 1 year but within 5 years	**23,525**	19,369	**19,213**	17,521
After 5 years	**–**	13,981	**–**	13,950
	43,836	40,808	**36,248**	36,026

The Group leases a number of properties under operating leases. The leases typically run for an initial period for one to ten years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

(b) Forward contracts

The Group and the Company have entered into the forward contracts with major banks in the PRC to hedge against the foreign currency risk. At 31 December 2012 and 2013, the notional amounts of the outstanding forward contracts have been disclosed in note 22(d)(i).

24 Material Related Party Transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

During the year, the directors are of the view that the following is a related party of the Group:

Name of party	Relationship
Fujian Shishi Fuguiniao Group Co., Ltd * ("Shishi Fuguiniao Group") 福建石獅市富貴鳥集團有限公司	Collectively owned by Mr Lam Wo Ping, Mr Lam Wo Sze, Mr Lam Kwok Keung and Mr Lam Wing Ho

* The English translation of the company's name is for reference only. The official name of the company is in Chinese.

(a) Key management personnel remuneration

Remuneration for senior management of the Group, excluding amounts paid to the directors and supervisors, is as follows:

	2013 RMB'000	2012* RMB'000
Salaries and other emoluments	**1,819**	1,764
Contributions to retirement benefit scheme	**2**	4
	1,821	1,768

* The amounts for the year ended 31 December 2012 include emoluments of the two senior management before the commencement of their directorship on 29 June 2012.

Remuneration of directors and supervisors is set out in note 7.

Total remuneration is included in "staff costs" (note 5(b)).

(b) Transactions with related parties

	2013 RMB'000	2012 RMB'000
Sales of products	**–**	347,640
Purchase of inventories	**–**	35,710
Interest income from related parties	**–**	10,294
Rental expenses in relation to property, plant and equipment	**2,578**	60
Purchase of fixed assets	**–**	119,233

In addition to the transactions set out above, on 28 October 2013, the Company entered into an agreement with Shishi Fuguiniao Group to disposal of certain buildings and interest in leasehold land held for own use under operating leases in the PRC at a consideration of RMB216,000,000.

Subsequent to the disposal, certain lease agreements were entered into between the Company and Shishi Fuguiniao Group on 1 November 2013 in relation to such buildings and interest in leasehold land.

24 Material Related Party Transactions (Continued)

(b) Transactions with related parties (Continued)

The leases with total rental paid or payable of RMB2,548,000 during the year constituted continuing connected transaction as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Continuing connected transaction" in the Report of the Directors.

(c) Balance with related party

	2013 RMB'000	2012 RMB'000
Non-trade related		
Rental payable to		
– Shishi Fuguiniao Group *(note 19)*	**2,268**	–

25 Non-Adjusting Events After the Reporting Period

Subsequent to the end of the reporting period, the Company issued additional H shares upon exercise of over-allotment option and the directors proposed a final dividend. Further details are set out in note 21(d) and note 21(c) respectively.

26 Immediate and Ultimate Controlling Party

As at 31 December 2013, the directors consider the immediate controlling party and ultimate controlling party to be Fuguiniao Group Limited which is incorporated in Hong Kong. This entity does not produce financial statements available for public use.

27 Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Relevant Periods

Up to the date of issue of those financial statements, the IASB has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in those financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to IFRS 10, *Consolidated financial statements, IFRS 12, Disclosure of interests in other entities and IAS 27 Separate financial statements – Investment entities*	1 January 2014
Amendments to IAS 36, *Impairment of assets – Recoverable amount disclosures for non-financial assets*	1 January 2014
IFRIC 21, *Levies*	1 January 2014
Annual improvements to IFRSs 2010-2012 cycle	1 July 2014
Annual improvements to IFRSs 2011-2013 cycle	1 July 2014

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group.