

# N&Q

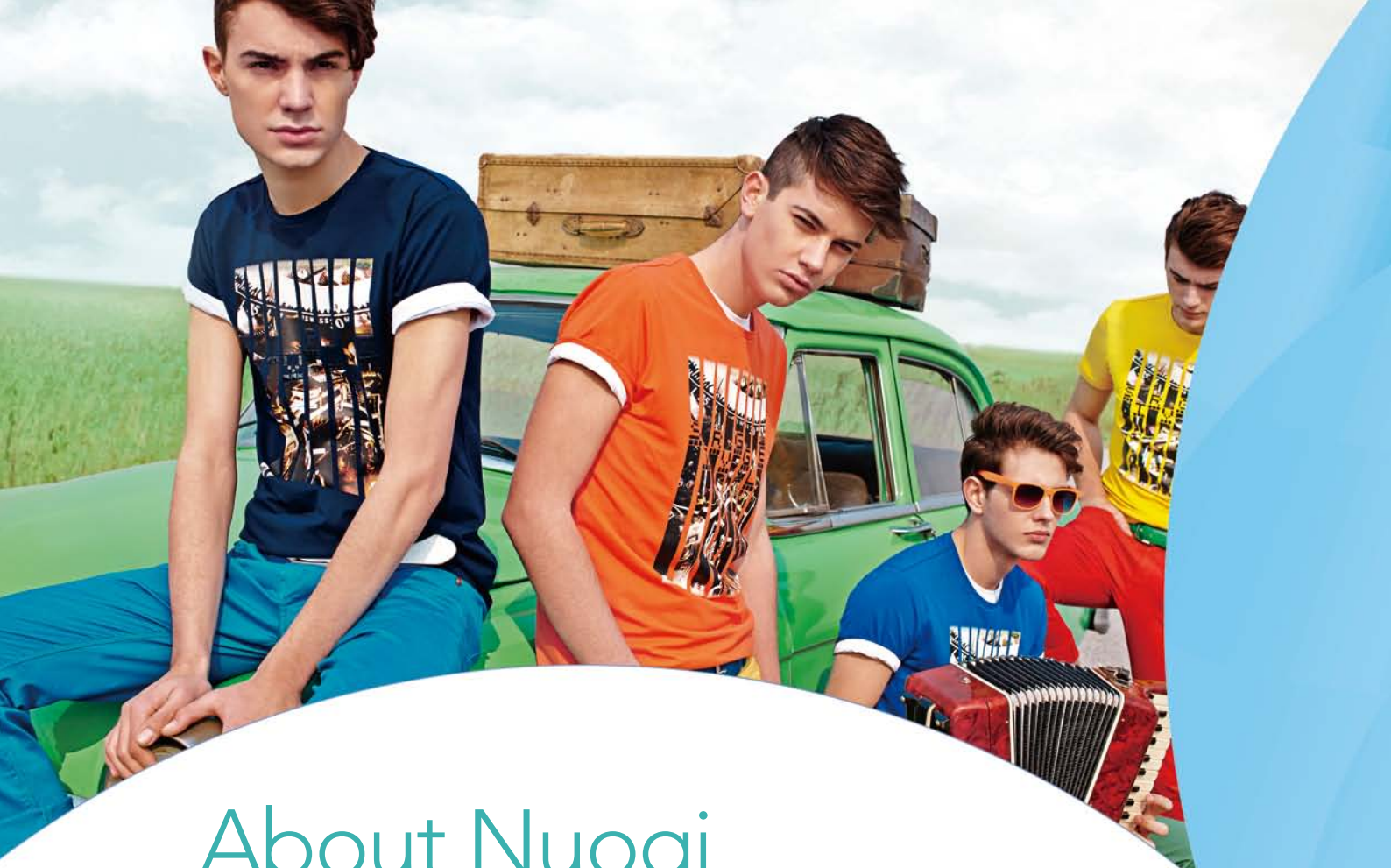
## 福建諾奇股份有限公司 Fujian Nuoqi Co., Ltd.

*(A Joint Stock Limited Liability Company Incorporated  
In The People's Republic of China)*

*Stock Code: 1353*



*Annual Report 2013*



# About Nuogqi

We are a rapidly expanding men's fashion casual wear apparel company in the PRC. We offer a wide range of men's fashion casual wear products such as jackets, sweaters, shirts, T-shirts, trousers, shoes and accessories under our own brand, N&Q. We are one of the earliest companies in the PRC to adopt a market-driven fast fashion business model that integrates key elements of the SPA model.



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Ding Hui (*Chairman and Chief Executive Officer*)  
 Mr. Ding Canyang  
 Mr. Chen Quanyi  
 Mr. Jin Wenge

### Non-executive Directors

Mr. Han Huiyuan  
 Ms. Ding Lixia

### Independent Non-executive Directors

Mr. Qi Xiaozhai  
 Mr. Kong Yuquan  
 Ms. Hsu Wai Man, Helen

## AUDIT COMMITTEE

Ms. Hsu Wai Man, Helen (*Chairman*)  
 Mr. Qi Xiaozhai  
 Mr. Kong Yuquan

## REMUNERATION COMMITTEE

Mr. Qi Xiaozhai (*Chairman*)  
 Mr. Chen Quanyi  
 Ms. Hsu Wai Man, Helen

## NOMINATION COMMITTEE

Mr. Kong Yuquan (*Chairman*)  
 Mr. Ding Canyang  
 Mr. Qi Xiaozhai

## SUPERVISORY COMMITTEE

Ms. Gu Tao (*Chairman and Employee Representative*)  
 Mr. Ye Yongguan  
 Ms. Guo Zhuojun

## COMPANY SECRETARY

Mr. Au Yeung Ho Yin *HKICPA, GradICSA*

## AUTHORISED REPRESENTATIVE

Mr. Ding Hui  
 Mr. Au Yeung Ho Yin, *HKICPA, GradICSA*

## INTERNATIONAL AUDITORS

Ernst & Young  
*Certified Public Accountants*

## LEGAL ADVISERS IN HONG KONG

Stephenson Harwood

## LEGAL ADVISER IN THE PRC

Fujian Junli Law Firm

## COMPLIANCE ADVISER

CCB International Capital Limited

## INVESTOR AND MEDIA RELATIONS CONSULTANT

Chord Financial Communication Limited

## REGISTERED OFFICE

No. 98 Chonghong Road  
 Economic and Technical Development Zone  
 Quanzhou  
 Fujian province  
 PRC

## PRINCIPAL PLACE OF BUSINESS IN PRC

Nuoqi Creative Enterprises Zone  
 No. 55 Chongwen Road  
 Economic and Technical Development Zone  
 Quanzhou  
 Fujian province  
 PRC

## PLACE OF BUSINESS IN HONG KONG

Room 1703, Euro Trade Centre  
 13-14 Connaught Road Central  
 Central  
 Hong Kong

## 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 BANKS

China Minsheng Banking Corp., Ltd.  
 The Bank of China  
 Industrial Bank Co., Ltd.

## COMPANY WEBSITE

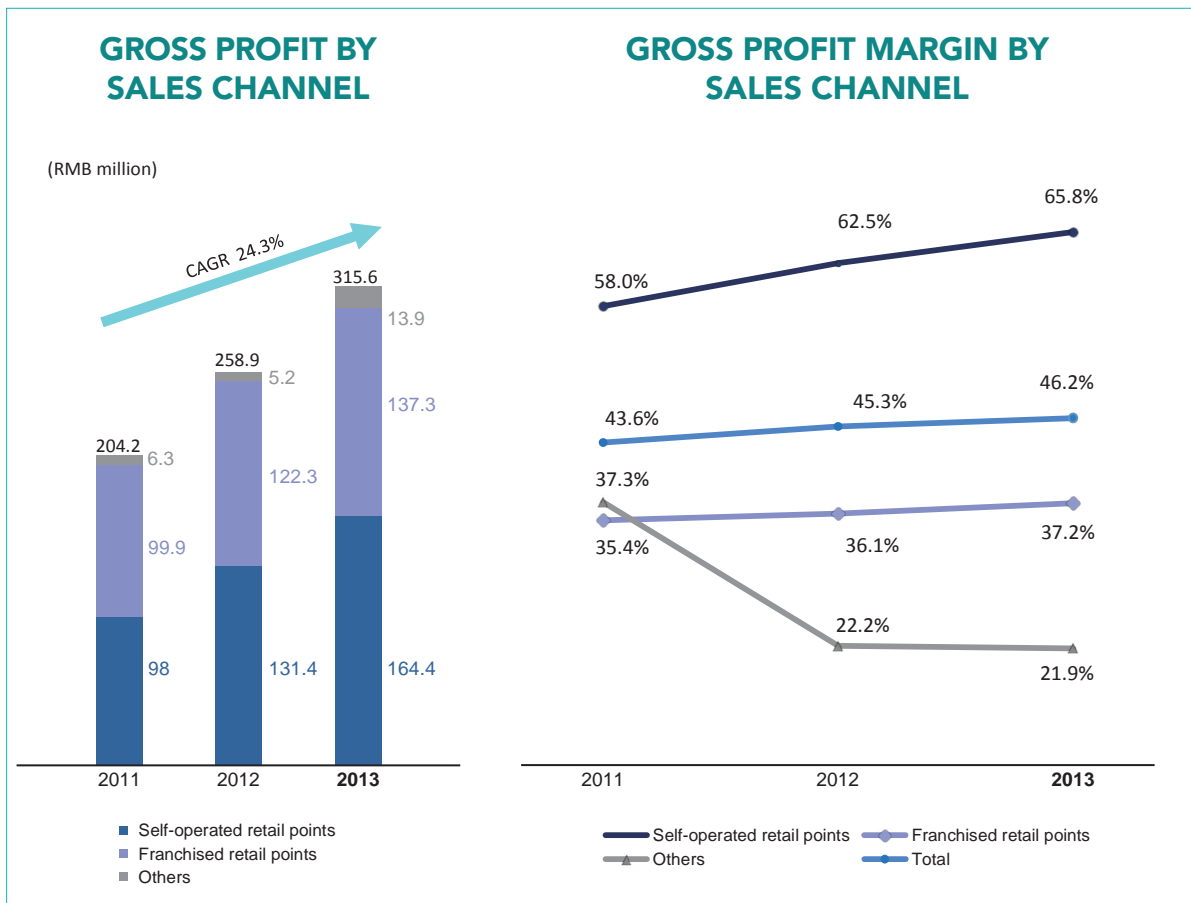
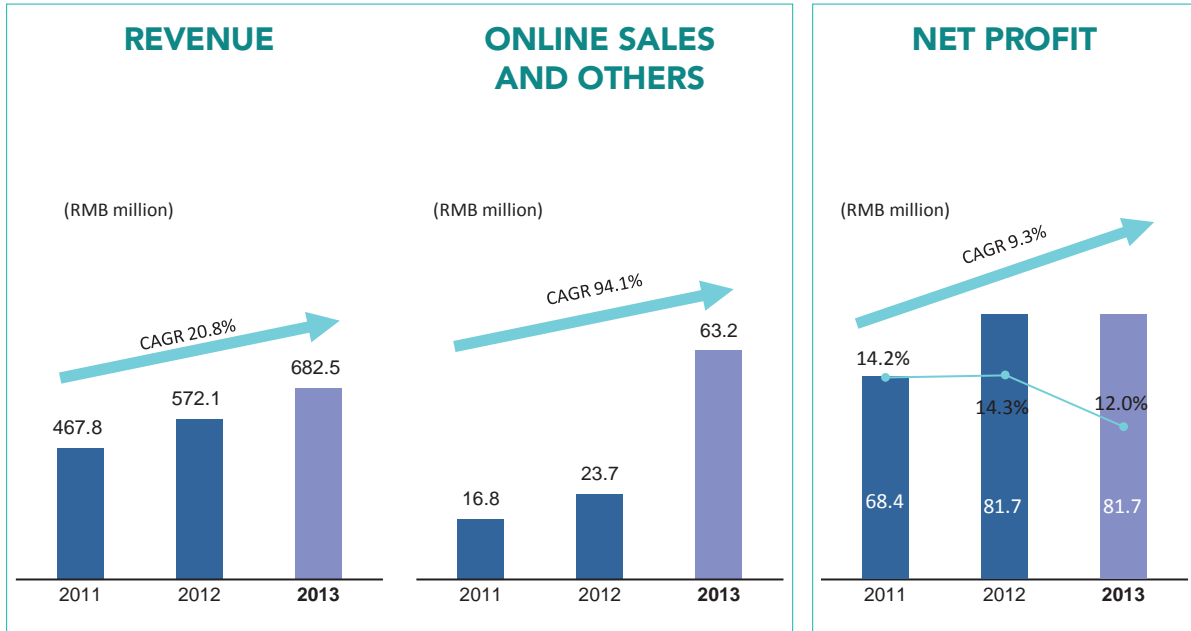
[www.nuoqi.com.hk](http://www.nuoqi.com.hk)

## STOCK CODE

1353

# Financial Highlights

For the year ended 31 December





“ Inherited  
Tradition  
and Create  
the Future ”

# Chairman's Statement

## Dear Shareholders,

First of all, on behalf of the Company, I would like to express my gratitude for your support and affirmation.

2013 was a challenging yet exciting year for us; after almost a decade of efforts, the Group not only has developed an extended men's fashion casual wear sales network throughout the PRC, but also successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited in January 2014, which turns a new page for the Company.

Looking at the development of the clothing market in the PRC, in recent years, men's apparel industry is facing problems including weak in global consumption and the slowdown of China's economy. Many apparel brands are trying to change their business model and diminish inventory; in addition, online sales of men's apparel become more popular, which divert the sales from conventional channel, and thus intensify the competition in the market. Many PRC apparel brand is facing the problem of lack of growing momentum and low profitability. Despite the fierce competition, we can see the market share of men's casual apparel in the PRC market is growing rapidly, while rapid urbanisation in the PRC gave rise to urban residents with growing fashion sense and significant purchasing power. This provides a favorable circumstance for the Company to further develop.

The Company as a PRC men's fashion casual wear apparel retailer, has adapted a fast fashion mode with membership program marketing approach since its establishment in 2004. We had started and promoted the membership program with a broad base of data. We develop and promote our strong customer membership programme to collect useful consumer information, such as spending history and preference, from our substantial membership base across our self-operated and franchised retail points. We



## Chairman's Statement

analyze and apply this consumer information in our product design, sales strategy and customer service. This helps us to further improve our competitive advantage. In 2011, we were selected as a case study in the Executive Master of Business Administration ("EMBA") programme at the Northwestern University's Kellogg School of Management, which was to a large extent an endorsement of the effectiveness of our customer relationship management and membership database under our customer membership programme. In 2008, our own branded apparel under the "N&Q" brand was launched to adopt a market-driven fast fashion business model. We are one of the earliest companies in the PRC to adopt a market-driven fast fashion business model that integrates key elements of the SPA model, which is adopted by various international fast fashion apparel retailers. We can closely track the real customer demand through the effective management and monitor at our retail points, and to quickly design, develop and supply the product.

We are currently operating a total of 490 self-operated and franchised retail points in the PRC, with approximately 1.2 million members. We have adopted a set of standard management practices for both our self-operated and franchised retail points. We have made a comprehensive guideline on retail point management, cover branding, visual merchandising, personnel recruiting, training and staff performance evaluation. We will continue operating under the market-driven fast fashion business model, closely tracking the demand and preference of customer through our IEAP system, to accurately identify the latest market trend. In order to reduce the risk of excessive inventory, we will continue our "6-2-2" procurement model. We typically plan to procure approximately 60% of our total estimated demand ahead of the upcoming season, approximately 20% during the season itself for our more popular products and products with strong potential sales growth based on actual consumer demand, and another approximately 20% for our best-selling products and products modified from existing best-selling products with new supplementary features in order to capture strong market demand. We have effectively managed our outsourced production process and monitored customer sales at retail points under our IEAP System, while closely tracking real customer demand. We believe such market-driven fast fashion business model is the trend, and is more suitable for the ever-changing customer market.

During the year under review, we have achieved a steady growth. The revenue of the Group amounted to RMB682.5 million, representing an increase of 19.3% over last year. The Group's gross profit increased by 21.9% to RMB315.6 million. Net profit grew 0.1%. Profit attributable to owners of the Company was RMB81.7 million. The Board recommended the payment of a final dividend of RMB5.0 cents per share.



## Chairman's Statement

We strive to move forward in 2014. We aim to maintain our growth in the PRC men's fashion casual wear market and enhance our overall competitiveness and market share. We plan to expand our retail network and geographical coverage of retail points, strategically increasing our penetration in Eastern China. We intend to increase the number of retail points in third- and fourth-tier cities in China, to enhance our market share as well as brand awareness. We will continue to adopt a set of standard management practices for both our self-operated and franchised retail points. In order to maintain the N&Q brand and image, we have set specific policies on the identification and selection of store sites, decoration and renovation, staff training and operating procedures. We plan to work with our e-commerce distributor to expand and develop our online retail business in different online platforms, further increase the portion of online sales. In addition to those third party e-commerce companies such as Tmall.com, JD.com, paipai.com, we and our e-commerce distributor are negotiating to cooperate with mobile shopping platform "weigou.qq.com". Meanwhile, we will promote online sales through our own smart phone application and B2C online platform. We will accelerate our market penetration with the integrated online and offline sales model. We will further expand our membership database and enhance our ability to use the membership database.

The outstanding results and steady growth of the Company were contributed by our teams, that having a common goal, willing to share and aiming to create. We are committed to develop N&Q into a leading appeal brand in the PRC, with an innovative business model and to create a better future which maximizing the returns for our shareholders, employees. We thank you for your support.

Yours Sincerely,

**Ding Hui**

*Chairman and Chief Executive Officer*

Quanzhou, PRC

28 March 2014

Management  
Discussion and Analysis

# 490

Retail Stores in China





# Management Discussion and Analysis

## MARKET REVIEW

The global economy in 2013 still remained uncertain. There's a slow recovery in the Europe Economy while US decided to withdraw from the quantitative easing program, resulting in fluctuation in the global stock market. China, being more and more influential in the global economy, is inevitably affected by the world's uncertain economy. China is experiencing a relatively slow growth in its GDP. The PRC Government has adopted various economic reforms to stabilize the economic growth.

Despite the global impact, China is still experiencing a rapid urbanization growth as well as the growth of disposable income. These create huge consumption power which is favorable to our industry. The menswear market in China is expected to maintain a strong growth. The fashion casual sector grew vigorously due to the increasing demand of consumers for stylish dresses under various occasions. On the other hand, brands of old fashion styles without fashionable design are experiencing a decrease in their market share and are gradually driven out of the market.

## FINANCIAL REVIEW

### Revenue

The Group derives revenue from (i) retail sales to end customers in self-operated retail points; (ii) wholesale to franchisees at a discount to the retail price, which in turn sell products to end customers through the retail points; and (iii) online sale at wholesale price.

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
<b>Apparel</b>		
<i>Self-operated retail points</i>		
Revenue (RMB'000)	221,478	182,768
Sales volume ('000)	815	784
Average selling price	272	233
<i>Franchised retail points</i>		
Revenue (RMB'000)	319,257	290,071
Sales volume ('000)	2,099	1,932
Average selling price	152	150
<b>Footwear</b>		
<i>Self-operated retail points</i>		
Revenue (RMB'000)	19,037	17,841
Sales volume ('000)	60	64
Average selling price	317	279
<i>Franchised retail points</i>		
Revenue (RMB'000)	31,301	32,506
Sales volume ('000)	153	174
Average selling price	205	187

# Management Discussion and Analysis

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
<b>Self-operated retail points</b>		
<i>Stand-alone stores</i>		
Revenue (RMB'000)	150,762	160,756
% of total revenue	22.1%	28.1%
Number of retail points	55	56
Average revenue per store (RMB'000)	2,741	2,871
<i>Department store concession counters</i>		
Revenue (RMB'000)	85,901	49,255
% of total revenue	12.1%	8.6%
Number of retail points	184	142
Average revenue per store (RMB'000)	467	347
<i>Stores under cooperative arrangement</i>		
Revenue (RMB'000)	13,195	–
% of total revenue	2.0%	0.0%
Number of retail points	10	–
Average revenue per store (RMB'000)	1,320	–
<b>Subtotal of self-operated retail points</b>		
Revenue (RMB'000)	249,858	210,011
% of total revenue	36.7%	36.7%
Number of retail points	249	198
Average revenue per store (RMB'000)	1,003	1,061
<b>Franchised retail points</b>		
Revenue (RMB'000)	369,380	338,461
% of total revenue	54.1%	59.2%
Number of retail points	241	222
Average revenue per store (RMB'000)	1,533	1,525
<b>Online sales</b>		
Revenue (RMB'000)	62,376	22,611
% of total revenue	9.1%	4.0%
<b>Other channels</b>		
Revenue (RMB'000)	852	1,055
% of total revenue	0.1%	0.1%
<b>Total</b>		
<b>Revenue (RMB'000)</b>	<b>682,466</b>	<b>572,138</b>
<b>Number of retail points</b>	<b>490</b>	<b>420</b>

## Management Discussion and Analysis

Our revenue increased to RMB682.5 million for the year ended 31 December 2013 from RMB572.1 million for the year ended 31 December 2012, which represented an increase of approximately RMB110.4 million or 19.3%. The overall increase in sales for the year ended 31 December 2013 as compared to the year ended 31 December 2012 was mainly driven by the continuous expansion of our retail sales network mainly from our self-operated department store concession counters and franchised retail points; and partially the increase in the average selling prices of our products as we further enhanced our brand recognition and our product offering became more mature.

Our revenue from self-operated retail points increased to RMB249.9 million for the year ended 31 December 2013 from RMB210.0 million for the year ended 31 December 2012, which represented an increase of approximately RMB39.9 million, or 19.0%, primarily due to (i) increase in sales from our department store concession counters to RMB85.9 million for the year ended 31 December 2013 from RMB49.3 million for the year ended 31 December 2012 due to our increased sales volume as a result of our increased brand recognition and more matured product offering following the strengthening of the presence of our department store concession counters in new and existing markets; and (ii) increase in sales from our new stores under cooperative arrangement of RMB13.2 million for the year ended 31 December 2013; partially offset by the decrease in sales from our stand-alone stores to RMB150.8 million for the year ended 31 December 2013 from RMB160.8 million for the year ended 31 December 2012 as we strived for optimizing and consolidating our stand-alone stores. As part of the expansion strategy, we established 6 self-operated stand-alone stores, 66 department store concession counters, 13 stores under cooperative arrangement during the year ended 31 December 2013.

Our revenue from franchised retail points increased to RMB369.4 million for the year ended 31 December 2013 from RMB338.5 million for the year ended 31 December 2012, which represented an increase of approximately RMB30.9 million, or 9.1%, as a result of the increase in the number of franchised retail stores. As part of the expansion strategy, we established 62 new franchised retail points during the year ended 31 December 2013.

Our average revenue per store for our stand-alone stores slightly decreased from the year ended 31 December 2012 to the year ended 31 December 2013 because some of our stand-alone stores were closed down during the year and several newly established retail points only commenced operation and recorded revenue in November and December 2013.

Our average revenue per store for our department store concession counters and the franchised retail points increased from the year ended 31 December 2012 to the year ended 31 December 2013 because of our increased sales volume as a result of our increased brand recognition and more matured product offering following the strengthening of the presence of our department store concession counters and franchised retail points in new and existing markets.

The revenue from our online sales increased to RMB62.4 million for the year ended 31 December 2013 from RMB22.6 million for the year ended 31 December 2012 which represented an increase of approximately RMB39.8 million, or 175.9%, as we further increased our online sales to a third-party e-commerce distributor.

	Year ended 31 December			
	2013		2012	
	Revenue RMB'000	% of total revenue	Revenue RMB'000	% of total revenue
Apparel	603,860	88.5%	496,279	86.7%
Footwear	50,396	7.4%	50,417	8.8%
Accessories	28,210	4.1%	25,442	4.5%
Total	682,466	100.0%	572,138	100.0%

## Management Discussion and Analysis

The proportion of contribution by apparel product category to our total revenue continued to grow to 88.5% for the year ended 31 December 2013 from 86.7% for the year ended 31 December 2012 because we continued to focus on the development and sale of our apparel products especially on the online retail platform.

### Cost of Sales, Gross Profit and gross profit margin

	Year ended 31 December			
	2013		2012	
	Gross profit RMB'000	Gross profit margin	Gross profit RMB'000	Gross profit margin
<b>Gross profit</b>				
Self-operated retail points	164,386	65.8%	131,356	62.5%
Franchised retail points	137,318	37.2%	122,292	36.1%
Others (mainly online sales)	13,876	21.9%	5,245	22.2%
	<b>315,580</b>	<b>46.2%</b>	258,893	45.3%

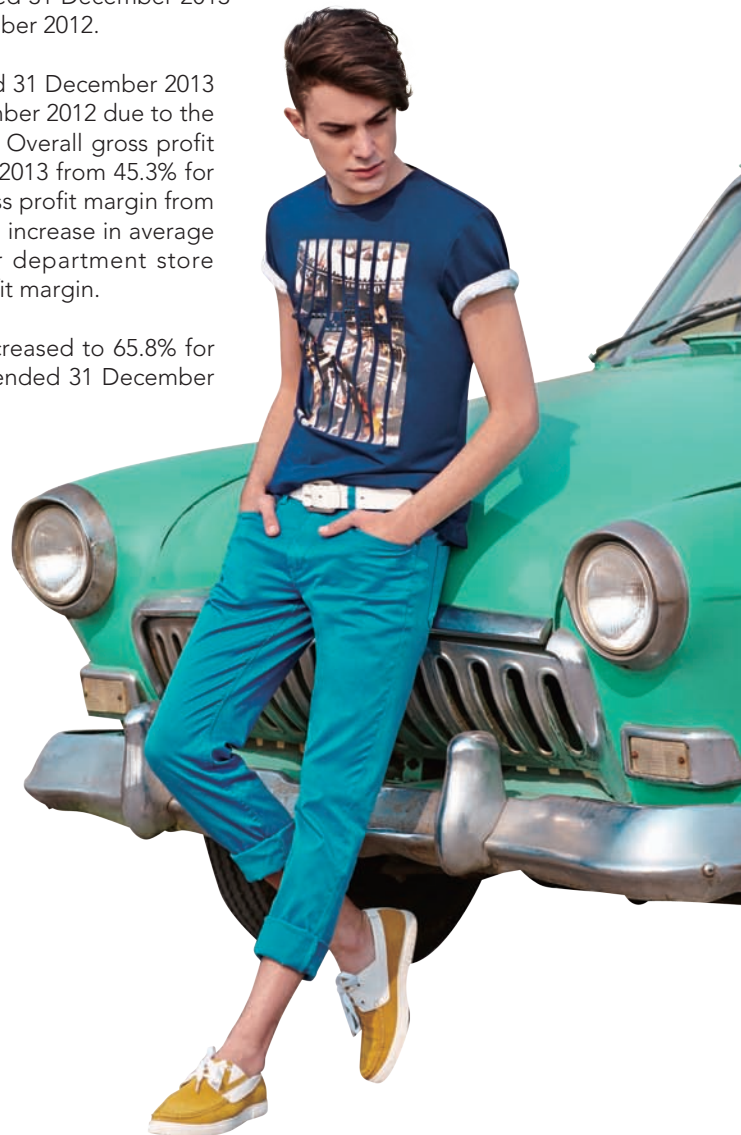
Cost of Sales increased to RMB366.9 million for the year ended 31 December 2013 by 17.1% from RMB313.2 million for the year ended 31 December 2012.

Gross profit increased to RMB315.6 million for the year ended 31 December 2013 by 21.9% from RMB258.9 million for the year ended 31 December 2012 due to the increase in revenue and improvement in gross profit margin. Overall gross profit margin increased to 46.2% for the year ended 31 December 2013 from 45.3% for the year ended 31 December 2012 due to the increase in gross profit margin from the sales of our self-operated retail points as a result of (i) the increase in average retail selling price; and (ii) the increase in sales from our department store concession counters, which generally have a higher gross profit margin.

The gross profit margin of our self-operated retail points increased to 65.8% for the year ended 31 December 2013 from 62.5% for the year ended 31 December 2012. The increase in the gross profit margin of our self-operated retail point is primarily as a result of the general increase in the average selling prices of our apparel products as our products become more established and more consumers recognized our brand.

The gross profit margin of our franchised retail points increased to 37.2% for the year ended 31 December 2013 from 36.1% for the year ended 31 December 2012 primarily due to a general increase in the average wholesale prices of our apparel products to franchisees following the increase in the average retail selling prices of our apparel products.

The lower gross profit margin of our online sales for the year ended 31 December 2013 was primarily because the products we sold to a third party e-commerce distributor were at wholesale prices and certain out-of-season products were sold at discounted prices to attract online customers.



# Management Discussion and Analysis

## Other Income

Other income consists primarily of membership fees of our customer membership programme, government grants and subsidies, management commission income, rental income and others. The increase in other income to RMB17.9 million for the year ended 31 December 2013 by 115.7% from RMB8.3 million for the year ended 31 December 2012 was primarily due to the increase in our management commission income, and government grants and subsidiaries. We received management commission income from certain third party franchisees and partners of stores under cooperative arrangement on a monthly basis, which were calculated as certain percentage of the store annual sales revenue since 9 May 2012 in return for our contribution to the management of relevant franchised retail points. The management commission was initially estimated with reference to the store monthly sales revenue and adjusted in each year according to the store actual annual sales revenue for the year. As at 31 December 2013, we have charged 178 franchised retail points and 10 stores under cooperative arrangement for management commission income. The increase in government grant and subsidies was related to: (i) local tax contribution; (ii) development of the business model; and (iii) attracting investment in selected industries and participation in business events.





# Management Discussion and Analysis

## Selling and Distribution Costs

Selling and distribution costs consist primarily of salaries and benefits for our sales and marketing staff; store concession fees for department store concession counters and store spaces; and advertising and promotion expenses. Our selling and distribution costs increased to RMB137.2 million for the year ended 31 December 2013 by 32.1% from RMB103.9 million for the year ended 31 December 2012 primarily due to the (i) the increase in store concession fees and promotion campaign as a result of our expanded retail network of department store concession counters; (ii) the increase in salaries and staff benefits for our sales and marketing staff; and (iii) the increase in advertising and promotion expenses. For each of the years ended 31 December 2013 and 31 December 2012, our selling and distribution costs were approximately 20.1% and 18.2% of our total revenue, respectively.



## Management Discussion and Analysis

### Administrative Expenses

Administrative expenses consist primarily of salaries and benefits for our administrative staff; research and development costs for our product research and development, as well as our product design (including research and development staff cost); rental expenses for our offices, expenses in relation to our Global Offering and other administrative expenses. Our administrative expenses increased to RMB76.7 million for the year ended 31 December 2013 by 61.8% from RMB47.4 million for the year ended 31 December 2012 primarily due to (i) the listing expenses of RMB18.9 million recognised in relation to the Global Offering; (ii) the increase in salaries and benefits for our administrative staff as we expanded our business and increased the head-count of our administrative staff; and (iii) the increase in research and development costs for our product research and development, as well as product design. For the year ended 31 December 2012 and 31 December 2013, our administrative expenses were approximately 8.3% and 11.2% of our total revenue, respectively. Excluding the listing expenses of RMB19.3 million charged for the year ended 31 December 2013, administrative

expenses accounted for approximately 8.5% of the Group's revenue for the same period that remains stable compared to that for the year ended 31 December 2012.



### Finance Costs, net

Net finance costs mainly represented interest expenses on our bank borrowings net of interest income. Our net finance costs increased to approximately RMB8.6 million for the year ended 31 December 2013 from approximately RMB7.0 million for the year ended 31 December 2012, primarily due to the increase in interest expenses on our bank borrowing as a result of our increased average bank borrowings to support our business expansion, which was offset by the increase in bank interest income as a result of our increased bank balance from operation.

### Income Tax Expense

Income tax expense increased to RMB29.2 million for the year ended 31 December 2013 by 7.7% from RMB27.1 million for the year ended 31 December 2012. The effective tax rate increased to 26.3% for the year ended 31 December 2013 from 24.9% for the year ended 31 December 2012.

# Management Discussion and Analysis

## Profit Attributable to Ordinary Equity Holders of the Company

Net profit for the year remained stable at RMB81.7 million for the year ended 31 December 2013 and year ended 31 December 2012. Net profit margin decreased to 12.0% from 14.3%. Excluding the effect of the expenses in relation to the Global Offering, the net profit margin would be 14.7%, which improved slightly from 14.3% for the year ended 31 December 2012.

## BUSINESS REVIEW

### SPA model

We have been innovatively integrating the key elements of the SPA model in our business operation. We are one of the earliest companies in the PRC to adopt a market-driven fast fashion business model that integrates key elements of the SPA model. We focus on the management of retail points and integration of key components of the retail and supply chain such as product planning and design, production and quality control, logistics and sales. Under our business model, we develop and promote our strong customer membership programme to collect useful consumer information from our substantial membership base across our self-operated and franchised retail points. We analyse and apply this consumer information (including spending history and preferences) in our product design and development. Through these steps, we are able to identify the latest market needs and changing consumer trends so as to quickly design, develop and bring new commercially viable and popular products to market.

As at 31 December 2013, we had developed a strategic network of 490 retail points across China, comprising 249 self-operated retail points and 241 franchised retail points. These self-operated retail points comprised department store concession counters, stand-alone stores and stores under cooperative arrangement. We believe that a network comprising a mix of both self-operated and franchised retail points is critical to the success of our business. Our franchisees bring local market knowledge that contributes to the success of our retail points in new markets. We have adopted a set of standard management practices for both our self-operated and franchised retail points. Our comprehensive guidelines on retail point management cover branding, visual merchandising, personnel recruiting, training and staff performance evaluation. We also have specific policies governing the use of our N&Q brand, product image and positioning, the identification and selection of store sites, decoration and renovation, and new store opening procedures.

Although there has been a slowdown of economic growth and weak consumer sentiment, we continued to experience strong growth and capture strong demands for our products. We intend to strengthen our presence in Eastern China and continue to establish more retail points in third- and fourth-tier cities in the PRC. We also intend to further expand our sales network in cities where we currently have no or limited presence but where we anticipate will have significant growth potential.

Our business model allows our retail points to order products in smaller batches throughout the season according to the market demand, as opposed to placing a single large order pre-season. Under our “6-2-2” procurement model, we typically plan to procure approximately 60% of our total estimated demand ahead of the upcoming season, approximately 20% during the season itself for our more popular products and products with strong potential sales growth based on actual consumer demand, and another approximately 20% for our best-selling products and products modified from existing best-selling products with new supplementary features in order to capture strong market demand. We have effectively managed our outsourced production process and monitored customer sales at retail points under our IEAP System, while closely tracking real customer demand. Our procurement model also allows us to reduce the risk of excessive inventory.

# Management Discussion and Analysis

## Management Information System

Our IEAP System, an integrated management information system, improves the management of our supply chain and retail points. Our management information system provides us with immediate access to inventory, sales and other operational data at our self-operated and franchised retail points. As a result, we are able to make informed decisions on production planning, sales and marketing and inventory management based on this real-time data. Our management information system also allows us to monitor and coordinate the procurement and delivery of our inventory between our warehouses and retail points on a real time basis.

## Customer Membership Programme

We have developed an attractive customer membership programme which had as at 31 December 2013 approximately 1.2 million registered members accumulated since its establishment. For the year ended 31 December 2013, we had approximately 518,000 members who purchased at our retail points on average for 2.18 times per year and on average spent RMB 656 per purchase, and retail sales to these members amounted to RMB740.9 million at our self-operated and franchised retail points, based on retail prices net of discounts. We offer membership benefits such as product discounts, fashion advice, sales previews, personal invitations to our member-only events and miscellaneous gifts. Our large customer base provides us with a reliable source to gather useful market and customer information which we have applied in the design and development of our new products, customer services, and sales and marketing activities. We generate a significant portion of our revenue from sales to members of our customer membership programme.

## Working capital management

### *Inventories*

Our inventories consist of mainly finished goods as we procure all of our inventory from our OEM and ODM suppliers. Finished goods consist primarily of finished products in our warehouses and self-operated retail points.

We conduct semiannual physical stock counts and formulate our inventory control policy, taking into account a number of factors, including, among others, (i) ages, quantities and marketability of inventories; (ii) retail prices of finished goods; (iii) discounted retail sales under different circumstances; and (iv) relevant cost of sales as well as selling and distribution costs. We apply different promotion rates mainly ranging from 40% to 90% to our retail prices with reference to ages of the inventory and subtract any expected expenses and costs to arrive the net realisable value ("NRV") of the products. We then compare the NRV against our inventory at cost and make inventory provision accordingly.

Our average inventory turnover days remained stable at 111.5 days for the year ended 31 December 2013 as compared to 111.6 days for the year ended 31 December 2012.

### *Trade receivable*

Our trade receivables primarily consist of receivables from department stores relating to concession sales, and receivables from franchisees. Our average turnover days of trade and bills receivables remained stable at 40.2 days for the year ended 31 December 2013, as compared to 40.4 days for the year ended 31 December 2012.

### *Trade and bills payable*

Our trade and bills payables consist primarily of payables to OEMs and ODMs. Our average turnover days of trade and bills payables were 38.4 days for the year ended 31 December 2013, representing an increase of 17.5 days as compared to 20.9 days for the year ended 31 December 2012. The increase of average trade and bills payables turnover days was attributable to the use of bills payables, which usually had a longer settlement period, to settle our purchases with OEMs and ODMs.

# Management Discussion and Analysis

## Liquidity, financial resources and capital structure

As at 31 December 2013, the Group had net current assets of RMB303.5 million (2012: RMB253.5 million) of which cash and cash equivalents were RMB350.4 million (2012: RMB198.1 million). Total bank borrowings as at 31 December 2013 were RMB239.0 million (2012: RMB154.8 million) while bills payable were RMB32.0 million (2012: RMB5.0 million). Bank borrowings and bills payable were mainly used for working capital management and/or financing purchase settlement. The Group's gearing ratio as at 31 December 2013 (total bank borrowings divided by total equity) was 49.5% (2012: 38.6%). The Group's liquidity position remains strong and the Group has sufficient cash and available banking facilities to meet its capital expenditure and working capital requirements as a result of expanded business.

## Foreign Currency Risks

The Group's operations are wholly carried out in the PRC, with all transactions settled in Renminbi. The reporting currency of the Group is Renminbi. All of the Group's cash and bank deposits are denominated in Renminbi. However, the Group may pay dividends in Hong Kong dollars.

The Group has not entered into any foreign exchange contracts to hedge against the fluctuations in exchange rate between Renminbi and Hong Kong dollars. However, the Group monitors foreign exchange exposure regularly and will consider if there is a need to hedge against significant foreign currency exposure when necessary. Any significant exchange rate fluctuations of foreign currencies against Renminbi could have had financial impact on the Group.

## Contingent Liabilities

As at 31 December 2013, the Group had no material contingent liabilities.

## Capital Commitments

As at 31 December 2013, the Group had total capital commitments of RMB292.5 million, primarily related to the costs of construction of our product centre in Shanghai for product design and development, procurement, and production quality control.

## Pledge of Assets

As at 31 December 2013, deposits with certain banks totaling RMB8.8 million (2012: RMB0.5 million) were pledged as securities for bills payable (2012: bills payable). The pledged bank deposits will be released upon the settlement of relevant bills payable.

In addition, the bank loans were secured by the land use right of a piece of land located at 泉州經濟技術開發區C-09號 with a carrying amount of RMB11,029,000 (2012: RMB11,265,000).

## Human Resources Management

We are devoted to recruiting and training quality personnel. We recruit talents from universities and technical schools. We provide a wide range of in-house and on-going trainings and development opportunities to our employees. The Group offers competitive remuneration packages to our employees based on individual and the Group's performance as a mean of rewarding and retaining high-calibre employees.

We have confirmed with the relevant social insurance authorities and housing fund authorities in Quanzhou and Jinjiang, Fujian province and Shanghai that we continue to be in compliance with the applicable laws and regulations, regulatory documents and the general practice of local industry in relation to social insurance contribution and housing fund.

# Management Discussion and Analysis

## FUTURE PROSPECT

After listing on the Main Board of the Stock Exchange in January 2014, the Group aimed to turn a new page in 2014. The Group aims to maintain steady growth in PRC men's fashion casual wear market and enhance the overall competitiveness and market share.

In order to achieve this, the Group will expand the strategic retail network and geographical coverage of retail points. The Group will increase market share through further penetration in existing markets in Eastern China, as well as the expanding the geographical coverage of our retail points in other parts of China. The Group will also increase the number of retail points in third- and fourth-tier cities which has increasing purchasing power.

The application and increasing popularity of smart phone as well as other mobile devices which enable people to use internet anytime in anywhere is changing the consumption pattern. We believe that online retailing will be an upcoming channel of sales, as online retailing makes shopping easier with the growing sophistication of the e-commerce system. The Group thus plans to expand and develop online retail business through different online platforms and online mobile application to further increase the sales from the sector of online retailing. As mentioned, the Group sells our products to an e-commerce distributor, which in turn markets and sells our products to consumers through online retail shops hosted on several well-known PRC online retail websites such as Taobao.com, Tmall.com and Paipai.com, and has recorded satisfactory sales from them. To further boost the sales of this sector, the Group and our e-commerce distributor are negotiating to cooperate with online shopping platform "weigou.qq.com" and to develop and promote its own mobile application "N&Q mobile app" which enables customers to purchase our products directly online. With the integration of online and offline sales model, the Group aims to increase our market share in a relatively fast pace.

To achieve synergy, diversify product offering and increase market share, the Group intends to introduce women's wear products in 2016 by leveraging the data from our customer membership programme, established management information system and supply chain management.

Last but not least, the customer membership programme and its substantial member base offer significant competitive advantages, the Group thus plans to further expand customer base by converting a higher percentage of first time customers to join as members and ensuring the stickiness of existing members. The Group will enhance its ability to analyse and apply customer information in the membership database by developing more analytical data mining methods and software to obtain a more detailed breakdown and perform more sophisticated analyses of our customer information and sales data.

# Corporate Governance Report

## CODE OF CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. Since the Listing Date and up to the date of this report, the Company has complied with the code provisions under the Code, except for the deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive officer to be separate and not performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarised below.

Pursuant to code provision A.2.1 of the Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and Mr. Ding Hui currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry by the Company to all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code since the Listing Date and up to the date of this Report.

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

## BOARD OF THE DIRECTORS

### Board Composition

The Board of the Company is currently constituted by nine members, including four executive Directors, two non-executive Directors and three independent non-executive Directors.

# Corporate Governance Report

The composition of the Board is as follows:

*Executive Directors:*

Mr. Ding Hui<sup>1</sup> (*Chairman & Chief Executive Officer*)

Mr. Ding Canyang<sup>2</sup>

Mr. Chen Quanyi

Mr. Jin Wenge

*Non-executive Directors:*

Mr. Han Huiyuan

Ms. Ding Lixia<sup>3</sup>

*Independent Non-executive Directors:*

Mr. Qi Xiaozhai

Mr. Kong Yuquan

Ms. Hsu Wai Man, Helen

*Notes:*

1. Mr. Ding Hui is the brother of Mr. Ding Canyang and Ms. Ding Lixia.
2. Mr. Ding Canyang is the brother of Mr. Ding Hui and Ms. Ding Lixia.
3. Ms. Ding Lixia is the sister of Ding Hui and Ding Canyang.

The biographical information of the Directors are set out on pages 31 to 34 of this annual report.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group.

## **Function**

The Board is responsible for the oversight of the management of the Company's business and affairs with the objective of enhancing shareholder value.

The Board is also responsible for performing corporate governance duties including the developing, reviewing and monitoring of the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and compliance manual applicable to employees and Directors.

Daily operations, business strategies and administration are delegated to the executive Directors and the management with divisional heads responsible for different aspects of the business. When the Board delegates different aspects of its management and administrative functions to the senior management, it has given clear directions in relation to the scope of powers of the senior management. Although the Board is not involved in the Company's day-to-day operations, it does have a formal schedule of matters reserved for its own decision, as defined in its terms of reference, which are available on the Company's website.



# Corporate Governance Report

## Board Meetings

From the Listing Date and up to the date of this Report, 3 meetings were held by the Board and the Directors did not authorize any alternate Director to attend Board Meeting. The attendance record of each Director is set out below:

Name of Board members	Number of attendance	Number of meetings
<i>Executive Directors:</i>		
Mr. Ding Hui	3	3
Mr. Ding Canyang	3	3
Mr. Chen Quanyi	3	3
Mr. Jin Wenge	3	3
<i>Non-executive Directors:</i>		
Mr. Han Huiyuan	3	3
Ms. Ding Lixia	3	3
<i>Independent Non-executive Directors:</i>		
Mr. Qi Xiaozhai	3	3
Mr. Kong Yuquan	3	3
Ms. Hsu Wai Man, Helen	3	3

Notice of regular Board meetings is served to all Directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings.

Directors would receive relevant documents from the company secretary ("Company Secretary") in a timely manner to enable the Directors to be informed decisions on matters discussed in the Board meetings. The Company Secretary would ensure the procedures of the Board meetings are observed and provide to the Board opinions on matters in relation to the compliance with the procedures of the Board meetings. Board minutes prepared and kept by the Company Secretary are sent to the Directors for records and are open for inspection at any reasonable time on reasonable notice by any Director.

## Independent Non-executive Directors

In compliance with Rules 3.10(1) and 3.10(A) of the Listing Rules, there are three Independent Non-executive Directors, representing one-third of the Board. Among the three Independent Non-executive Directors, one of them have appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Independent Non-executive Directors bring independent judgment on issues of strategy, performance and risk. The Company has received from each of the Independent Non-executive Directors annual written confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers, all Independent Non-executive Directors, to be independent.

# Corporate Governance Report

## Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Ding Hui is the Chairman and the Chief Executive Officer of the Company. Such deviation from code provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a Chief Executive Officer, and it provides the Group with strong and consistent leadership in the development and execution of long term business strategies. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are three Independent Non-Executive Directors on the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests. The Board will continue to review and consider splitting the roles of Chairman of the Board and Chief Executive Officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

## Appointment, Re-election and Removal

A Director of the Company shall have a term of office of three years and shall be entitled to be re-appointed when the term of office expires provided that the term of office of independent non-executive Directors shall not exceed six years. The Company has entered into service agreements with each of the executive Director, non-executive Director and independent non-executive Director with a term of three years. The appointment and removal of Directors shall be approved by shareholders at AGM. The current Directors appointed by the Board shall hold office until the first general meeting of the Company and be subject to re-election at such meeting.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office and the Company may by ordinary resolution appoint another in his place.

## Directors' Continuous Training and Development

Directors should keep abreast of the responsibilities as a Director of the Company and of the conduct, business activities and development of the Group. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Group continuously updates Directors with circulars and guidance notes on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. The Group also provides all members of the Board with monthly updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

# Corporate Governance Report

A summary of training received by the Directors for the year ended 31 December 2013 is as follows:

<b>Name of Board Members</b>	<b>Training on Corporate governance, regulatory development and other relevant topics</b>
<i>Executive Directors:</i>	
Mr. Ding Hui	✓
Ms. Ding Canary	✓
Mr. Chen Quanyi	✓
Mr. Jin Wenge	✓
<i>Non-executive Directors:</i>	
Mr. Han Huiyuan	✓
Ms. Ding Lixia	✓
<i>Independent Non-executive Directors:</i>	
Mr. Qi Xiaozhai	✓
Mr. Kong Yuquan	✓
Ms. Hsu Wai Man, Helen	✓

## COMMITTEES OF THE BOARD

### Remuneration Committee

The Company established a Remuneration Committee on 16 December 2013 with written terms of reference in compliance with the Code. The Remuneration Committee currently has three members comprising one Director and two Independent Non-executive Directors: Mr. Chen Quanyi, Mr. Qi Xiaozhai and Ms. Hsu Wai Man, Helen, respectively. Mr. Qi Xiaozhai is the Chairman of the Remuneration Committee.

Remuneration Committee is responsible for making recommendations to the Board on the remuneration of the Directors and senior management and specific remuneration packages and conditions of employment for the Directors and senior management and evaluating and making recommendations on employee benefit arrangements.

The remuneration of Directors is determined by the Board, upon recommendation of the Remuneration Committee with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group.

The terms of reference of the Remuneration Committee are posted on the websites of the Company and Hong Kong Stock Exchange.

## Corporate Governance Report

Since the Listing Date and up to the date of this Report, 1 meeting was held by the Committee to review and make recommendation of the remuneration of senior management. No alternate director was authorized to attend such meeting and the attendance record of each Committee member is set out below:

<b>Name of Committee members</b>	<b>Number of attendance</b>	<b>Number of meetings</b>
<i>Executive Director:</i>		
Mr. Chen Quanyi	1	1
<i>Independent Non-executive Directors:</i>		
Mr. Qi Xiaozhai	1	1
Ms. Hsu Wai Man, Helen	1	1

During the meeting, the members discussed the policy for the remuneration of Directors and assessed their performance.

### Audit Committee

The Company established an Audit Committee on 16 December 2013 with written terms of reference in compliance with Rules 3.21 and 3.23 of the Listing Rules. The Audit Committee currently has three members comprising three Independent Non-executive Directors: Mr. Qi Xiaozhai, Mr. Kong Yuquan and Ms. Hsu Wai Man, Helen, respectively. Mr. Hsu Wai Man, Helen is the Chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, to review the Company's annual report and interim reports to provide advice and comments thereon to the Board, and to make recommendations to the Board on the appointment, re-appointment and removal of external auditors and assessing their independence and performance.

The terms of reference of the Audit Committee are posted on the websites of the Company and Hong Kong Stock Exchange.

Since the Listing Date and up to the date of this Report, the Audit Committee held 1 meeting. The members of Audit Committee reviewed and discussed with the external auditor of the Company the Group's audited financial statements for the year ended 31 December 2013. They were of the opinion that these financial statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made. No alternate director was authorized to attend such meeting and the attendance record of each Committee member is set out below:

<b>Name of Committee members</b>	<b>Number of attendance</b>	<b>Number of meetings</b>
<i>Independent Non-executive Directors:</i>		
Mr. Qi Xiaozhai	1	1
Mr. Kong Yuquan	1	1
Ms. Hsu Wai Man, Helen	1	1

There is no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Additional meeting may also be held by the Audit Committee from time to time to discuss special projects or other issues which it considers necessary. The external auditor of the Company may request a meeting of the Audit Committee to be convened if they consider that necessary.

# Corporate Governance Report

## Auditors' Remuneration

For the year ended 31 December 2013, the total fee paid/payable in respect of audit services to the external auditors of the Group, HK\$2,600,000. The Company incurred approximately HK\$6,480,000 for reporting accountants services provided by external auditors in connection with the Global Offering of the Company's shares. In addition, approximately RMB500,000 was charged for internal control review services.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditors, which is subject to the approval by the Board and at general meetings of the Company by the shareholders. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

## Nomination Committee

The Company established a Nomination Committee on 16 December 2013 with written terms of reference in compliance with the Code. The Nomination Committee currently has three members comprising one executive Director and two Independent Non-executive Directors: Mr. Ding Canary, Mr. Qi Xiaozhai and Mr. Kong Yuquan, respectively. Mr. Kong Yuquan is the Chairman of the Nomination Committee.

The Nomination Committee is responsible for making recommendations to the Board on the appointment of Directors. The Committee is also responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually; assessing the independence of the Independent Non-executive Directors; and evaluating the effectiveness and implementation of the Board Diversity Policy (see below).

The terms of reference of the Nomination Committee are posted on the websites of the Company and Hong Kong Stock Exchange.

Since the Listing Date and up to the date of this Report, the Nomination Committee held 1 meeting. The members of Nomination Committee reviewed and discussed the current structure, size and composition of the Board and the remuneration of the senior management personnel. No alternate director was authorized to attend such meeting and the attendance record of each Committee member is set out below:

Name of Committee members	Number of attendance	Number of meetings
<i>Executive Director:</i>		
Mr. Ding Canary	1	1
<i>Independent Non-executive Directors:</i>		
Mr. Qi Xiaozhai	1	1
Mr. Kong Yuquan	1	1

During the meeting, members discussed the policy for the nomination of Directors, and evaluated the effectiveness and implementation of the Board Diversity Policy.

# Corporate Governance Report

## Board Diversity Policy

The Company adopted a policy concerning diversity of board members (“Board Diversity Policy”) on 16 December 2013. The Company recognizes and embraces the benefits of having a diverse Board to enhance its operating results and quality of its performance.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. When determining the composition of the Board, board diversity will be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board’s composition (including gender, ethnicity, age, length of service) will be disclosed in the Corporate Governance Report annually.

The Board Diversity Policy is posted on the websites of the Company and Hong Kong Stock Exchange.

## COMPANY SECRETARY

The Company Secretary, Mr. Au Yeung Ho Yin, plays an important role in supporting the Board by ensuring good information flow within the Board and that board policy and procedures are followed.

All Directors may access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters and should also facilitate induction and professional development of Directors.

## ACCOUNTABILITY AND AUDIT

### Directors’ Responsibility

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 requirement 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.

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group’s ability to continue as a going concern. Accordingly, the Board will continue to prepare the consolidated financial statements on a going concern basis.

# Corporate Governance Report

## Internal Controls

The Board is responsible for the effectiveness of internal control systems of the Group. The internal control systems are designed to provide reasonable, but not absolute assurance against material misstatement or loss, and manage rather than eliminate risks of failure to achieve business strategies.

Since the Listing Date and up to the date of this Report, the Board has reviewed the effectiveness of the internal controls of the Group including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programs and budget.

Since the Listing Date and up to the date of this Report, the Audit Committee has reviewed the effectiveness of the Group's internal control and risk management procedures and was satisfied that the Group's internal control processes are adequate to meet the needs of the Group in its current business environment.

## RELATIONSHIP WITH INVESTORS AND SHAREHOLDERS

The Board recognizes the importance of maintaining clear, timely and effective communication with shareholders of the Company and investors. The Board also recognizes that effective communication with investors is the key to establish investor confidence and to attract new investors. Therefore, the Company communicates with its shareholders and investors through various channels including publication of interim and annual reports, press announcements and information on the websites of the Hong Kong Stock Exchange and the Company.

The Company continues to maintain regular dialogue with institutional investors and analysts to keep them informed of the Group's strategy, operations, management and plans. The Company has regularly met with financial analysts, fund managers and potential investors, and has participated in a number of investors' conferences and roadshows organized by various investment banks since the Listing on the Hong Kong Stock Exchange on 9 January 2014 in order to enhance the Group's relationship with equity research analysts, fund managers, institutional investors and shareholders and their understanding of the Group's strategies, operations and developments. All their discussions were limited to explanations of previously published material and general discussion of non-price sensitive information. In the future, the Group plans to continue to strengthen its investors' relationship by participating in roadshows and conferences.

The Annual General Meeting of the Company (the "AGM") provides opportunities for the shareholders to meet and raise questions to our Directors, the management and the external auditors. The members of the Board and external auditors will attend the AGM. The Group encourages all shareholders to attend. Shareholders can raise any comments on the performance and future directions of the Company and exchange views with the Directors, the management and the external auditors at the AGM. The notice of AGM will be given to all shareholders at least 45 days before the meeting.

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

### Convening of Extraordinary General Meeting (the "EGM") on Requisition by Shareholders

The shareholders, individually or collective holding not less than 10% of the paid-up capital of the Company, may by written requisition request the Directors to convene an EGM. The Directors shall within 10 days after the receipt of the written requisition provide a written reply as to whether an EGM will be convened in respect of the written requisition received.

If the Directors do not within 10 days from the date of the deposit of the requisition proceed to convene a meeting, the requisitionists may by written requisition request the supervisory committee of the Company ("Supervisory Committee") to convene an EGM.

In the event where the Supervisory Committee did not circulate a notice of EGM within 5 days after the receipt of the written requisition of the shareholders, the requisitionists may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 90 days from the deadline for the Supervisory Committee to circulate the notice of EGM after the receipt of the written requisition.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the Company Secretary at the Company's principal place of business at Room 1703, Euro Trade Centre, 13-14 Connaught Road Central, Central, Hong Kong, and may consist of several documents in like form each signed by one or more requisitionists.

The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the EGM.

### Procedures for Putting Forward Proposals at General Meetings by Shareholders

To put forward proposals at an AGM or EGM, the shareholders, individually or collective holding not less than 3% of the paid-up capital of the Company, should submit a written notice of those proposals 10 days before the holding of such meeting to the Company Secretary at the Company's principal place of business at Room 1703, Euro Trade Centre, 13-14 Connaught Road Central, Central, Hong Kong.

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.

### Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns with contact information of the requisitionists to the Board in writing through the Company Secretary by mail to the Company's principal place of business in Hong Kong at Room 1703, Euro Trade Centre, 13-14 Connaught Road Central, Central, Hong Kong.



# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

### DING Hui

Mr. Ding Hui, aged 42, is the chairman, the chief executive officer and an executive Director. Mr. Ding Hui was appointed to the Board on 18 January 2008. He is one of the two co-founders of our Group. He is also a director of the wholly-owned subsidiaries of the Company, namely Quanzhou Nuoqi Apparel Co., Ltd (泉州諾奇服飾有限公司) and Nuoqi Fashion International Limited (諾奇時尚國際有限公司). Mr. Ding Hui has around 10 years of experiences in the garment retailing business and he is responsible for the overall corporate strategies, management, planning and business development of our Group. In 2004, Mr. Ding Hui, together with his brother, Mr. Ding Canyang, established Quanzhou City Nuoqi. Mr. Ding Hui was a director and also the general manager of Quanzhou City Nuoqi from September 2004 to January 2008. Mr. Ding Hui is currently a member of the eleventh Quanzhou committee of the Chinese People's Consultative Conference (泉州市政協委員會委員), the vice chairman of Fujian Province Enterprises and Entrepreneurs Association (福建企業與企業家聯合會). Mr. Ding obtained a college degree in secretarial and office automation from Engineering and Commerce College of South-Central University for Nationalities (中南民族大學工商學院) in December 2012. Mr. Ding Hui is the brother of Mr. Ding Canyang and Ms. Ding Lixia. Over the years, Mr. Ding Hui has received various awards in recognition of his contributions to the industry and local economies. Mr. Ding Hui has received "2007 Fujian Economic Year Innovative Award" (2007福建經濟年度創新獎), nominated as the "Top 30 Outstanding Economic Figures of Quanzhou City (泉州市30位傑出經濟人物)" in 2008 and the "2010 Top Ten Role Model of China Apparel Distributors and Retailers (2010中國服裝零售商十大學習典範)" in 2010. He has been appointed as the first honorary principal of Fujian Straits Brands and Economic Development Research Centre (福建省海峽品牌經濟發展研究院) and has also been granted the title of "14th Fujian Province Excellent Entrepreneur (第十四屆福建省優秀企業家榮譽稱號)" in 2011.

### DING Canyang

Mr. Ding Canyang, aged 44, is an executive Director. He was appointed to the Board on 18 January 2008. Mr. Ding Canyang has around 10 years of experience in garment retailing business and he is responsible for overall product procurement of our Group. He is one of the two co-founders of our Group. He is currently the director and general manager of Shanghai Nuoqi Apparel Co., Ltd (上海諾奇服飾有限公司) and is responsible for the overall management and operation of Shanghai Nuoqi. Mr. Ding Canyang was the director of Quanzhou City Nuoqi from September 2004 to January 2008 and was responsible for the product procurement. Mr. Ding Canyang graduated from Jinjiang City Chen Dai Minzu Secondary School (晉江市陳埭民族中學) in July 1988. Mr. Ding Canyang is the brother of Mr. Ding Hui and Ms. Ding Lixia.

### CHEN Quanyi

Mr. Chen Quanyi, aged 33, is an executive Director. He was appointed to the Board on 20 April 2009. Mr. Chen has 9 years of experience in garment retailing business and he is responsible for overall administration of our Group. Mr. Chen is currently the secretary of the Board. He joined Quanzhou City Nuoqi in 2004 and has acquired extensive experience in our Group's operation as he has worked in the market development department and the management and administration department of our Company. Mr. Chen graduated from Fujian Normal University (福建師範大學) with a diploma in Computerised Accounting in 2003.

## Biographical Details of Directors and Senior Management

### JIN Wenge

Mr. Jin Wenge, aged 40, is an executive Director. He was appointed to the Board on 28 January 2011. Mr. Jin has over 10 years of experience in banking industry and investment management and he is responsible for investment and financing of our Group. Prior to joining our Group, Mr. Jin has worked as the deputy general manager of bank management department of Fuzhou branch and the general manager of bank management department of Quanzhou branch of China Minsheng Banking Corp. Ltd. from January 2004 to December 2010, respectively. He has also worked as the assistant to the general manager in the Investment Banking department of Industrial Securities Co., Ltd. from March 1997 to December 2003. Mr. Jin obtained his master degree in management engineering from the Jilin Industrial University (吉林工業大學) in 1997 and bachelor degree in marketing from Changchun Institute of Optics and Fine Mechanics (長春光學精密機械學院) in 1994.

### NON-EXECUTIVE DIRECTOR

#### HAN Huiyuan

Mr. Han Huiyuan, aged 51, is a non-executive Director. He was appointed to the Board on 9 July 2013. Mr. Han is currently the managing director of Heaven-Sent Capital Management Group Co., Ltd. (硅谷天堂資產管理集團股份有限公司), a corporate shareholder of Silicon Valley Solar Venture Capital Co., Ltd. (深圳硅谷天堂陽光創業投資有限公司) and is responsible for the overall business operation. Mr. Han obtained a master degree in urban economics from the Renmin University of China in 2011 and a bachelor degree in industrial automation from Huazhong Technical College (華中工學院) (currently known as the "Huazhong University of Science and Technology (華中科技大學)") in 1984.

#### DING Lixia

Ms. Ding Lixia, aged 39, is a non-executive Director. She was appointed to the Board on 18 January 2008. Ms. Ding is the legal representative and a director of Nuoqi Investment since November 2007. Ms. Ding has worked as the operation manager from May 1998 to March 2001, the operation controller from April 2001 to October 2006 and the deputy general manager from November 2006 up till now in Jinjiang City Hong Sheng Textile and Garment Manufacturing Co., Ltd. (晉江市鴻升針織製衣有限公司). Ms. Ding graduated from Jinjiang City Chen Dai Minzu Secondary School (晉江市陳埭民族中學) in July 1992. Ms. Ding is the sister of Mr. Ding Hui and Mr. Ding Canyang.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

#### QI Xiaozhai

Mr. Qi Xiaozhai, aged 63, is an independent non-executive Director. He was appointed to the Board on 20 January 2010. Mr. Qi has over 20 years of experience in economic analysis. He has been the deputy officer and the officer of Shanghai Urban Commerce and Economic Research Centre (上海市商業經濟研究中心) since May 1991 and is currently the chief researcher since February 2007. Mr. Qi has also worked for Shanghai Finance and Trade Office Secretarial Division (上海市政府財貿辦秘書處), a government department, from July 1988 to May 1991. Over the years, Mr. Qi has published articles in various media, a research report on passenger flow in the sphere of business of Shanghai (上海市商圈客流調查報告) in 2006 and two books in relation to urban commerce in 2007 and 2009. In 2011 and 2012, Mr. Qi's research paper titled "Shanghai Commerce Investment Report (上海市商業投資報告)" was awarded with the second prize in Shanghai Investment Report (2011) and Shanghai Investment Report (2012), respectively. Mr. Qi qualified as a senior economist in February 1996. Mr. Qi obtained a master degree in economics from Shanghai University of Finance and Economics (上海財經大學) in December 1995 and obtained his economist qualification in June 1989. He graduated from Staff and Worker University of Shanghai First Commerce Bureau (上海市第一商業局職工大學) with a diploma in commerce and economics in September 1981.

## Biographical Details of Directors and Senior Management

### KONG Yuquan

Mr. Kong Yuquan, aged 48, is an independent non-executive Director. He was appointed to the Board on 20 January 2010. Mr. Kong has over 20 years of experience in legal profession. He is currently an independent non-executive director of Edifier Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 002351)). He is also a partner of Jingtian & Gongcheng since 2007. Mr. Kong has also been appointed as a committee member of the listing committee of Shenzhen Stock Exchange. Mr. Kong qualified as a PRC lawyer since 1993. He obtained his master degree in international economic law from the University of Warwick in 2000 and master degree in international economic law from the Renmin University of China (中國人民大學) in 1991. Mr. Kong graduated from Soochow University (蘇州大學) with a bachelor degree in law in 1988.

### HSU Wai Man, Helen

Ms. Hsu Wai Man, Helen, aged 44, is an independent non-executive Director. She was appointed to the Board on 9 June 2013. Ms. Hsu has over 20 years of experience in accounting. She is currently an independent non-executive director of several listed companies including China Forestry Holdings Co. Ltd. (a company listed on the Hong Kong Stock Exchange) (stock code: 930), Perfect Shape (PRC) Holdings Limited (a company listed on the Hong Kong Stock Exchange) (stock code: 1830), Branding China Group Limited (stock code: 8219) (a company listed on the Hong Kong Stock Exchange) and Richly Field China Development Limited (a company listed on the Hong Kong Stock Exchange) (stock code: 313); and an independent director of SGOCO Group, Ltd. (a company listed on the Nasdaq Stock Market) (stock code: SGOC). Ms. Hsu has been working with Ernst & Young for 18 years and was a partner of Ernst & Young before she retired from the firm in February 2011. Ms. Hsu is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Ms. Hsu graduated from The Chinese University of Hong Kong with a bachelor degree in business administration in 1992. Ms. Hsu has retired from Ernst & Young before we engaged it as our reporting accountants in 2013 and she has not been involved in the provision of any professional services to us as a reporting accountant prior to her appointment to the Board.

## BOARD OF SUPERVISORS

### GU Tao

Ms. Gu Tao, aged 38, is the chairperson of the board of Supervisors and was appointed on 28 January 2011. Ms. Gu is the head of business development centre of our Company. Prior to joining our Group in 2004, Ms. Gu has worked in the customer service department in Jinjiang Trade Advertising Co., Ltd. (晉江經貿廣告公司). Ms. Gu graduated in Huaqiao University (華僑大學) with diploma in sales and accounting in 1995.

### YE Yongguan

Mr. Ye Yongguan, aged 46, was appointed to the board of Supervisors on 9 June 2013. Mr. Ye has around 20 years of experience in management. He is general manager of Quanzhou Fuyou Chemical Co., Ltd. (泉州輔友化工有限公司). Prior to that, Mr. Ye has worked for Fujian Fuwei Co., Ltd. (福建福維股份有限公司) (formerly known as "Fujian Textile and Chemical Fibre Group Co., Ltd. (福建紡織化纖集團有限公司)") and has been appointed as the head of research centre, deputy chief of the technical centre and the general manager of a subsidiary of Fujian Fuwei Co., Ltd., respectively. He qualified as a senior engineer in December 2001. Mr. Ye obtained from Fuzhou University both his master in chemical engineering in 2007 and his bachelor degree in chemistry in 1988.

## Biographical Details of Directors and Senior Management

### **GUO Zhuojun (郭卓君)**

Ms. Guo Zhuojun (郭卓君), aged 32, was appointed to the Board of Supervisors on 9 June 2013. Ms. Guo has around 10 years of experience in management. Ms. Guo was the general manager of Xiamen Xing Zhi Rui Technology, Co., Ltd. (廈門興智瑞科技有限公司) from November 2003 to May 2008. Subsequently, she has founded several private companies which were engaged in the provision of enterprise management solutions business and she is the general manager of these companies. Ms. Guo has been undertaking the postgraduate programme at the College of Economics of Xiamen University (廈門大學經濟學院) since 2011.

## **SENIOR MANAGEMENT**

### **AU YEUNG Ho Yin**

Mr. Au Yeung Ho Yin, aged 30, joined our Company in June 2013 and was appointed as our chief financial officer in June 2013. He is responsible for the overall financial management and reporting of our Group. Prior to joining our Group, Mr. Au Yeung was the chief financial officer for two private companies from July 2010 to June 2013. Mr. Au Yeung worked for Ernst & Young from November 2006 to June 2010. Mr. Au Yeung was admitted as a graduate member of the Hong Kong Institute of Chartered Secretaries in August 2012 and has been a member of the Hong Kong Institute of Certified Public Accountants since May 2010. Mr. Au Yeung received a bachelor degree in business management from Newcastle University in July 2006 (formerly known as University of Newcastle upon Tyne).

### **ZHONG Guichen**

Ms. Zhong Guichen, aged 50, is the financial controller of our Company since December 2007. She is responsible for financial management and internal control of our Group. Ms. Zhong has more than 11 years of experience in auditing and accounting. Prior to joining our Group, Ms. Zhong has worked as the financial controller of Yake (China) Co., Ltd. (雅客(中國)有限公司). She was the finance manager of K-Boxing Men's Wear Co., Ltd. (勁霸男裝股份有限公司) from December 2002 to July 2006. Ms. Zhong was accredited as an International Certified Senior Public Accountant by American Certification Institution in August 2010 and has been a qualified accountant in the PRC since November 1993. Ms. Zhong received a bachelor degree in economic management through distance learning from the Party School of the Central Committee of C.P.C. (中央黨校) in December 1996.

## **COMPANY SECRETARY**

Mr. Au Yeung Ho Yin was appointed as the company secretary of our Company on 25 July 2013.

For details of Mr. Au Yeung's background, please refer to the sub-section headed "Senior Management" in this section

# Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2013.

## GLOBAL OFFERING

The Company was established in the PRC as a limited liability company on 14 October 2004 and was converted into a joint stock limited liability company on 22 January 2008 under the Company Law of the PRC. The Company's H Shares were listed on the Hong Kong Stock Exchange on the Listing Date.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and retailing men's casual apparels. Details of the principal activities of the subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## RESULTS AND DIVIDENDS

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

The Board proposes a final dividend in the amount equivalent to RMB5.0 cents per share (pre-tax), totalling approximately RMB30,539,700 for the year ended 31 December 2013. The dividend proposal will be submitted for consideration at the Annual General Meeting to be held on 13 June 2014. If such proposed dividend distribution is approved by the shareholders, the final dividend will be distributed to those shareholders whose names appear on the register of members of the Company on Tuesday, 24 June 2014. In order to determine the holders of shares who are entitled to receive the above-mentioned final dividend, the register of members of the Company will be closed from 19 June 2014 to 24 June 2014, both days inclusive. To be eligible to receive the final dividend for the year ended 31 December 2013 (subject to the approval of the Company's shareholders), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 18 June 2014. Dividends will be denominated and declared in Renminbi. Dividends on domestic shares will be paid in Renminbi, whereas dividends on H Shares will be paid in Hong Kong dollars. The relevant exchange rate will be the average offer rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of declaration of dividends at the Annual General Meeting. The proposed final dividends are expected to be paid on or about 5 August 2014 upon approval at the Annual General Meeting.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China in 2008, the Company shall be obliged to withhold 10% enterprise income tax when it distributes the proposed 2013 final dividends to non-resident enterprise shareholders of H Shares (including HKSCC Nominees Limited, other corporate nominees or trustees, and other entities or organisations) whose names appear on the Company's H Share Register of members on 24 June 2014.

## Report of the Directors

According to regulations by the State Administration of Taxation (Guo Shui Han [2011] No. 348) and relevant laws and regulations, if the individual H Share shareholders who are Hong Kong or Macau residents and those whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of the individual H Share shareholders. If the individual H Share shareholder whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of less than 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of the individual H Share shareholders. If the individual H Share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If the individual H Share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of 20%, or a country which has not entered into any tax treaties with PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the individual H Share shareholders.

The Company will determine the country of domicile of the individual H Share shareholders based on the registered address as recorded in the register of members of the Company on 24 June 2014 (the “**Registered Address**”). If the country of domicile of an individual H Share shareholder is not the same as the Registered Address or if the individual H Share shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H Share shareholder shall notify and provide relevant supporting documents to the Company on or before Thursday, 18 June 2014. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H Share shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the tax treaties notice if they do not provide the relevant supporting documents to the Company within the time period stated above.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H Share shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H Share shareholders or any disputes over the withholding mechanism or arrangements.

The Company has appointed Computershare Hong Kong Trustees Limited as the receiving agent in Hong Kong (the “**Receiving Agent**”) and will pay to such Receiving Agent the final dividends declared for payment to holders of H Shares. The final dividends will be paid on or about 5 August 2014 and will be despatched to holders of H Shares who are entitled to receive such dividend by ordinary post and at their own risk.

### Summary financial information

A summary of the results of the assets and liabilities of the Group for the last four financial years prepared on the basis set out on page 93 of this annual report. This summary does not form part of the audited financial statements.

### AGM AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The notice of the forthcoming AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules and the Articles of Association. The Company has announced the period of closure of register of members of H Shares in its announcement dated 28 March 2014.

# Report of the Directors

## SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 25 to the financial statements.

## SUBSIDIARIES

Particulars of the names, places of incorporation and issued/registered share capital of the Company's subsidiaries are set out in note 15 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

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

The Company's building included in respective note mentioned above, which is stated at cost, was revalued at RMB75,041,000 as at 31 October 2013 in the Prospectus issued on 30 December 2013 in connection with the Listing of the Company's shares on 9 January 2014. Had the Company's building been included in these financial statements at such valuation amount throughout the year ended 31 December 2013, an additional depreciation charge of approximately RMB214,000 would have been recognised in the consolidated income statement for the year ended 31 December 2013.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

The amount of the Company's reserves available for distribution at 31 December 2013, calculated in accordance with PRC rules and regulation, was retained profits of RMB171,726,000 of which RMB30,540,000 has been proposed as final dividends for the year after the reporting period. Detail of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 50 of this annual report.

## PRE-EMPTIVE RIGHTS

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

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The H Shares of the Company were listed on the Hong Kong Stock Exchange on 9 January 2014, subsequent to the end of the reporting period. Thus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

# Report of the Directors

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for less than 30% of the total sales and purchases for the year, respectively.

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

## DIRECTORS

The directors of the Company during the year were:

### Executive directors

Mr. Ding Hui (丁輝) (*Chairman and Chief Executive Officer*)

Mr. Ding Canary (丁燦陽)

Mr. Chen Quanyi (陳全懿)

Mr. Jin Wenge (金文戈)

### Non-executive directors

Mr. Han Huiyuan (韓惠源) (Appointed on 9 July 2013)

Ms. Ding Lixia (丁麗霞)

Mr. Yang Weiqiang (楊偉強) (Resigned on 24 June 2013)

### Independent non-executive directors

Mr. Qi Xiaozhai (齊曉齋)

Mr. Kong Yuquan (孔雨泉)

Ms. Hsu Wai Man, Helen (徐慧敏) (Appointed on 3 June 2013)

Mr. Liang Mingduan (梁明焮) (Appointed on 29 April 2013 and resigned on 10 May 2013)

Mr. Wang Jianqing (王健青) (Resigned on 8 April 2013)

Pursuant to article 140 of the Articles of Association, the term of office of directors is three years and is subject to re-election. The term of office of all directors of the second session has expired on 28 January 2014. Seven of them will offer themselves for re-election as members of the Board of the third session at the forthcoming Annual General Meeting, namely (i) Mr. Ding Hui, Mr. Ding Canary and Mr. Chen Quanyi as executive directors; (ii) Mr. Han Huiyuan and Ms. Ding Lixia as non-executive directors; and (iii) Mr. Qi Xiaozhai and Ms. Hsu Wai Man, Helen as independent non-executive directors. Mr. Jin Wenge and Mr. Kong Yuquan have notified the Board that they will retire from their office as the executive director (for Mr. Jin Wenge) and independent non-executive director (for Mr. Kong Yuquan) respectively and will not seek for re-election.

The Company has received annual confirmations of independence from each of the independent non-executive directors and the Company, pursuant to Rule 3.13 of the Listing Rules, and as at the date of this report, still considers them to be independent.



# Report of the Directors

## Supervisors

The supervisors of the Company during the year were:

Ms. Gu Tao (顧濤)	
Mr. Ye Yongguan (葉永觀)	(Appointed on 3 June 2013)
Ms. Guo Zhuojun (郭卓君)	(Appointed on 3 June 2013)
Ms. Zhang Ailing (張愛玲)	(Resigned on 3 June 2013)
Mr. Zheng Zhen Cheng (鄭鎮城)	(Resigned on 3 June 2013)

In accordance with article 201 of the Articles of Association, Mr. Ye Yongguan and Ms. Guo Zhuojun will retire and, being eligible, will offer herself for re-election at the forthcoming Annual General Meeting. Pursuant to article 201 of the Articles of Association, the term of office of supervisors is three years and is subject to re-election. The term of office of all supervisors of the second session has expired on 28 January 2014. Mr. Ye Yongguan and Ms. Guo Zhuojun will offer themselves for re-election as the shareholder representative Supervisors at the forthcoming Annual General Meeting. Ms. Gu Tao has been elected by the employee representatives' meeting as a member of next term of the Supervisory Committee.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors and supervisors of the Company and the senior management of the Group are set out on pages 31 to 34 of the annual report.

## DIRECTORS' AND SUPERVISORS SERVICE CONTRACTS

Each of the directors and supervisors has entered into a service agreement with the Company for a term of three years.

No director and supervisor has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The Group's emolument policy is formulated based on the performance of individual employees and is reviewed regularly. Subject to the Group's profitability, the Group may also provide discretionary bonuses to its employees as an incentive for their contribution to the Group. The primary goal of the emolument policy with regard to the remuneration packages of the Group's executive directors is to enable the Group to retain and motivate executive directors by linking their compensation with performance as measured against corporate objectives achieved.

The principal elements of the Group's remuneration packages include basic salaries, discretionary bonuses and housing benefits.

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

# Report of the Directors

## DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

None of the directors, the supervisors nor their respective associates had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, the shares of the Company were not yet listed on the Hong Kong Stock Exchange, Section 352 of the SFO was then not applicable to the Company and the Directors.

As at 28 March 2014, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

### Long positions in ordinary shares of the Company:

Capacity	Total number of shares held	Type of shares	% of the respective type of shares	% of total issued shares	
<i>Long position in shares</i>					
<b>Executive Directors</b>					
Mr. Ding Hui	Beneficial owner	202,500,000	Domestic shares	45.00	33.15
Ms. Ding Canyang	Beneficial owner	82,450,000	Domestic shares	18.32	13.50
Ms. Ding Lixia	Interests in controlled corporation (Note)	18,000,000	Domestic shares	4.00	2.95

Note: Ms. Ding Lixia holds 66.10% equity interest in registered capital of Quanzhou City Nuoqi Investment and Development Co., Ltd. (泉州市諾奇投資發展有限公司) (the "Nuoqi Investment"). Accordingly, Ms. Ding Lixia is deemed to be interested in the 18,000,000 Shares held by Nuoqi Investment by virtue of SFO.

Save as disclosed above, as at 28 March 2014, none of the directors or supervisors and chief executive had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any directors or supervisors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries a party to any arrangement which enabled the directors or supervisors of the Company to acquire such rights in any other body corporate.

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 28 March 2014, so far as the Directors, having made all reasonable enquiries, are aware, the following interests of 5% or more of the issued share capital of the Company (other than the interests of the directors of the Company as disclosed above) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions:

Capacity	Total number of shares held	Type of shares	% of the respective type of shares	% of total issued shares	
<i>Long position in shares</i>					
<b>Substantial shareholders</b>					
Mr. Chan Yuk Ming	Interests in controlled corporation (Note 1)	42,800,000	H shares	26.62	7.01
Theme Link Investments Ltd.	Beneficial owners	12,700,000	H shares	7.9	2.08
Evisu (PTC) Limited	Trustee (Note 2)	29,400,000	H shares	18.28	4.81
Pacific Success Holdings Limited	Interests in controlled corporation (Note 2)	29,400,000	H shares	18.28	4.81
Evergreen International Holdings Limited	Interests in controlled corporation (Note 2)	29,400,000	H shares	18.28	4.81
Sunsonic Holdings Limited	Interests in controlled corporation (Note 2)	29,400,000	H shares	18.28	4.81
Joy Business Investments Limited	Beneficial owners (Note 2)	29,400,000	H shares	18.28	4.81
Mr. So Wing Hon	Beneficial owners	26,910,000	H shares	16.74	4.40
Mr. Hong Jinjing	Interests in controlled corporation (Note 3)	17,840,000	H shares	11.89	2.92
Sky Success Venture Holdings Limited	Beneficial owners (Note 3)	17,840,000	H shares	11.89	2.92
Mr. Zhang Ze Sheng	Beneficial owners	17,840,000	H shares	11.89	2.92
Ms. Ding Mingfang	Beneficial owners	14,528,000	H shares	9.69	2.38
He Zhong Investment	Beneficial owners	5,400,000	Domestic shares	6.00	4.42
Silicon Shenzhen	Beneficial owners	5,220,000	Domestic shares	5.80	4.27

Note 1: Of the 42,800,000 H shares in which Mr. Chan Yuk Ming ("Mr. Chan") is interested or deemed to be interested, 700,000 H shares are held by him personally, 12,700,000 H shares are held by Theme Link Investments Ltd., a company wholly-owned by Mr. Chan, and 29,400,000 H shares are held by Joy Business Investments Limited, a company wholly-owned by Sunsonic Holdings Limited which is a company indirectly owned by Evisu (PTC) Limited, the trustee of a discretionary trust of which Mr. Chan was a founder (please see Note 2 below).

Note 2: The abovementioned 29,400,000 H shares are held by Joy Business Investments Limited, a company wholly-owned by Sunsonic Holdings Limited which is in turn wholly-owned by Evergreen International Holdings Limited ("Evergreen"), a company the shares of which are listed on the Hong Kong Stock Exchange under stock code 238. Evergreen is owned as to 51% by Pacific Success Holdings Limited, a company wholly-owned by Evisu (PTC) Limited which is the trustee of a discretionary trust of which Mr. Chan was a founder.

Note 3: Mr. Hong Jinjing holds 42.00% equity interest in registered capital of Sky Success Venture Holdings Limited. Accordingly, Mr. Hong Jinjing is deemed to be interested in the 17,840,000 Shares held by Sky Success Venture Holdings Limited by virtue of SFO.

Save as disclosed above, as at 28 March 2014, no person, other than the directors of the Company, whose interests are set out in the section "Directors', supervisors' and chief executive's interests in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

# Report of the Directors

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **NON-COMPETITION UNDERTAKING**

As disclosed in the Prospectus, each of the Controlling Shareholders has executed a deed of non-competition through which they have undertaken and procure that none of his associates will (a) directly or indirectly engage, participate or hold any right or interest in or otherwise be involved in any business in competition with or likely to be in competition with the Group's existing business activity or any principal business activity of any member of the Group or be in competition with the Group in any business activities which the Group may undertake in the future (the "Restricted Business"); or (b) take any direct or indirect action which constitutes an interference with or a disruption to the Group's business activities including, but not limited to, solicitation of the Group's customers, suppliers or staff. Each of them have warranted that neither he nor any of his associates is currently engaging in and has not had any interest in any business that directly or indirectly competes or may compete with the Group's business. Each of the Controlling Shareholders also undertakes and covenants to the Group that, if any new business opportunity relating to any Restricted Business is made available to him, he will direct the Restricted Business to the Group with such required information to enable the Group to evaluate the merits of the Restricted Business.

The Controlling Shareholders have confirmed in writing to the Company of their compliance with the deed of non-competition for disclosure in this report from the Listing Date to the date of this Report.

## **CONNECTED TRANSACTION**

Certain banking facilities were supported by personal guarantees provided by Mr. Ding Hui and his wife, and Mr. Ding Canyang and his wife, to the extent of RMB315 million (2012: RMB295 million) as at 31 December 2013. Upon completion of the Global Offering, all guarantees provided by the Controlling Shareholders and their family members were fully released.

During the period from the Listing Date to the date of this report, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this report pursuant to the Listing Rules.

## **DIRECTORS' AND SUPERVISORS' INTEREST IN COMPETING BUSINESS**

None of the directors or supervisors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

## **CHARITABLE DONATIONS**

During the year ended 31 December 2013, the Group did not make any charitable and other donations.

# Report of the Directors

## EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 34 to the financial statements.

## USE OF GROSS PROCEEDS FROM INITIAL PUBLIC OFFERING

The shares of the Company were listed on the Main Board of The Hong Kong Stock Exchange on 9 January 2014. Net proceeds from the Global Offering were approximately RMB253.6 million (equivalent to approximately HK\$325.8 million), after partially exercise of the Over-allotment Option, deduction of the underwriting commission and relevant expenses. As at 28 March 2014, the unused proceeds were deposited in licensed banks in Hong Kong. As stated in the Prospectus, it is expected that we shall use the net proceeds in the following manner: (a) 70.3% for expansion of our sales network; (b) 19.7% for construction of research and development part of our product centre in Shanghai and (c) 10.0% as general working capital of our Group.

## AUDITORS

Ernst & Young and Grant Thornton China (Special General Partnership) were appointed as the international and domestic auditors of the Company, respectively, for the year ended 31 December 2013. Ernst & Young have audited the accompanying financial statements, which have been prepared in accordance with International Financial Reporting Standards. Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

### **Ding Hui**

*Chairman and Chief Executive Officer*

Quanzhou, PRC

28 March 2014

# Supervisory Committee Report

The Supervisory Committee is pleased to present this report of the Supervisory Board in the annual report of the Company for the period from Listing Date to the date of this Report.

In 2013, all members of the Supervisory Committee have earnestly performed their supervisory functions to safeguard the rights and interests of the Group and the Shareholders in accordance with the Company Law of the PRC, the Articles of Association, the Terms of Reference of the Supervisory Committee and the relevant provisions in the Listing Rules. Members of the Supervisory Committee carried out examination of the Company's financial accounts and supervision of the Directors, and other senior management officers for their compliance with the laws, administrative regulations and the Articles of Association in executing their respective duties.

## **A. MEETINGS OF THE SUPERVISORY COMMITTEE**

As the Company was listed on the Hong Kong Stock Exchange on 9 January 2014, one meeting of the Supervisory Committee was held on 28 March 2014 to consider the 2013 audited financial report of the Company and the report of Supervisory Committee for 2013 and to receive the report on the 2013 results announcement of the Company.

## **B. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE LAWFUL OPERATION OF THE COMPANY**

The Supervisory Committee is of the view that since the Listing Date and up to the date of this Report, the operation of the Company has been consistent with the provisions of the Company Law of the PRC, the PRC Securities Law and the Articles of Association; that the decision-making process of the Company has been in compliance with the laws, and the Company has established a relatively comprehensible internal control system; and that the Directors and senior management have not violated any law, regulation or the Articles of Association, nor have they acted in a way which is prejudicial to the interests of the Company.

## **C. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE FINANCIAL POSITION OF THE COMPANY**

The Supervisory Committee agreed with the audit opinion issued on 28 March 2014 on the 2013 annual financial report of the Company, and that the financial report of the Company has given a true and fair view of the financial position and the operating results of the Company.

## **D. INDEPENDENT OPINION ON THE IMPLEMENTATION OF THE RESOLUTIONS OF GENERAL MEETINGS**

The Supervisory Committee considered that the Board earnestly implemented the resolutions approved by the general meetings.

In 2014, the Supervisory Committee will continue to carry out its fiduciary duties to implement effective supervision on the Company, its Directors and senior management in accordance with the relevant provisions of the Company Law of the PRC, the Articles of Association and the Listing Rules; and pay close attention to the operation and management status of the Company as well as any significant development of the Company, so as to facilitate the profit growth of the Company and to dutifully protect the interest of all Shareholders of the Company.

On Behalf of the Supervisory Committee

**Gu Tao**

Quanzhou, PRC  
28 March 2014

# Independent Auditors' Report



## To the shareholders of Fujian Nuoqi Co., Ltd.

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

We have audited the consolidated financial statements of Fujian Nuoqi 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 income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

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

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

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

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

# Independent Auditors' Report

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Ernst & Young**

*Certified Public Accountants*

22/F CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

28 March 2014



# Consolidated Income Statement

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	6	682,466	572,138
Cost of sales		(366,886)	(313,245)
Gross profit		315,580	258,893
Other income	6	17,850	8,253
Selling and distribution expenses		(137,185)	(103,917)
Administrative expenses		(76,745)	(47,407)
Operating profit		119,500	115,822
Finance costs	7	(17,155)	(12,979)
Finance income	8	8,546	6,003
Finance costs, net		(8,609)	(6,976)
PROFIT BEFORE TAX	8	110,891	108,846
Income tax expense	11	(29,150)	(27,148)
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		81,741	81,698
			(Restated)
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
Basic	13	18.2 cents	18.2 cents
Diluted	13	18.2 cents	18.2 cents

Details of the dividends are disclosed in note 12 to the financial statements.

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	<b>81,741</b>	81,698

# Consolidated Statement of Financial Position

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	125,751	93,722
Prepaid land lease payments	16	46,366	47,344
Deposits paid	20	1,763	2,023
Deferred tax assets	17	5,232	4,259
Total non-current assets		179,112	147,348
<b>CURRENT ASSETS</b>			
Inventories	18	112,905	111,182
Trade receivables	19	79,375	70,966
Prepayments, deposits and other receivables	20	159,834	90,960
Pledged deposits	21	8,800	500
Cash and cash equivalents	21	350,354	198,136
Total current assets		711,268	471,744
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	22	63,000	14,245
Other payables, accruals and other liabilities	23	80,493	37,263
Interest-bearing bank borrowings	24	239,040	154,824
Tax payable		25,217	11,871
Total current liabilities		407,750	218,203
<b>NET CURRENT ASSETS</b>			
Net assets		482,630	400,889
<b>EQUITY</b>			
Issued capital	25	90,000	90,000
Reserves	26	392,630	310,889
Total equity		482,630	400,889

**Mr. Ding Hui**  
Director

**Mr. Chen Quanyi**  
Director

# Consolidated Statement of Changes In Equity

Year ended 31 December 2013

	Attributable to the owners of the Company				
	Issued capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2012	75,000	113,499	15,854	125,338	329,691
Profit and total comprehensive income for the year	–	–	–	81,698	81,698
Transfer from share premium (note 25)	15,000	(15,000)	–	–	–
Transfer from retained profits 2011 dividend declared (note 12)	–	–	8,495	(8,495)	–
	–	–	–	(10,500)	(10,500)
At 31 December 2012 and 1 January 2013	<b>90,000</b>	<b>98,499*</b>	<b>24,349*</b>	<b>188,041*</b>	<b>400,889</b>
Profit and total comprehensive income for the year	–	–	–	81,741	81,741
Transfer from retained profits	–	–	9,507	(9,507)	–
At 31 December 2013	<b>90,000</b>	<b>98,499*</b>	<b>33,856*</b>	<b>260,275*</b>	<b>482,630</b>

\* These reserve accounts comprise the consolidated reserves of RMB392,630,000 (2012: RMB310,889,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		110,891	108,846
Adjustments for:			
Bank interest income	8	(8,546)	(6,003)
Finance costs	7	17,155	12,979
Depreciation	8	11,406	7,381
Amortisation of prepaid land lease payments	8	987	730
Loss on disposal/write-off of items of property, plant and equipment	8	2,806	1,085
Provision/(write-back of provision) for obsolete inventories, net	8	(1,226)	2,373
Impairment of trade receivables, net	8	516	692
		<b>133,989</b>	<b>128,083</b>
Increase in inventories		(497)	(33,240)
Increase in trade receivables		(8,925)	(16,106)
Increase in prepayments, deposits and other receivables		(68,623)	(14,402)
Increase/(decrease) in trade and bills payables		48,755	(7,423)
Increase in other payables, accruals and other liabilities		43,230	4,061
Cash generated from operations		147,929	60,973
Interest received		8,546	6,003
Income tax paid		(16,777)	(31,151)
Net cash flows from operating activities		<b>139,698</b>	<b>35,825</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment	14	(46,241)	(41,383)
Additions to prepaid land lease payments	16	–	(37,570)
Decrease/(increase) in pledged deposits		(8,300)	78
Net cash flows used in investing activities		<b>(54,541)</b>	<b>(78,875)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank borrowings		366,770	361,835
Repayment of bank borrowings		(282,554)	(279,397)
Interest paid		(17,155)	(12,979)
Dividends paid		–	(9,891)
Net cash flows from financing activities		<b>67,061</b>	<b>59,568</b>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<b>152,218</b>	<b>16,518</b>
Cash and cash equivalents at beginning of year		198,136	181,618
CASH AND CASH EQUIVALENTS AT END OF YEAR		<b>350,354</b>	<b>198,136</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	21	5,154	3,136
Non-pledged time deposits readily convertible to known amounts of cash	21	345,200	195,000
Cash and cash equivalents as stated in the consolidated statement of financial position		<b>350,354</b>	<b>198,136</b>

# Statement of Financial Position

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	89,129	92,648
Interests in subsidiaries	15	75,000	60,000
Prepaid land lease payments	16	10,793	11,030
Deposits paid	20	1,763	1,861
Deferred tax assets	17	1,612	1,660
<b>Total non-current assets</b>		<b>178,297</b>	167,199
<b>CURRENT ASSETS</b>			
Inventories	18	82,499	90,971
Trade receivables	19	3,350	18,852
Prepayments, deposits and other receivables	20	151,185	81,908
Amount due from a subsidiary	15	–	4,230
Pledged deposits	21	8,800	500
Cash and cash equivalents	21	348,022	198,101
<b>Total current assets</b>		<b>593,856</b>	394,562
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	22	63,000	14,245
Other payables, accruals and other liabilities	23	60,088	30,335
Amount due to a subsidiary	15	42,931	–
Interest-bearing bank borrowings	24	214,040	154,824
Tax payable		8,929	7,546
<b>Total current liabilities</b>		<b>388,988</b>	206,950
<b>NET CURRENT ASSETS</b>		<b>204,868</b>	187,612
<b>Net assets</b>		<b>383,165</b>	354,811
<b>EQUITY</b>			
Issued capital	25	90,000	90,000
Reserves	26	293,165	264,811
<b>Total equity</b>		<b>383,165</b>	354,811

**Mr. Ding Hui**  
Director

**Mr. Chen Quanyi**  
Director

# Notes to Financial Statements

31 December 2013

## 1. CORPORATE INFORMATION

The Company was incorporated in the PRC on 14 October 2004 as a domestic company with limited liability under the name of Quanzhou City Nuoqi Fashion Chain Sales Co., Ltd. (泉州市諾奇時裝連鎖銷售有限公司). On 22 January 2008, the Company was renamed Fujian Nuoqi Co., Ltd. (福建諾奇股份有限公司) and transformed into a joint stock company with limited liability. The Company's registered office is located at No. 98 Chonghong Road, Economic and Technical Development Zone, Quanzhou, Fujian Province, the PRC.

The principal activities of the Company are investment holding and retailing men's casual apparels. Details of the principal activities of the subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

The Company's ordinary shares ("H Shares") that are approved for Listing and trading on the Hong Kong Stock Exchange were listed on the Hong Kong Stock Exchange on 9 January 2014.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. The principal accounting policies set out in note 3 below, which are in accordance with the IFRSs, are consistently applied in the preparation of the financial statements throughout the years ended 31 December 2012 and 2013. The Group has not early adopted the new and revised IFRSs which are effective for annual periods beginning on or after 1 January 2014. The financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB"), which is the functional and presentation currencies of the Company and its subsidiaries and all values are rounded to the nearest thousand except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

# Notes to Financial Statements

31 December 2013

## 2.1 BASIS OF PREPARATION *(Continued)*

### **Basis of consolidation** *(Continued)*

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

## 2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

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

IFRS 9	<i>Financial Instruments</i> <sup>4</sup>
IFRS 9, IFRS 7 and IAS 39 Amendments	<i>Amendments to IFRS 9 Financial Instruments — Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39</i> <sup>4</sup>
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	<i>Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) — Investment Entities</i> <sup>1</sup>
IFRS 14	<i>Regulatory Deferral Accounts</i> <sup>3</sup>
IAS 19 Amendments	<i>Amendments to IAS 19 Employee Benefits — Defined Benefit Plans: Employee Contributions</i> <sup>2</sup>
IAS 32 Amendments	<i>Amendments to IAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i> <sup>1</sup>
IAS 36 Amendments	<i>Amendments to IAS 36 Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets</i> <sup>1</sup>
IAS 39 Amendments	<i>Amendments to IAS 39 Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting</i> <sup>1</sup>
IFRIC 21	<i>Levies</i> <sup>1</sup>
<i>Annual Improvements to IFRSs 2010–2012 Cycle</i>	<i>Amendments to a number of IFRSs issued in December 2013</i> <sup>2</sup>
<i>Annual Improvements to IFRSs 2011–2013 Cycle</i>	<i>Amendments to a number of IFRSs issued in December 2013</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>4</sup> Mandatory effective date not yet determined

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application but is not yet in a position to state whether these new and revised IFRSs would have a significant impact on the Group's results of operations and financial position.



# Notes to Financial Statements

31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Subsidiaries

A subsidiary is an entity (including a structured entity) controlled by the Company and/or its other subsidiaries. The Group controls an investee when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., the existing rights that give the Group the current ability to direct the relevant activities of the investee). The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control described above. The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

### Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories with the function of the impaired asset.

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

### Related parties

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

# Notes to Financial Statements

31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Related parties** *(Continued)*

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### **Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Buildings		5%
Leasehold improvements	Over the shorter of lease terms and	25%
Furniture, fixtures and office equipment		10% to 20%
Motor vehicles		12.5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

# Notes to Financial Statements

31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Property, plant and equipment and depreciation** *(Continued)*

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

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

### **Leases**

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

### **Investments and other financial assets**

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

#### *Subsequent measurement*

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

#### *Loans and receivables*

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

# Notes to Financial Statements

31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

### **Impairment of financial assets**

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

#### *Financial assets carried at amortised cost*

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

# Notes to Financial Statements

31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Impairment of financial assets** *(Continued)*

#### *Financial assets carried at amortised cost (Continued)*

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

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

### **Financial liabilities**

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

#### *Subsequent measurement*

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

#### *Loans and borrowings*

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

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

#### *Financial guarantee contracts*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

# Notes to Financial Statements

31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Derecognition of financial liabilities**

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

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

### **Offsetting of financial instruments**

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

### **Inventories**

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow moving items. Cost is determined on the weighted average basis. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

### **Cash and cash equivalents**

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

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

### **Borrowing costs**

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

# Notes to Financial Statements

31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Provisions

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

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

### Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

# Notes to Financial Statements

31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Income tax** *(Continued)*

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

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

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

### **Revenue recognition**

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (d) dividend income, when the shareholders' right to receive payment has been established.

### **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

### **Employee benefits**

#### *Pension schemes*

The employees of the Group in Mainland China are required to participate in central pension schemes operated by the local municipal government. The Group is required to contribute certain percentages of their payroll costs to the central pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension schemes.



# Notes to Financial Statements

31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Group using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### *Impairment of non-financial assets*

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months subsequent to the end of the reporting period, are described below:

#### *Impairment of trade receivables*

Impairment of trade receivables is made based on assessment of the recoverability of trade receivables. The identification of impairment requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables as well as impairment or write-back of impairment in the period in which such estimate has been changed.

# Notes to Financial Statements

31 December 2013

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

### Estimation uncertainty *(Continued)*

#### Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market conditions and the historical experience of selling merchandise of similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The Group reassesses these estimates at the end of each reporting period.

## 5. OPERATING SEGMENT INFORMATION

The Group's primary operating segment is the retailing of men's casual apparels. Since it is the only operating segment of the Group, no further analysis thereof is presented.

Besides, the Group's customers and non-current assets are solely in the Mainland China. No further analysis on the geographical information thereof is presented.

For the years ended 31 December 2013 and 2012, as no revenue from sales to a customer of the Group has individually accounted for over 10% of the Group's total revenue, no information about major customers is presented under IFRS 8.

## 6. REVENUE AND OTHER INCOME

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

	Group	
	2013 RMB'000	2012 RMB'000
<b>Revenue</b>		
Sale of goods	682,466	572,138
<b>Other income</b>		
Commission income	6,882	372
Subsidy income*	5,650	2,769
Membership fee from customers	4,968	4,775
Gross rental income	280	313
Others	70	24
	<b>17,850</b>	<b>8,253</b>

\* There are no unfulfilled conditions or contingencies relating to this income.

# Notes to Financial Statements

31 December 2013

## 7. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest on bank loans, wholly repayable within five years	17,155	12,979

## 8. PROFIT BEFORE TAX

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

		Group	
	Notes	2013 RMB'000	2012 RMB'000
Cost of inventories sold		366,886	313,245
Depreciation	14	11,406	7,381
Charges of retail outlets' decoration costs	20	7,111	5,248
Amortisation of prepaid land lease payments	16	987	730
Minimum lease payments under operating leases in respect of land and buildings		13,669	14,417
Employee benefit expense (including directors' remuneration (note 9)):			
Salaries and other staff costs		48,414	34,668
Pension scheme contributions		14,948	9,559
		63,362	44,227
Auditors' remuneration		2,030	-
Loss on disposal/write-off of items of property, plant and equipment		2,806	1,085
Provision/(write-back of provision) for obsolete inventories, net <sup>1</sup>		(1,226)	2,373
Impairment of trade receivables, net <sup>2</sup>	19	516	692
Research and development expenditure <sup>2</sup>		6,754	6,764
Bank interest income		(8,546)	(6,003)

Notes:

<sup>1</sup> The provision/(write-back of provision) for obsolete inventories, net is included in "Cost of sales" on the face of the consolidated income statement.

<sup>2</sup> The impairment of trade receivables, net and the research and development expenditure for the year are included in "Administrative expenses" in the consolidated income statement.

# Notes to Financial Statements

31 December 2013

## 9. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

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

	Group	
	2013 RMB'000	2012 RMB'000
Fees	–	–
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	1,278	1,082
Pension scheme contributions	33	37
	<b>1,311</b>	1,119

### (a) Independent non-executive directors

	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
<b>2013</b>				
Mr. Kong Yuquan	–	50	–	50
Mr. Qi Xiaozhai	–	50	–	50
Ms. Hsu Wai Man, Helen	–	29	–	29
Mr. Wang Jianqing	–	17	–	17
Mr. Liang Mingduan	–	4	–	4
	–	<b>150</b>	–	<b>150</b>
<b>2012</b>				
Mr. Kong Yuquan	–	50	–	50
Mr. Qi Xiaozhai	–	50	–	50
Mr. Wang Jianqing	–	50	–	50
	–	150	–	150

# Notes to Financial Statements

31 December 2013

## 9. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

(Continued)

### (a) Independent non-executive directors (Continued)

Mr. Wang Jianqing resigned on 8 April 2013. Mr. Liang Mingduan was appointed as an independent non-executive director on 29 April 2013 and resigned on 10 May 2013. Ms. Hsu Wai Man, Helen, was appointed as an independent non-executive director of the Company on 3 June 2013.

There were no other emoluments payable to the independent non-executive directors during the year.

### (b) Supervisors

	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
<b>2013</b>				
Ms. Gu Tao	–	122	1	123
Ms. Zhang Ailing	–	48	3	51
Mr. Zheng Zhencheng	–	9	1	10
Mr. Ye Yongguan	–	–	–	–
Ms. Guo Zhuojun	–	–	–	–
	–	179	5	184
<b>2012</b>				
Ms. Gu Tao	–	88	1	89
Ms. Zhang Ailing	–	82	6	88
Mr. Zheng Zhencheng	–	80	6	86
	–	250	13	263

Ms. Zhang Ailing and Mr. Zheng Zhencheng resigned as supervisors of the Company on 3 June 2013. Mr. Ye Yongguan and Ms. Guo Zhuojun were appointed as supervisors of the Company on 3 June 2013.

There were no other emoluments payable to the supervisors during the year.

# Notes to Financial Statements

31 December 2013

## 9. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

(Continued)

### (c) Executive directors

	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
<b>2013</b>				
Mr. Ding Hui	–	350	7	357
Mr. Ding Canyang	–	240	7	247
Ms. Ding Lixia	–	–	–	–
Mr. Chen Quanyi	–	126	7	133
Mr. Yang Weiqiang	–	–	–	–
Mr. Jin Wenge	–	233	7	240
	–	949	28	977
<b>2012</b>				
Mr. Ding Hui	–	240	6	246
Mr. Ding Canyang	–	180	6	186
Ms. Ding Lixia	–	–	–	–
Mr. Chen Quanyi	–	117	6	123
Mr. Yang Weiqiang	–	–	–	–
Mr. Jin Wenge	–	145	6	151
	–	682	24	706

Mr. Yang Weiqiang resigned as a non-executive director of the Company on 24 June 2013.

Mr. Ding Hui is also the chief executive officer of the Company.

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

# Notes to Financial Statements

31 December 2013

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included 3 (2012: 4) directors, details of whose remuneration details are set out in note 9 above. Details of the remuneration for the year of the remaining 2 (2012: 1) highest paid employees, who are neither a director, chief executive nor a supervisor, are as follows:

	2013 RMB'000	2012 RMB'000
Salaries, bonuses, allowances and benefits in kind	447	117
Pension scheme contributions	7	6
	<b>454</b>	123

The number of these highest paid employees who are neither a director, chief executive nor a supervisor whose remuneration fell within the following band is as follows:

	Number of employees	
	2013	2012
Nil to HK\$1,000,000	2	1

No remuneration (2012: Nil) was paid by the Group to the directors, chief executive, supervisors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

## 11. INCOME TAX

The Provision for Mainland China current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income tax Law which was approved and became effective on 1 January 2008.

The major components of the income tax expense for the year are as follows:

	2013 RMB'000	2012 RMB'000
Group:		
Current — Mainland China		
Charge for the year	30,123	29,185
Deferred (note 17)	(973)	(2,037)
Total tax charge for the year	<b>29,150</b>	27,148

# Notes to Financial Statements

31 December 2013

## 11. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate to the tax expense at the Group's effective tax rate is as follows:

	2013 RMB'000	2012 RMB'000
Profit before tax	110,891	108,846
Tax at the statutory tax rate	27,722	27,212
Expenses not deductible for tax	1,428	136
Others	–	(200)
Tax charge at the Group's effective tax rate	29,150	27,148

## 12. DIVIDEND

	2013 RMB'000	2012 RMB'000
Dividend declared during the year:		
2011 — RMB14.0 cents per ordinary share	–	10,500
Proposed final dividend		
Final — RMB5.0 cents (2012: Nil) per ordinary share	30,540	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the final dividend payable.



# Notes to Financial Statements

31 December 2013

## 13. EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profits attributable to the owners of the Company for the year, and the weighted number of ordinary shares in issue during the year, which has taken into account of the effect of the issuance of bonus shares (note 25(b)) and share split (note 25(c)).

The calculation of basic earnings per share is based on:

	2013 RMB'000	2012 RMB'000
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic earnings per share	81,741	81,698
	Number of shares	
	2013	2012 (Restated)
<b>Shares</b>		
Weighted average number of ordinary shares in issue used in the basic earnings per share, which has taken into account of the effect of the issuance of bonus shares (note 25(b)) and share split (note 25(c))	450,000,000	450,000,000

There were no potentially dilutive ordinary shares in issue during the year and therefore the diluted earnings per share is equivalent to the basic earnings per share.

# Notes to Financial Statements

31 December 2013

## 14. PROPERTY, PLANT AND EQUIPMENT

### Group

	Buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2013</b>						
Cost:						
At 1 January 2013	74,197	21,699	11,544	4,599	338	112,377
Additions	89	8,177	2,616	384	34,975	46,241
Disposal/write-off	-	(8,148)	(809)	(837)	-	(9,794)
At 31 December 2013	74,286	21,728	13,351	4,146	35,313	148,824
Accumulated depreciation:						
At 1 January 2013	-	11,438	4,695	2,522	-	18,655
Provided during the year	3,527	5,537	1,947	395	-	11,406
Disposal/write-off	-	(5,880)	(607)	(501)	-	(6,988)
At 31 December 2013	3,527	11,095	6,035	2,416	-	23,073
Net book value:						
At 31 December 2013	70,759	10,633	7,316	1,730	35,313	125,751
<b>31 December 2012</b>						
Cost:						
At 1 January 2012	-	20,656	7,371	4,544	39,716	72,287
Additions	126	3,586	4,173	208	34,693	42,786
Transfer	74,071	-	-	-	(74,071)	-
Disposal/write-off	-	(2,543)	-	(153)	-	(2,696)
At 31 December 2012	74,197	21,699	11,544	4,599	338	112,377
Accumulated depreciation:						
At 1 January 2012	-	7,495	3,308	2,082	-	12,885
Provided during the year	-	5,490	1,387	504	-	7,381
Disposal/write-off	-	(1,547)	-	(64)	-	(1,611)
At 31 December 2012	-	11,438	4,695	2,522	-	18,655
Net book value:						
At 31 December 2012	74,197	10,261	6,849	2,077	338	93,722

# Notes to Financial Statements

31 December 2013

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

### Company

	Buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2013</b>						
Cost:						
At 1 January 2013	74,197	21,036	10,919	4,391	338	110,881
Additions	89	6,986	2,242	384	–	9,701
Disposal/write-off	–	(7,771)	(788)	(837)	–	(9,396)
At 31 December 2013	74,286	20,251	12,373	3,938	338	111,186
Accumulated depreciation:						
At 1 January 2013	–	11,119	4,602	2,512	–	18,233
Provided during the year	3,527	4,742	1,806	355	–	10,430
Disposal/write-off	–	(5,502)	(602)	(502)	–	(6,606)
At 31 December 2013	3,527	10,359	5,806	2,365	–	22,057
Net book value:						
At 31 December 2013	70,759	9,892	6,567	1,573	338	89,129
<b>31 December 2012</b>						
Cost:						
At 1 January 2012	–	19,994	7,060	4,544	39,716	71,314
Additions	126	3,585	3,859	–	34,693	42,263
Transfers	74,071	–	–	–	(74,071)	–
Disposal/write-off	–	(2,543)	–	(153)	–	(2,696)
At 31 December 2012	74,197	21,036	10,919	4,391	338	110,881
Accumulated depreciation:						
At 1 January 2012	–	7,431	3,294	2,082	–	12,807
Provided during the year	–	5,235	1,308	494	–	7,037
Disposal/write-off	–	(1,547)	–	(64)	–	(1,611)
At 31 December 2012	–	11,119	4,602	2,512	–	18,233
Net book value:						
At 31 December 2012	74,197	9,917	6,317	1,879	338	92,648

# Notes to Financial Statements

31 December 2013

## 15. INTERESTS IN SUBSIDIARIES

### Company

	2013 RMB'000	2012 RMB'000
Unlisted investments, at cost	75,000	60,000

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

All of the subsidiaries are directly held by the Company.

Particulars of the subsidiaries are as follows:

Company name	Place of establishment and operations	Nominal value of paid-up registered capital	Percentage of equity directly attributable to the Company	Principal activities
Shanghai Nuoqi Apparel Co., Ltd.*,# 上海諾奇服飾有限公司 ("Shanghai Nuoqi")	PRC/Mainland China	RMB60,000,000	100	Trading of men's apparels
Quanzhou Nuoqi Apparel Co., Ltd.*,# 泉州諾奇服飾有限公司 ("Quanzhou Nuoqi")	PRC/Mainland China	RMB15,000,000	100	Trading of men's apparels

Notes:

\* English translations of names for identification purposes only

# Registered as domestic companies with limited liability under the laws of the PRC

# Notes to Financial Statements

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## 16. PREPAID LAND LEASE PAYMENTS

	Group	
	2013 RMB'000	2012 RMB'000
Carrying amount at 1 January	48,340	11,500
Additions	–	37,570
Recognised during the year	(987)	(730)
Carrying amount at 31 December	47,353	48,340
Current portion included in prepayments, deposits and other receivables (note 20)	(987)	(996)
Non-current portion	46,366	47,344
	Company	
	2013 RMB'000	2012 RMB'000
Carrying amount at 1 January	11,265	11,500
Recognised during the year	(236)	(235)
Carrying amount at 31 December	11,029	11,265
Current portion included in prepayments, deposits and other receivables (note 20)	(236)	(235)
Non-current portion	10,793	11,030

The leasehold lands are situated in Mainland China and are held under medium term leases.

The Company's land with a carrying value of RMB11,029,000 (2012: RMB11,265,000) at 31 December 2013 was pledged to secure general banking facilities granted to the Group (note 24).

# Notes to Financial Statements

31 December 2013

## 17. DEFERRED TAX ASSETS

### Group

	Provisions RMB'000	Unrealised profit of inventories RMB'000	Accrued liabilities RMB'000	Total RMB'000
At 1 January 2012	1,205	596	421	2,222
Deferred tax credited to the income statement during the year (note 11)	958	709	370	2,037
At 31 December 2012 and 1 January 2013	2,163	1,305	791	4,259
Deferred tax credited to the income statement during the year (note 11)	(190)	642	521	973
At 31 December 2013	1,973	1,947	1,312	5,232

### Company

	Provisions RMB'000	Accrued liabilities RMB'000	Total RMB'000
At 1 January 2012	719	421	1,140
Deferred tax credited to the income statement during the year	349	171	520
At 31 December 2012 and 1 January 2013	1,068	592	1,660
Deferred tax charged to the income statement during the year	(224)	176	(48)
At 31 December 2013	844	768	1,612

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

# Notes to Financial Statements

31 December 2013

## 18. INVENTORIES

### Group

	2013 RMB'000	2012 RMB'000
Consumables	4,620	5,266
Finished goods	108,285	105,916
	<b>112,905</b>	111,182

### Company

	2013 RMB'000	2012 RMB'000
Consumables	3,882	4,827
Finished goods	78,617	86,144
	<b>82,499</b>	90,971

## 19. TRADE RECEIVABLES

### Group

	2013 RMB'000	2012 RMB'000
Trade receivables	83,665	74,740
Impairment	(4,290)	(3,774)
	<b>79,375</b>	70,966

### Company

	2013 RMB'000	2012 RMB'000
Trade receivables	3,520	19,834
Impairment	(170)	(982)
	<b>3,350</b>	18,852

# Notes to Financial Statements

31 December 2013

## 19. TRADE RECEIVABLES *(Continued)*

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the fact that the Group's trade receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

### Group

	2013 RMB'000	2012 RMB'000
Within 1 month	59,573	46,264
1 to 2 months	18,147	22,713
2 to 3 months	1,343	1,858
Over 3 months	312	131
	<b>79,375</b>	70,966

### Company

	2013 RMB'000	2012 RMB'000
Within 1 month	2,516	12,628
1 to 2 months	774	5,917
2 to 3 months	60	307
	<b>3,350</b>	18,852



# Notes to Financial Statements

31 December 2013

## 19. TRADE RECEIVABLES *(Continued)*

The movements in provision for impairment of trade receivables are as follows:

### Group

	2013 RMB'000	2012 RMB'000
At 1 January	3,774	3,082
Impairment losses recognised, net (note 8)	516	692
At 31 December	4,290	3,774

### Company

	2013 RMB'000	2012 RMB'000
At 1 January	982	1,137
Impairment losses reversed	(812)	(155)
At 31 December	170	982

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

### Group

	2013 RMB'000	2012 RMB'000
Neither past due nor impaired	62,703	48,689
Past due within 3 months	20,515	26,029
Past due over 3 months	447	22
	83,665	74,740

### Company

	2013 RMB'000	2012 RMB'000
Neither past due nor impaired	2,642	13,282
Past due within 3 months	878	6,552
	3,520	19,834

# Notes to Financial Statements

31 December 2013

## 20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

### Group

	2013 RMB'000	2012 RMB'000
Prepaid land lease payments (note 16)	987	996
Prepayments <sup>#</sup>	150,292	83,754
Rental deposits	2,397	2,737
Other deposits	1,123	935
Value added tax ("VAT") recoverable	–	3,353
Other receivables (note 30(c))	6,798	1,208
	<b>161,597</b>	92,983
Less: non-current portion		
Rental deposits	1,763	1,861
Deposits for purchase of items of property, plant and equipment	–	162
	<b>1,763</b>	2,023
	<b>159,834</b>	90,960

### Company

	2013 RMB'000	2012 RMB'000
Prepaid land lease payments (note 16)	236	235
Prepayments	143,870	80,046
Rental deposits	2,366	2,706
Other deposits	136	135
Other receivables (note 30(c))	6,340	647
	<b>152,948</b>	83,769
Less: non-current portion		
Rental deposits	1,763	1,861
	<b>151,185</b>	81,908

<sup>#</sup> Included in prepayments of the Group are decoration costs of retail outlets in shopping malls and department stores of RMB6,097,000 (2012: RMB3,626,000), which would be charged to the consolidated income statement in the next twelve months subsequent to the end of the reporting period. RMB7,111,000 (2012: RMB5,248,000) of such costs were charged to the consolidated income statement for the year.

At 31 December 2013 and 2012, the balances of deposits and other receivables were neither past due nor impaired. Financial assets included in the above balances have no recent history of default.

# Notes to Financial Statements

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## 21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

### Group

	2013 RMB'000	2012 RMB'000
Cash and bank balances	5,154	3,136
Time deposits	354,000	195,500
	<b>359,154</b>	198,636
Less: Pledged deposits for bills payable (note 22)	<b>(8,800)</b>	(500)
Cash and cash equivalents	<b>350,354</b>	198,136

### Company

	2013 RMB'000	2012 RMB'000
Cash and bank balances	2,822	3,101
Time deposits	354,000	195,500
	<b>356,822</b>	198,601
Less: Pledged deposits for bills payable (note 22)	<b>(8,800)</b>	(500)
Cash and cash equivalents	<b>348,022</b>	198,101

At 31 December 2013 and 2012, the cash and bank balances of the Group denominated in RMB. RMB is not freely convertible into other currencies; however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between 21 days and 1 year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

# Notes to Financial Statements

31 December 2013

## 22. TRADE AND BILLS PAYABLES

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

### Group and Company

	2013 RMB'000	2012 RMB'000
Within 1 month	18,360	6,122
1 to 3 months	11,132	2,042
3 to 6 months	1,505	1,033
Over 6 months	3	48
Trade payables	31,000	9,245
Bills payable	32,000	5,000
	<b>63,000</b>	14,245

The trade payables are non-interest-bearing and are normally settled on one month's term. The bills payable are non-interest-bearing, and are normally settled in one to six months.

The bills payable were supported by:

- (a) the pledge of certain of the Group's and the Company's time deposits amounting to RMB8,800,000 (2012: RMB500,000) (note 21) at 31 December 2013 and 2012; and
- (b) guarantees executed by Mr. Ding Hui and Mr. Ding Canyang at 31 December 2013 and 2012. These guarantees were released subsequent to 31 December 2013.

## 23. OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES

### Group

	2013 RMB'000	2012 RMB'000
Deposit and advance from customers	7,491	3,225
Accruals	48,663	22,085
VAT payables	6,767	5,223
Dividends payable	609	609
Other payables	16,963	6,121
	<b>80,493</b>	37,263

# Notes to Financial Statements

31 December 2013

## 23. OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES (Continued)

### Company

	2013 RMB'000	2012 RMB'000
Deposit and advance from customers	1,468	2,003
Accruals	40,623	19,000
VAT payables	6,302	5,223
Dividends payable	609	609
Other payables	11,086	3,500
	<b>60,088</b>	<b>30,335</b>

Other payables are non-interest-bearing and have an average term of three months.

## 24. INTEREST-BEARING BANK BORROWINGS

### Group

	Notes	Effective interest rate per annum (%)	Maturity	RMB'000
<b>2013</b>				
Current Bank loans	(a), (b), (c), (d)	6.4–8.1	2014	239,040
<b>2012</b>				
Current Bank loans	(a), (b)	5.953–8.5	2013	154,824

### Company

	Notes	Effective interest rate per annum (%)	Maturity	RMB'000
<b>2013</b>				
Current Bank loans	(a), (b), (c), (d)	6.4–8.1	2014	214,040
<b>2012</b>				
Current Bank loans	(a), (b)	5.953–8.5	2013	154,824

# Notes to Financial Statements

31 December 2013

## 24. INTEREST-BEARING BANK BORROWINGS *(Continued)*

Notes:

- (a) At 31 December 2013 and 2012, certain bank loans were supported by guarantees executed by 福建晉江市遠帆鞋服有限公司, Mr. Lin Qingyuan (林清遠), the independent third parties, Mr. Ding Hui and his wife, and Mr. Ding Canyang and his wife, and the pledge of the Group's land with a carrying amount of RMB11,029,000 (2012: RMB11,265,000) (note 16). These guarantees were released subsequent to 31 December 2013.
- (b) The Group, certain suppliers and a bank entered into a tripartite agreement, pursuant to which these suppliers transferred to the bank the title of the amounts due from the Group to them for bank loans granted by the bank to the Group. The outstanding amount of such loans at 31 December 2013 was RMB69,040,000 (2012: RMB45,824,000).
- (c) At 31 December 2013, certain bank loans were guaranteed by Mr. Ding Hongpai (丁鴻派), the father-in-law of Ms. Ding Lixia, a sister of Mr. Ding Hui and Mr. Ding Canyang, and 晉江市鴻升針織制衣有限公司, a company controlled by Mr. Ding Hongpai (丁鴻派). These guarantees were released subsequent to 31 December 2013.
- (d) At 31 December 2013, certain bank loans of the Group were guaranteed by the Company, Shanghai Nuoqi and Quanzhou Nuoqi.

## 25. SHARE CAPITAL

	2013 RMB'000	2012 RMB'000
Registered:		
90,000,000 (2012: 90,000,000) ordinary shares of RMB1.00 each	90,000	90,000
Issued and fully paid:		
90,000,000 (2012: 90,000,000) ordinary shares of RMB1.00 each	90,000	90,000

During the year and up to 6 February 2014, the movements in the Company's issued share capital were as follows:

	Notes	Number of shares in issue	Issued capital RMB'000
Issued:			
At 1 January 2012		75,000,000	75,000
Transfer from share premium	(b)	15,000,000	15,000
At 31 December 2012, 1 January 2013 and 31 December 2013	(c)	90,000,000	90,000
Share split	(c)	360,000,000	–
Issuance of new shares on 9 January 2014	(d)	150,000,000	249,466
Issuance of new shares on 6 February 2014 upon exercise of an over-allotment option	(e)	10,794,000	17,952
At 6 February 2014		610,794,000	357,418

# Notes to Financial Statements

31 December 2013

## 25. SHARE CAPITAL *(Continued)*

Notes:

- (a) Pursuant to a resolution of a shareholders general meeting passed on 26 February 2012, the registered share capital of the Company was increased from RMB75,000,000 to RMB90,000,000 by the creation of 15,000,000 additional shares of RMB1.00 each, ranking pari passu in all respects with the existing shares of the Company.
- (b) Pursuant to a resolution of a shareholders general meeting passed on 26 February 2012, the Company issued bonus shares on the basis of two bonus shares for every ten shares held, by way of capitalisation of the sum of approximately RMB15,000,000 from the share premium account, to the then shareholders of the Company in proportion to their respective shareholding (note 26).
- (c) As detailed in the prospectus of the Company dated 30 December 2013, the registered share capital of the Company will be subdivided in such manner that every existing share of RMB1.00 each will be subdivided into five shares of RMB0.20 each, subject to the success of the Listing on the Hong Kong Stock Exchange. As a result, the registered share capital of the Company of 90 million shares of RMB1.00 each was subdivided into 450 million shares of RMB0.20 each subsequent to the end of the reporting period.
- (d) In connection with the Company's Global Offering on the Hong Kong Stock Exchange, on 9 January 2014, 150,000,000 ordinary shares of RMB0.20 each were issued at a subscription price of HK\$2.13 per share for a total cash consideration, before expenses, of HK\$319,500,000 (approximately RMB249,466,000). Dealings in these shares on the Stock Exchange commenced on 9 January 2014.
- (e) Pursuant to the international underwriting agreement dated 6 January 2014, the Company granted an option ("Over-allotment Option") to the international underwriters, exercisable by CCB International Capital Limited on behalf of the international underwriters. On 29 January 2014, the Over-allotment Option was partially exercised and on 6 February 2014, 10,794,000 ordinary shares of RMB0.20 each were issued at a subscription price of HK\$2.13 per share for a total cash consideration, before expenses, of HK\$22,991,000 (approximately RMB17,952,000) to cover over-allocations in the international offering. Dealings in these shares on the Hong Kong Stock Exchange commenced on 6 February 2014.

## 26. RESERVES

### (a) Group

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity of the financial statements.

In accordance with the relevant regulations applicable in the PRC, the Company and its subsidiaries established in the PRC are required to transfer a certain percentage of their profits after tax, if any, to the statutory surplus reserve, which are non-distributable, before profit distributions to shareholders.

# Notes to Financial Statements

31 December 2013

## 26. RESERVES (Continued)

### (b) Company

	Notes	Share premium RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2012		113,499	14,026	111,140	238,665
Profit and total comprehensive income for the year		–	–	51,646	51,646
Issue of shares	25(b)	(15,000)	–	–	(15,000)
Transfer from retained profits		–	5,213	(5,213)	–
2011 dividend declared	12	–	–	(10,500)	(10,500)
At 31 December 2012 and 1 January 2013		<b>98,499</b>	<b>19,239</b>	<b>147,073</b>	<b>264,811</b>
Profit and total comprehensive income for the year		–	–	<b>28,354</b>	<b>28,354</b>
Transfer from retained profits		–	<b>3,701</b>	<b>(3,701)</b>	–
At 31 December 2013		<b>98,499</b>	<b>22,940</b>	<b>171,726</b>	<b>293,165</b>

## 27. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Major non-cash transactions

During the year ended 31 December 2012, the Group had transferred deposits for purchase of property, plant and equipment of RMB1,403,000 to property, plant and equipment.

## 28. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group and the Company subleases certain of its lease shops under operating lease arrangements with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

Group and Company

	2013 RMB'000	2012 RMB'000
Within one year	163	309
In the second to fifth years, inclusive	98	235
	<b>261</b>	<b>544</b>



# Notes to Financial Statements

31 December 2013

## 28. OPERATING LEASE ARRANGEMENTS (Continued)

### (b) As lessee

The Group and the Company leases certain of its shops, counters, and warehouses under operating lease arrangements with leases negotiated for terms ranging from one to six years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

#### Group

	2013 RMB'000	2012 RMB'000
Within one year	8,899	14,202
In the second to fifth years, inclusive	14,495	17,444
After five years	220	163
	<b>23,614</b>	31,809

#### Company

	2013 RMB'000	2012 RMB'000
Within one year	8,031	11,351
In the second to fifth years, inclusive	14,461	17,162
After five years	220	163
	<b>22,712</b>	28,676

## 29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28(b) above, the Group and the Company had the following commitments at the end of the reporting period:

### Group

	2013 RMB'000	2012 RMB'000
Contracted, but not provided for:		
— Land and buildings	213,505	—
— Leasehold improvements	1,313	—
— Plant and equipment	6,162	10
Authorised, but not contracted for:		
— Land and buildings	71,520	320,000
	<b>292,500</b>	320,010

### Company

	2013 RMB'000	2012 RMB'000
Contracted for commitments in respect of:		
— Leasehold improvements	1,313	—
— Plant and equipment	259	10
	<b>1,572</b>	10

# Notes to Financial Statements

31 December 2013

## 30. RELATED PARTY TRANSACTIONS

- (a) As detailed in note 24 above, the banking facilities were supported by personal guarantees provided by Mr. Ding Hui, the director of the Company, and his wife, and Mr. Ding Canyang, the director of the Company, and his wife to the extent of RMB315 million (2012: RMB295 million) at 31 December 2013. These guarantees were released subsequent to 31 December 2013.
- (b) During the year ended 31 December 2012, 泉州市諾奇投資發展有限公司, one of the shareholders of the Company, had transferred certain software intellectual property rights registered under its name to the Group at nil consideration on 28 May 2012.
- (c) Pursuant to the undertakings dated 20 December 2013, Mr. Ding Hui and Mr. Ding Canyang agreed to bear certain listing expenses amounting to RMB1,980,000 in the relation to the Company's A-Share listing applications to the CSRC, which is included in other receivable at the end of the reporting period. These balances were settled subsequent to 31 December 2013.

## 31. FINANCIAL INSTRUMENTS BY CATEGORY

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

### Financial assets

Group

	2013 RMB'000	2012 RMB'000
<b>Loans and receivables</b>		
Trade receivables	79,375	70,966
Financial assets included in prepayments, deposits and other receivables	10,318	4,880
Pledged deposits	8,800	500
Cash and cash equivalents	350,354	198,136
	<b>448,847</b>	274,482

### Financial liabilities

Group

	2013 RMB'000	2012 RMB'000
<b>Financial liabilities at amortised cost</b>		
Trade and bills payables	63,000	14,245
Financial liabilities included in other payables, accruals and other liabilities	40,632	10,845
Interest-bearing bank borrowings	239,040	154,824
	<b>342,672</b>	179,914

# Notes to Financial Statements

31 December 2013

## 31. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

### Financial assets

*Company*

	2013 RMB'000	2012 RMB'000
<b>Loans and receivables</b>		
Trade receivables	3,350	18,852
Financial assets included in prepayments, deposits and other receivables	8,842	3,488
Amount due from a subsidiary	–	4,230
Pledged deposits	8,800	500
Cash and cash equivalents	348,022	198,101
	<b>369,014</b>	<b>225,171</b>

### Financial liabilities

*Company*

	2013 RMB'000	2012 RMB'000
<b>Financial liabilities at amortised cost</b>		
Trade and bills payables	63,000	14,245
Financial liabilities included in other payables, accruals and other liabilities	29,724	6,126
Amount due to a subsidiary	42,931	–
Interest-bearing bank borrowings	214,040	154,824
	<b>349,695</b>	<b>175,195</b>

# Notes to Financial Statements

31 December 2013

## 32. TRANSFERRED FINANCIAL ASSETS

### Transferred financial assets that are derecognised in their entirety

During the year ended 31 December 2013, the Group discounted certain bank and commercial bills receivable with a carrying amount in aggregate of approximately RMB26.9 million (2012: RMB49.8 million) to a bank in Mainland China (the "Derecognised Bills") for cash. The Derecognised Bills had a maturity from five months to six months. At 30 June 2013 and 31 December 2013, RMB17.7 million and RMB9.2 million, respectively, of the Derecognised Bills had maturity date subsequent to the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC bank and/or the issuers of commercial bills receivable default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full amounts of the Derecognised Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their full amounts. In the opinion of the directors, the fair value of the Group's Continuing Involvement in the Derecognised Bills is not significant.

During the years ended 31 December 2013 and 2012, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces conservative strategies on its risk management. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below:

### Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank borrowings with a floating interest rate.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

# Notes to Financial Statements

31 December 2013

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Interest rate risk *(Continued)*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's and of the Company's profit before tax (through the impact on floating rate borrowings).

*Group and Company*

	2013 RMB'000	2012 RMB'000
Increase in basis points	100	100
Decrease in profit before tax	(423)	–
Decrease in basis points	(100)	(100)
Increase in profit before tax	423	–

### Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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

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

### Liquidity risk

The Group aims at maintaining a balance between continuity of funding and flexibility through maintaining sufficient cash and cash equivalents. The directors have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

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

*Group*

	2013 RMB'000	2012 RMB'000
<b>Less than 1 year</b>		
Trade and bills payables	63,000	14,245
Financial liabilities included in other payables, accruals and other liabilities	40,632	10,845
Interest-bearing bank-borrowings	249,213	160,808
	<b>352,845</b>	<b>185,898</b>

# Notes to Financial Statements

31 December 2013

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Liquidity risk *(Continued)*

Company

	2013 RMB'000	2012 RMB'000
<b>Less than 1 year</b>		
Trade and bills payables	63,000	14,245
Financial liabilities included in other payables, accruals and other liabilities	29,724	6,126
Amount due to a subsidiary	42,931	–
Interest-bearing bank-borrowings	223,216	160,808
Guarantee given to bank in connection with facilities granted to a subsidiary	25,000	–
	<b>383,871</b>	<b>181,179</b>

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. No change was made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

The capital structure of the Group consists of net debt which includes bank borrowings and equity attributable to the owners of the Company. Equity attributable to the owners of the Company comprises issued share capital, reserves and retained profits as disclosed in the consolidated statement of changes in equity.

The Group monitors capital using a gearing ratio, which is total interest-bearing bank borrowings divided by the equity attributable to owners of the Company. The gearing ratios as at the end of the reporting period were as follows:

Group

	2013 RMB'000	2012 RMB'000
Interest-bearing bank borrowings	239,040	154,824
Equity attributable to the owners of the Company	482,630	400,889
Gearing ratio	49.5%	38.6%

## 34. EVENTS AFTER THE REPORTING PERIOD

In addition to the subsequent events detailed elsewhere in the financial statement, the H Shares of the Company were listed on the Hong Kong Stock Exchange on 9 January 2014.

## 35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2014.

# Summary Financial Information

31 December 2013

A summary of the published results and of the assets and liabilities of the Group for the last four financial years prepared on the basis set out in the notes below:

## RESULTS

	2013 RMB\$'000	Year ended 31 December		
		2012 RMB\$'000	2011 RMB\$'000	2010 RMB\$'000
REVENUE	682,466	572,138	467,778	322,166
PROFIT BEFORE TAX	110,891	108,846	92,947	62,035
INCOME TAX EXPENSE	(29,150)	(27,148)	(24,589)	(16,373)
PROFIT FOR THE YEAR	81,741	81,698	68,358	45,662
Attributable to:				
Owners of the Company	81,741	81,698	68,358	45,662

## ASSETS AND LIABILITIES

	2013 RMB\$'000	As at 31 December		
		2012 RMB\$'000	2011 RMB\$'000	2010 RMB\$'000
TOTAL ASSETS	890,380	619,092	470,175	279,368
TOTAL LIABILITIES	(407,750)	(218,203)	(140,484)	(114,035)
	482,630	400,889	329,691	165,333

Notes:

- (i) The summary of the consolidated results of the Group for each of the years ended 31 December 2010, 2011 and 2012 and of the assets and liabilities as at 31 December 2010, 2011 and 2012 have been extracted from the Prospectus. Such summary is presented on the basis as set out in the Prospectus.
- (ii) The consolidated results of the Group for the year ended 31 December 2013 and the consolidated assets and liabilities of the Group as at 31 December 2013 are those set out on pages 47 to 49 of this annual report.

The above summary does not form a part of the audited financial statements.

## Definitions

“Articles of Association” or “Articles”	the articles of association of our Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of our Company
“China” or the “PRC” or “Mainland China”	the People’s Republic of China excluding, Hong Kong, the Macau Special Administrative Region of China and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “we” or “us”	Fujian Nuoqi Co., Ltd. (福建諾奇股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC on 22 January 2008, and except where the context indicates otherwise, includes our predecessor
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and in the context of this annual report, refers to Mr. Ding Hui and Mr. Ding Canyang
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Director(s)”	the director(s) of our Company, including all executive, non-executive and independent non-executive directors
“Domestic Shares”	ordinary shares in the registered capital of our Company with a nominal value of RMB0.20 each, which are subscribed for and paid up in RMB by domestic investors in the PRC and which are not yet approved for overseas listing
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”, “we” or “us”	our Company and its Subsidiaries (or our Company and any one or more of its Subsidiaries, as the context may require)
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shares”	ordinary shares in the registered capital of our Company with a nominal value of RMB0.20 each, which are to be approved for listing and trading on the Hong Kong Stock Exchange
“He Zhong Investment”	Quanzhou City He Zhong Investment and Development Co., Ltd.* (泉州市合眾投資發展有限公司), a company established in the PRC on 22 November 2007 and one of our Shareholders



## Definitions

“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“IEAP System”	the Information Enterprise Application Platform System, a management information system developed by us
“Independent Third Party(ies)”	person(s) or company(ies) which is(are) not a connected person(s) (as defined in the Listing Rules) of our Company
“Listing”	listing of the H Shares on the Main Board
“Listing Date”	the date on which dealings in the H Shares first commence on the Hong Kong Stock Exchange
“Main Board”	the stock exchange operated by the Hong Kong Stock Exchange which is independent from and operated in parallel to the Growth Enterprise Market of the Hong Kong Stock Exchange
“Nuoqi Investment”	Quanzhou City Nuoqi Investment and Development Co., Ltd.* (泉州市諾奇投資發展有限公司), a company established in the PRC on 22 November 2007 and one of our Shareholders
“ODM”	an acronym for original design and manufacturer, a business that designs and manufactures products for branding and resale by the customer
“OEM”	an acronym for original equipment manufacturer, a business that manufactures products in accordance with the customer’s design and specification for branding and resale by the customer
“PRC Company Law”	the Company Law of the PRC (《中國人民共和國公司法》), as enacted by the Standing Committee of the Eighth National People’s Congress on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
“PRC government” or “state”	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them

## Definitions

“Prospectus”	the prospectus issued by the Company on 30 December 2013 in relation to its initial global offering and listing of shares on the Hong Kong Stock Exchange
“Quanzhou City Nuoqi”	Quanzhou City Nuoqi Fashion Chain Sales Co., Ltd.* (泉州市諾奇時裝連鎖銷售有限公司), a limited liability company established in the PRC on 14 October 2004 and the predecessor of our Company
“Quanzhou Nuoqi”	Quanzhou Nuoqi Apparel Co., Ltd* (泉州諾奇服飾有限公司), a limited liability company established in the PRC on 15 January 2013 and wholly-owned by our Company
“RMB” or “Renminbi”	Renminbi Yuan, the lawful currency of the PRC
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Nuoqi”	Shanghai Nuoqi Apparel Co., Ltd* (上海諾奇服飾有限公司), a limited liability company established in the PRC on 19 April 2011 and wholly-owned by our Company
“Shareholders”	holder(s) of the Share(s)
“Shares”	ordinary shares in the registered capital of our Company with a nominal value of RMB0.20 each, comprising Domestic Shares and H Shares
“Silicon Shenzhen”	Shenzhen Silicon Valley Solar Venture Capital Co., Ltd.* (深圳硅谷天堂陽光創業投資有限公司), a company established in the PRC on 2 June 2009 and one of our Shareholders
“SPA model”	the Specialty Store Retailer of Private Label Apparel model, a fast fashion business model adopted by various international branded apparel retailers, with the three key characteristics consisting of integration of all stages of the value chain (from design and production to sale to end-customers), accurate identification of and rapid response to customers’ evolving preferences and demands, and strong control over retail points
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules, unless the context otherwise requires
“Supervisors”	the members of the supervisory committee of our Company
“third- and fourth-tier cities”	the prefecture-level cities in the PRC, excluding the first- and second-tier cities, and country-level and other townships-level cities in the PRC