The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永

18th Floor
Two International Finance Center
8 Finance Street, Central
Hong Kong

22 October 2010

The Directors
Evergreen International Holdings Limited
Piper Jaffray Asia Limited

Dear Sirs,

We set out below our report on the financial information of Evergreen International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), prepared on the basis set out in note 2 of Section II below, for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (the "Relevant Periods") (the "Financial Information") and the six months ended 30 June 2009 (the "30 June 2009 Financial Information") for inclusion in the prospectus of the Company dated 22 October 2010 (the "prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company was incorporated in the Cayman Islands on 26 June 2008 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a reorganization (the "Reorganization") as detailed in note 1 of Section II, the Company became the holding company of the subsidiaries set out in note 1 of Section II.

All companies now comprising the Group have adopted 31 December as their financial year end date. No audited financial statements have been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements. For the purpose of this report, the directors of the Company have prepared the consolidated management accounts of the Group for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "IFRS consolidated management accounts").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information and the contents of the prospectus in which this report is included. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable. It is our responsibility to form an independent opinion, based on our independent audit on the Financial Information for the Relevant Periods and to report our opinion to you.

PROCEDURES PERFORMED IN RESPECT OF THE FINANCIAL INFORMATION DURING THE RELEVANT PERIODS

The Financial Information has been prepared from the IFRS consolidated management accounts and in accordance with the basis set out in note 2 of Section II. For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustments were considered necessary to the IFRS consolidated management accounts in preparing this accountants' report for inclusion in the prospectus.

PROCEDURES PERFORMED IN RESPECT OF THE 30 JUNE 2009 FINANCIAL INFORMATION

For the purpose of this report, we have also performed a review of the 30 June 2009 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 June 2009 Financial Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION OF THE RELEVANT PERIODS

In our opinion, the Financial Information for the Relevant Periods prepared on the basis of presentation set out in note 2 under Section II "Notes to the financial information", gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 and of the Company as at 31 December 2008 and 2009 and 30 June 2010, and of the consolidated results and cash flows of the Group for the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE 30 JUNE 2009 FINANCIAL INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 30 June 2009 Financial Information does not give a true and fair view of the consolidated results and cash flows of the Group for the six-month period ended 30 June 2009.

(I) FINANCIAL INFORMATION

Consolidated income statements

					Six months ended	
		Years ended 31 December			30 June	
		2007	2008	2009	2009	2010
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	*6*	193,879	340,408	409,013	136,716	249,235
Cost of sales		(88,190)	(137,053)	(161,141)	(62,358)	(82,311)
Gross profit		105,689	203,355	247,872	74,358	166,924
Other income	*6*	2,686	2,161	2,067	788	966
Selling and distribution costs		(46,531)	(98,673)	(89,079)	(41,471)	(63,059)
Administrative expenses		(11,392)	(19,925)	(20,842)	(8,542)	(13,918)
Other expenses		(304)	(6,767)	(3,000)	(493)	(8,643)
Finance costs	*8*	(1,496)	(5,217)	(6,065)	(3,392)	(3,828)
PROFIT BEFORE TAX	*7*	48,652	74,934	130,953	21,248	78,442
Income tax credit/(expense)	*11*	510	(14,456)	(26,035)	(4,547)	(8,099)
PROFIT FOR THE YEAR/PERIOD		49,162	60,478	104,918	16,701	70,343
Attributable to:						
Owners of the Company		49,162	60,478	104,918	16,701	70,343

Consolidated statements of comprehensive income

	Years ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period	49,162	60,478	104,918	16,701	70,343
Other comprehensive income:					
Exchange differences on translation of financial statements of subsidiaries outside of PRC	731	658	(77)	29	946
Total comprehensive income for the year/period	49,893	61,136	104,841	16,730	71,289
Attributable to:					
Owners of the Company	49,893	61,136	104,841	16,730	71,289

Consolidated statements of financial position

		As at 31 December			As at 30 June
		2007	**2008**	**2009**	**2010**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	4,186	10,280	9,647	16,280
Goodwill	*15*	1,880	1,880	1,880	1,880
Deferred tax assets	*24*	3,717	3,716	4,708	5,503
Total non-current assets		9,783	15,876	16,235	23,663
CURRENT ASSETS					
Inventories	*16*	46,937	90,404	131,642	129,224
Trade receivables	*17*	77,718	82,747	55,668	66,392
Prepayments, deposits and other receivables	*18*	39,585	74,161	111,863	51,328
Due from directors	*30*	–	1,056	650	148
Due from related parties	*30*	14,402	18	71	832
Tax recoverable		–	99	–	–
Pledged deposits	*19*	–	–	43,980	43,980
Cash and cash equivalents	*19*	9,830	24,042	21,850	206,469
Total current assets		188,472	272,527	365,724	498,373
CURRENT LIABILITIES					
Trade payables	*20*	25,845	19,805	37,472	26,589
Other payables and accruals	*21*	34,515	47,325	32,468	32,270
Interest-bearing bank and other borrowings	*22*	22,420	70,574	93,994	71,417
Current portion of finance lease payables	*22*	166	42	–	–
Due to directors	*30*	29,391	18,666	22,768	–
Due to related parties	*30*	21,885	–	–	–
Tax payable		1,407	5,998	13,466	11,890
Total current liabilities		135,629	162,410	200,168	142,166
NET CURRENT ASSETS		52,843	110,117	165,556	356,207
TOTAL ASSETS LESS CURRENT LIABILITIES		62,626	125,993	181,791	379,870

		As at 31 December			As at 30 June
		2007	2008	2009	2010
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		62,626	125,993	181,791	379,870
NON-CURRENT LIABILITIES					
Finance lease payables	*22*	44	–	–	–
Convertible bonds	*23*	–	–	–	171,287
Deferred tax liabilities	*24*	13	2,288	7,866	1,352
Total non-current liabilities		57	2,288	7,866	172,639
Net assets		62,569	123,705	173,925	207,231
EQUITY					
Issued capital	*25*	–	–	–	528
Equity component of convertible bonds		–	–	–	136
Reserves	*26*	62,569	123,705	173,925	206,567
Total equity		62,569	123,705	173,925	207,231

Consolidated statements of changes in equity

	Attributable to owners of the Company									
	Issued capital RMB'000	Acquisition reserve RMB'000 (Note 26(c))	Merger reserve RMB'000 (Note 26(a))	Statutory surplus reserve RMB'000 (Note 26(b))	Exchange fluctuation reserve RMB'000	Equity component of convertible bonds RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2007	–	–	1,072	691	332	–	7,942	10,037	6,592	16,629
Total comprehensive income	–	–	–	–	731	–	49,162	49,893	–	49,893
Transfer to reserves	–	–	–	–	–	–	–	–	–	–
Acquisition of minority interests	–	2,639	–	–	–	–	–	2,639	(6,592)	(3,953)
At 31 December 2007 and 1 January 2008	–	2,639	1,072	691	1,063	–	57,104	62,569	–	62,569
Total comprehensive income	–	–	–	–	658	–	60,478	61,136	–	61,136
Transfer to reserves	–	–	–	5,673	–	–	(5,673)	–	–	–
At 31 December 2008 and 1 January 2009	–	2,639	1,072	6,364	1,721	–	111,909	123,705	–	123,705
Total comprehensive income	–	–	–	–	(77)	–	104,918	104,841	–	104,841
Interim dividend	–	–	–	–	–	–	(54,621)	(54,621)	–	(54,621)
Transfer to reserves	–	–	–	1,520	–	–	(1,520)	–	–	–
At 31 December 2009 and 1 January 2010	–	2,639	1,072	7,884	1,644	–	160,686	173,925	–	173,925
Issue of shares	528	–	–	–	–	–	–	528	–	528
Equity component of convertible bonds	–	–	–	–	–	136	–	136	–	136
Total comprehensive income	–	–	–	–	946	–	70,343	71,289	–	71,289
Interim dividend	–	–	–	–	–	–	(38,647)	(38,647)	–	(38,647)
Transfer to reserves	–	–	–	10,051	–	–	(10,051)	–	–	–
At 30 June 2010	528	2,639	1,072	17,935	2,590	136	182,331	207,231	–	207,231
Unaudited										
At 31 December 2008 and 1 January 2009	–	2,639	1,072	6,364	1,721	–	111,909	123,705	–	123,705
Total comprehensive income	–	–	–	–	29	–	16,701	16,730	–	16,730
Transfer to reserves	–	–	–	56	–	–	(56)	–	–	–
At 30 June 2009	–	2,639	1,072	6,420	1,750	–	128,554	140,435	–	140,435

Consolidated statements of cash flows

					Six months ended 30 June	
		Years ended 31 December				
		2007	**2008**	**2009**	**2009**	**2010**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		48,652	74,934	130,953	21,248	78,442
Adjustments for:						
Finance costs	*8*	1,496	5,217	6,065	3,392	3,828
Foreign exchange (gain)/loss		(103)	49	(76)	28	(469)
Excess over the cost of a business combination	*6*	(801)	–	–	–	–
Interest income	*6*	(1,146)	(226)	(188)	(102)	(125)
Loss on disposal of items of property, plant and equipment	*7*	–	967	272	275	7
Depreciation	*7*	3,026	2,310	4,360	2,438	2,802
Provision for slow-moving and obsolete inventories	*7*	–	4,296	1,768	–	6,072
		51,124	87,547	143,154	27,279	90,557
Increase in inventories		(26,079)	(47,763)	(43,006)	(25,207)	(3,654)
(Increase)/decrease in trade receivables		(60,978)	(5,029)	27,079	18,033	(10,724)
(Increase)/decrease in prepayments, deposits and other receivables		(23,914)	(9,871)	16,990	14,440	(18,857)
Increase/(decrease) in trade payables		12,686	(6,040)	17,667	4,635	(10,883)
Increase/(decrease) in other payables and accruals		(4,192)	(5,310)	5,143	(2,423)	(58)
Cash received from/(used in) operations		(51,353)	13,534	167,027	36,757	46,381
Interest received		164	226	188	102	125
PRC corporate income tax paid		(1,777)	(7,504)	(13,270)	(6,448)	(16,985)
Hong Kong profits tax paid		(100)	(179)	(612)	(350)	–
Net cash flows from/(used in) operating activities		(53,066)	6,077	153,333	30,061	29,521

		Years ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(4,382)	(9,519)	(4,008)	(1,206)	(9,447)
Proceeds of disposal of items of property, plant and equipment		–	75	9	4	5
Acquisition of subsidiaries	27	9,534	–	–	–	–
Acquisition of minority interests		(3,953)	–	–	–	–
Decrease/(increase) in balances due from directors		1,320	(1,056)	406	(131)	502
Decrease/(increase) in balances due from related parties		26,220	14,384	(53)	(37)	(233)
(Increase)/decrease in other receivables		7,100	(24,700)	(54,692)	(24,052)	79,392
Increase in pledged time deposits		–	–	(43,980)	–	–
Net cash flows from/(used in) investing activities		35,839	(20,816)	(102,318)	(25,422)	70,219
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuance of convertible bonds		–	–	–	–	170,634
New bank and trust receipt loans		17,973	80,904	98,594	51,519	28,000
Repayment of bank and trust receipt loans		(14,162)	(32,068)	(75,174)	(70,574)	(50,000)
Repayment of finance leases		(164)	(158)	(42)	(42)	–
Increase/(decrease) in balances due to directors		18,252	(10,725)	4,101	6,243	(22,768)
Decrease in balances due to related parties		(71)	(21,885)	–	–	–
Increase/(decrease) in other payables		1,800	18,200	(20,000)	–	–
Interest paid		(1,456)	(5,297)	(6,065)	(3,392)	(2,320)
Dividend paid		–	–	(54,621)	–	(38,647)
Net cash flows from/(used in) financing activities		22,172	28,971	(53,207)	(16,246)	84,899
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		4,945	14,232	(2,192)	(11,607)	184,639
Cash and cash equivalents at beginning of year/period		4,927	9,830	24,042	24,042	21,850
Effect of foreign exchange rate changes, net		(42)	(20)	–	1	(20)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		9,830	24,042	21,850	12,436	206,469

(II) NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANIZATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 26 June 2008. The initial authorized share capital of the Company was US$50,000.00 divided into 50,000 shares of US$1.00 each and was increased to HK$1,000,000 divided into 1,000,000,000 share of HK$0.001 each on 11 February 2010. The Company's registered office address is Scotia Center, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands. It became the holding company of the Group as a result of the Reorganization as described in the section headed "History, Reorganization and Group Structure" in the prospectus.

The major steps of the Reorganization were as follows:

(a) On 8 January 2007, Evergreen International Group Limited ("Evergreen International") acquired 30% of the equity interest in Evergreen Guangdong Garment Co., Ltd. ("Evergreen GD") from 廣州市迪萊貿易發展有限公司 ("Guangzhou Dilai").

(b) On 31 May 2007, Evergreen Guangdong acquired from Chen Yunan and Chen Minwen their respective 60% and 40% equity interests in Guangzhou Changyue Trading Co., Ltd. ("Changyue"), and acquired from Chen Jiachang and Jiang Shunzhu their respective 72% and 28% equity interests in Guangzhou Forever Green Trading Co., Ltd. ("Changzhuxing").

(c) On 1 January 2008, Chan Yuk Ming (the "Controlling Shareholder") acquired 255 shares of VE Delure SARL ("VEDS") from Chen Yunan and five shares of VEDS from Ng Yin Shan, the wife of the Controlling Shareholder.

(d) On 16 April 2008, Sunsonic Holdings Limited ("Sunsonic") was incorporated under the laws of the British Virgin Island ("BVI") with an authorized share capital of US$50,000 divided into 50,000 shares of US$1.00 each.

(e) On 26 June 2008, the Company was incorporated under the laws of the Cayman Islands with an authorized share capital of US$50,000 of US$1.00 each, and one share of US$1.00 in its share capital was issued and allotted to the initial subscriber of Offshore Incorporations (Cayman) Limited on the same day.

(f) On 18 July 2008, Pacific Success Holdings Limited ("Pacific Success") acquired the one share of the Company, and one share of Sunsonic was allotted and issued to the Company. On the same day, the Controlling Shareholder transferred one share of Richwood Management Limited ("Richwood"), representing its then-entire issued share capital, to Sunsonic.

(g) On 8 August 2008, the Controlling Shareholder transferred the entire equity interest in VEDS to Richwood Management Limited.

(h) On 29 August 2008, the Controlling Shareholder sold the entire equity interest in Evergreen (Asia) Trading Company Limited ("Evergreen Asia") and Master (Hong Kong) Marketing Limited ("Master HK") and one share of Evergreen International to Sunsonic.

(i) On 16 September 2008, the Controlling Shareholder sold 999,999 shares of Evergreen International to Sunsonic. Following the aforesaid transfers, Sunsonic owned the then-entire issued share capital of Evergreen International and the Reorganization was completed.

The Company and its subsidiaries principally engage in the manufacturing and trading of clothing and clothing accessories (the "Relevant Businesses").

Prior to the incorporation of the Company, the Relevant Businesses were carried out by the subsidiaries now comprising the Group which were controlled by the Controlling Shareholder. Accordingly, for the purpose of this report, the Financial Information set out in this report has been prepared on a combined basis by applying the principles of the pooling-of-interests method as set out in note 2.

For subsidiaries historically acquired or disposed of by the Group during the Relevant Periods, their financial information is consolidated from or to their effective dates of acquisition or disposal.

Particulars of the principal subsidiaries comprising the Group at the date of this report are set out below:

Company name	*Notes*	Date of incorporation/ establishment	Place of incorporation/ registration and operations	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company		Principal activities
					Direct	Indirect	
					%	%	
Sunsonic Holdings Limited	*(i)*	16 April 2008	BVI	US$1/US$50,000	100	–	Investment holding
Richwood Management Limited	*(i)*	1 July 2004	BVI	US$1/US$50,000	–	100	Holding trademarks and investment holding
Evergreen International Group Limited (長興集團(國際)有限公司)	*(ii)*	18 August 2004	Hong Kong	HK$1,000,000/ HK$1,000,000	–	100	Investment holding and trading of garment products
Evergreen (Asia) Trading Company Limited (長興(亞洲)貿易有限公司)	*(ii)*	19 September 1997	Hong Kong	HK$10,000/ HK$10,000	–	100	Trading of garment products and accessories
Master (Hong Kong) Marketing Limited (萬事達(香港)市場策劃有限公司)	*(ii)*	9 January 2004	Hong Kong	HK$2/HK$10,000	–	100	Retailing and trading of garment products
Guangdong Evergreen Garment Co., Ltd. (長興(廣東)服飾有限公司)	*(iii)*	12 May 2005	Mainland China	HK$12,000,000/ HK$12,000,000	–	100	Manufacturing and sale of clothing and clothing accessories
Guangzhou Changyue Trading Co., Ltd. (廣州市長越貿易有限公司)	*(iii)*	8 June 2005	Mainland China	RMB1,000,000/ RMB1,000,000	–	100	Sale of clothing and clothing accessories
Guangzhou Forever Green Trading Co., Ltd. (廣州市長珠興貿易有限公司)	*(iii)*	15 January 2004	Mainland China	RMB5,000,000/ RMB5,000,000	–	100	Sale of clothing and clothing accessories
VE Delure SARL		22 October 2001	France	Euro8,000/ Euro8,000	–	100	Holding of trademarks

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

As at the date of this report, no statutory audited financial statements have been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

Notes:

(i) No audited financial statements have been prepared for each of the Relevant Periods as these subsidiaries are not subject to any statutory audit requirements in their jurisdiction of incorporation.

(ii) The statutory financial statements for the years ended 31 December 2007 and 2008 were audited by CWCC, certified public accountants registered in Hong Kong. The statutory financial statements for the year ended 31 December 2009 were audited by Ernst & Young, certified public accountants registered in Hong Kong.

(iii) The statutory financial statements for the three years ended 31 December 2007, 2008 and 2009 for mainland subsidiaries were prepared in accordance with the Accounting Standards for Business Enterprise issued by the Ministry of Finance on 15 February 2006 and other related regulations (collectively the "PRC GAAP") and were audited by 華信會計師事務所, certified public accountants registered in the PRC.

2. BASIS OF PRESENTATION AND PREPARATION

The Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. The Reorganization has been accounted for as a combination of businesses under common control in a manner similar to the pooling-of-interests method.

The pooling-of-interests method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs in the Relevant Periods as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or any excess of the acquirer's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The acquisition of subsidiaries, other than under the Reorganization, has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

All significant intra-group balances and transactions within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries, and are presented separately in the consolidated income statements and within equity in the consolidated statements of financial position, separately from the equity attributable to owners of the Company. For the year ended 31 December 2007, 2008 and 2009, the Group applies the policy of treating transactions with minority interests as transactions with equity participants of the Group. The acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration paid and the book value of the share of net assets acquired is recorded in equity.

The Financial Information has been prepared in accordance with IFRSs throughout the Relevant Periods, which comprise standards and interpretations approved by the IASB and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. All IFRSs effective for the accounting periods commencing from 1 January 2007, 2008 and 2009, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Period.

The Financial Information has been prepared under the historical cost convention. The Financial Information is prepared in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. IMPACT OF ISSUED BUT NOT 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 Information:

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs – Limited Exemption from Comparatives IFRS 7 Disclosures for First-time Adopters*[2]
IFRS 9	*Financial Instruments*[4]
IAS 24 (Revised)	*Related Party Disclosures*[3]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
IFRIC 14 Amendment	*Prepayment of a Minimum Funding Requirement*[3]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 January 2013

Apart from the above, the IASB has issued improvements to IFRSs 2010 in May 2010 which sets out a collection of amendments to IFRSs, primary with a view to removing inconsistency and clarifying wording. Except for amendments to IFRS3 and IAS27 which are effective for annual periods beginning on or after 1 July 2010, the amendments to IFRS1, IFRS7, IAS1, IAS34 and IFRIC-13 are effective for annual periods on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

The Group is in the process of making an assessment of the impact of these new, revised and amended IFRSs and IFRICs upon initial application. So far, the Group considers that these new and revised IFRS and IFRICs are unlikely to have any significant impact on the Group's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group in arriving at the Financial Information set out in this report, which conform to IFRSs, are set out below:

Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates (previously referred to as negative goodwill), after reassessment, is recognized immediately in the consolidated income statements.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets other than goodwill

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

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

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized 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, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its holding company;

(e) the party is a close member of the family of any individual referred to in (a) or (c);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment 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 capitalized 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 recognizes such parts as individual assets with specific useful lives and depreciation.

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

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

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

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

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

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

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

Investment and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include cash and bank balances, trade and other receivables, amounts due from directors and amounts due from related companies, which are classified as loans and receivables.

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated 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 amortization is included in finance income in the income statement. The loss arising from impairment is recognized in the income statement in other operating expenses.

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 derecognized when:

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

- 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, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

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

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

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

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized 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.

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, amounts due to the related companies, amounts due to directors, interest-bearing loans and borrowings, and convertible bonds.

Subsequent measurement

The 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 amortized 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 recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized 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 amortization is included in finance costs in the income statement.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognized as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognized.

Derecognition of financial liabilities

A financial liability is derecognized 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 recognized in the income statement.

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which 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, which are not restricted as to use.

Provisions

A provision is recognized 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 recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "finance costs" in the income statement.

Income tax

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

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

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where 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 recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized except:

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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized 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 utilized.

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 utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized 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 realized 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 recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

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

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

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

Employee retirement benefits

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

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

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

Dividends

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

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

Foreign currencies

The Financial Information is presented in Renminbi ("RMB"), which the Company adopt as the presentation currency of the Group. The Company's functional currency is United States dollars ("USD"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

Estimation uncertainty

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

Impairment of property, plant and equipment

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

Useful lives and residual values of property, plant and equipment

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

Impairment of goodwill

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

Write-down of inventories to net realizable value

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

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary difference can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 24 to the Financial Information.

5. SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of clothing and clothing accessories. For management purposes, the Group operates in one business unit and has one reportable operating segment as follows:

- Clothing segment producing and trading menswear and other accessories.

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

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

The management of the Group used the IFRS financial information for the daily operation management.

6. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue					
Sale of goods	193,879	340,408	409,013	136,716	249,235
Other income					
Interest income	1,146	226	188	102	125
Compensation income	699	1,339	646	142	300
Revenue from sale of packaging materials	–	–	439	157	347
Foreign exchange gains, net	–	340	393	249	–
Excess over the cost of a business combination *(note 27)*	801	–	–	–	–
Others	40	256	401	138	194
	2,686	2,161	2,067	788	966

7. PROFIT BEFORE TAX

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

		Years ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost of inventories sold		88,190	137,053	161,141	62,358	82,311
Depreciation	*14*	3,026	2,310	4,360	2,438	2,802
Auditors' remuneration		111	150	150	53	81
Operating lease rental expense						
– Minimum lease payment		16,063	17,036	13,598	6,657	7,340
– Contingent rents		10,868	28,397	39,123	15,296	28,460
Employee benefit expense (including directors' remuneration *(note 9)*):						
Wages and salaries		5,607	18,185	20,800	10,370	14,079
Pension scheme contributions		552	1,404	1,907	785	1,361
		6,159	19,589	22,707	11,155	15,440
Other expenses:						
Foreign exchange losses, net*		299	–	–	–	697
Provision for slow-moving and obsolete inventories*	*16*	–	4,296	1,768	–	6,072
Loss on disposal of items of property, plant and equipment*		–	967	272	275	7
Donations*		3	1,441	697	87	1,755

* *Items classified under "Other expenses" in the consolidated income statements*

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank loans and other loans	1,480	5,209	6,064	3,392	2,177
Interest on finance leases	16	8	1	–	–
Interest on convertible bonds	–	–	–	–	1,651
	1,496	5,217	6,065	3,392	3,828

9. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	564	880	993	494	524
Pension scheme contributions	17	14	20	8	18
	581	894	1,013	502	542
Total	581	894	1,013	502	542

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2007				
Executive directors:				
Chan Yuk Ming (陳育明)	–	260	11	271
Chen Yunan (陳育南)	–	152	3	155
Chen Minwen (陳敏文)	–	152	3	155
	–	564	17	581
Year ended 31 December 2008				
Executive directors:				
Chan Yuk Ming (陳育明)	–	254	10	264
Chen Yunan (陳育南)	–	313	2	315
Chen Minwen (陳敏文)	–	313	2	315
	–	880	14	894
Year ended 31 December 2009				
Executive directors:				
Chan Yuk Ming (陳育明)	–	265	11	276
Chen Yunan (陳育南)	–	367	7	374
Chen Minwen (陳敏文)	–	361	2	363
	–	993	20	1,013

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2010				
Executive directors:				
Chan Yuk Ming (陳育明)	–	156	6	162
Chen Yunan (陳育南)	–	184	6	190
Chen Minwen (陳敏文)	–	184	6	190
	–	524	18	542
Six months ended 30 June 2009 (unaudited)				
Executive directors:				
Chan Yuk Ming (陳育明)	–	132	6	138
Chen Yunan (陳育南)	–	181	1	182
Chen Minwen (陳敏文)	–	181	1	182
	–	494	8	502

During the Relevant Periods, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

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

10. FIVE HIGHEST PAID EMPLOYEES

The remuneration of the five highest paid employees of the Group during the Relevant Periods is analyzed as follows:

	Years ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Directors	271	894	1,013	502	380
Non-directors	765	535	764	376	708
	1,036	1,429	1,777	878	1,088

Details of the remuneration of the above non-director, highest paid employees during the Relevant Periods are as follows:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, allowances and benefits in kind	729	531	752	374	685
Pension scheme contributions	36	4	12	2	23
	765	535	764	376	708

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

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
Nil to RMB1,000,000	4	2	2	2	3

11. INCOME TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%; 2008: 16.5%; 2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year 2010.

PRC income tax has been provided at the rate of 33% for the domestic-invested enterprises for the year ended 31 December 2007. During the 5th Session of the 10th National People's Congress which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective from 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Group:					
Current – PRC					
Charge for the year/period	2,366	12,037	21,449	3,772	12,623
Current – HK					
Charge for the year/period	160	143	–	–	260
Underprovision for prior year	–	19	–	–	–
Deferred *(note 24)*	(3,036)	2,257	4,586	775	(4,784)
Total tax charge/(credit) for the year/period	(510)	14,456	26,035	4,547	8,099

A reconciliation of the income tax expense applicable to profit before tax at the statutory rate for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	Years ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Profit before tax	48,652		74,934		130,953		21,248		78,442	
Tax at the statutory tax rate	16,055	33.00	18,734	25.00	32,738	25.00	5,312	25.00	19,610	25.00
Entities subject to lower statutory income tax rates	(18,246)	(37.50)	(6,806)	(9.08)	(12,965)	(9.90)	(3,170)	(14.92)	(8,876)	(11.32)
Tax effect of change of tax rate for temporary differences	963	1.98	19	0.03	–	–	–	–	–	–
Expenses not deductible for tax	251	0.52	156	0.21	193	0.15	189	0.89	439	0.56
Income not subject to tax	(6)	(0.01)	(37)	(0.05)	(1)	–	–	–	–	–
Effect of withholding tax at 5% on the distributable profits of PRC subsidiaries *(note 24)*	–	–	2,288	3.05	5,578	4.26	1,748	8.23	(3,989)	(5.09)
Tax losses not recognized	473	0.97	102	0.14	731	0.56	468	2.20	915	1.17
Tax losses utilized from previous periods	–	–	–	–	(239)	(0.18)	–	–	–	–
Tax charge/(credit) at the Group's effective tax rate	(510)	(1.05)	14,456	19.30	26,035	19.88	4,547	21.40	8,099	10.32

Pursuant to 穗天國稅四減[2007]161號–減,免稅批准通知書, Evergreen GD was exempted from corporate income tax for the two years ended 31 December 2007 and thereafter was entitled to a 50% reduction in the applicable tax rate for the three years ended 31 December 2010.

12. DIVIDENDS

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interim dividend	–	–	54,621	–	38,647

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the preparation of the Financial Information of the Group for the Relevant Periods being on a combined basis as disclosed in note 2 of Section II above.

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery *RMB'000*	Office and other equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
At 1 January 2007, net of accumulated depreciation	564	225	814	796	2,399
Exchange realignment	–	(4)	(31)	(54)	(89)
Acquisition of subsidiaries *(note 26)*	–	258	262	–	520
Additions	–	1,234	1,758	1,390	4,382
Disposals	–	–	–	–	–
Depreciation provided during the year	(120)	(718)	(985)	(1,203)	(3,026)
At 31 December 2007 and 1 January 2008, net of accumulated depreciation	444	995	1,818	929	4,186
Exchange realignment	–	(2)	(15)	(56)	(73)
Additions	1,353	1,317	2,005	4,844	9,519
Disposals	–	(64)	(87)	(891)	(1,042)
Depreciation provided during the year	(356)	(392)	(476)	(1,086)	(2,310)
At 31 December 2008 and 1 January 2009, net of accumulated depreciation	1,441	1,854	3,245	3,740	10,280
Additions	27	320	3	3,658	4,008
Disposals	(267)	(14)	–	–	(281)
Depreciation provided during the year	(396)	(486)	(771)	(2,707)	(4,360)
At 31 December 2009 and 1 January 2010, net of accumulated depreciation	805	1,674	2,477	4,691	9,647
Additions	–	252	–	9,195	9,447
Disposals	–	(12)	–	–	(12)
Depreciation provided during the period	(180)	(257)	(321)	(2,044)	(2,802)
At 30 June 2010, net of accumulated depreciation	625	1,657	2,156	11,842	16,280
At 1 January 2007					
Cost	667	366	1,252	2,294	4,579
Accumulated depreciation	(103)	(141)	(438)	(1,498)	(2,180)
Net carrying amount	564	225	814	796	2,399

	Plant and machinery	Office and other equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2007 and at 1 January 2008					
Cost	667	1,924	3,318	3,529	9,438
Accumulated depreciation	(223)	(929)	(1,500)	(2,600)	(5,252)
Net carrying amount	444	995	1,818	929	4,186
At 31 December 2008 and at 1 January 2009					
Cost	2,020	2,925	5,062	6,835	16,842
Accumulated depreciation	(579)	(1,071)	(1,817)	(3,095)	(6,562)
Net carrying amount	1,441	1,854	3,245	3,740	10,280
At 31 December 2009 and at 1 January 2010					
Cost	1,430	3,218	5,065	10,492	20,205
Accumulated depreciation	(625)	(1,544)	(2,588)	(5,801)	(10,558)
Net carrying amount	805	1,674	2,477	4,691	9,647
At 30 June 2010					
Cost	1,430	3,354	5,065	18,371	28,220
Accumulated depreciation	(805)	(1,697)	(2,909)	(6,529)	(11,940)
Net carrying amount	625	1,657	2,156	11,842	16,280

15. GOODWILL

Group

	RMB'000
Acquisition of a subsidiary *(note 26)* and at 31 December 2007, 2008 and 2009 and 30 June 2010	1,880

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating units for impairment testing. The recoverable amount is determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a 3 year period. The discount rate applied to the cash flow projection is 21%. The growth rates used to extrapolate the cash flow for the 2nd and 3rd years have been assumed to be 10%.

16. INVENTORIES

Group

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	5,058	4,070	4,720	9,892
Work in progress	2,590	1,176	5,618	9,989
Finished goods	39,289	89,454	127,368	121,479
	46,937	94,700	137,706	141,360
Less: Provision for slow-moving and obsolete inventories	–	(4,296)	(6,064)	(12,136)
	46,937	90,404	131,642	129,224

The movements in the provision for slow-moving and obsolete inventories are as follows:

		As at 31 December			As at 30 June
		2007	**2008**	**2009**	**2010**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January		–	–	4,296	6,064
Charge for the year/period	7	–	4,296	1,768	6,072
At 31 December/30 June		–	4,296	6,064	12,136

17. TRADE RECEIVABLES

Group

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	77,718	82,747	55,668	66,392

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

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

At 31 December 2007, 2008, 2009 and 30 June 2010, an aging analysis of the trade receivables, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	5,233	30,517	39,679	37,840
1 to 3 months	44,560	31,976	14,623	26,557
3 to 6 months	19,866	7,478	1,084	622
6 months to 1 year	6,792	7,881	282	1,339
Over 1 year	1,267	4,895	–	34
	77,718	82,747	55,668	66,392

An aging analysis of the trade receivables, based on the credit terms, that are neither individually nor collectively considered to be impaired, is as follows:

			Past due but not impaired			
	Total	**Neither past due nor impaired**	**< 3 months**	**3 to 6 months**	**6 months to 1 year**	**Over 1 year**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2007	77,718	49,793	19,866	4,933	2,598	528
31 December 2008	82,747	62,493	7,478	6,121	4,066	2,589
31 December 2009	55,668	54,302	1,084	86	196	–
30 June 2010	66,392	64,397	622	446	893	34

The trade receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

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

Trade receivables of the Group include trading balances due from a related company amounting to RMB6,949,000 as at 31 December 2007 (2008: Nil; 2009: Nil; 30 June 2010: Nil). The balances due from the related company are unsecured, interest-free and are repayable in accordance with credit terms similar to those offered to the major customers of the Group.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	25,051	21,281	14,288	37,076
Deposits and other receivables	14,534	52,880	97,575	14,252
	39,585	74,161	111,863	51,328

The above assets were neither past due nor impaired. The financial assets included in the above balances relate to receivables for which there were no relevant history of default. The carrying amount of these financial assets approximated to their fair values.

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	9,830	24,042	21,850	206,469
Time deposits	–	–	43,980	43,980
	9,830	24,042	65,830	250,449
Less: Pledged time deposits for short-term bank loans *(Note 22)*	–	–	(43,980)	(43,980)
Cash and cash equivalents	9,830	24,042	21,850	206,469

As at 31 December 2007, 2008, 2009 and 30 June 2010, the cash and bank balances of the Group denominated in RMB amounted to RMB6,993,000, RMB23,084,000, RMB19,533,000 and RMB183,371,000 respectively.

The 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 authorized to conduct foreign exchange business.

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

20. TRADE PAYABLES

At 31 December 2007, 2008, 2009 and 30 June 2010, an aging analysis of the trade payables, based on the invoice date, is as follows:

Group

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	857	2,865	10,346	13,780
1 to 3 months	12,830	8,568	15,272	6,418
3 to 6 months	3,961	2,810	10,047	1,099
6 months to 1 year	6,685	3,713	632	4,530
Over 1 year	1,512	1,849	1,175	762
	25,845	19,805	37,472	26,589

Trade payables of the Group include a trading balance due to a related party of RMB5,958,000 as at 31 December 2007 (2008: Nil; 2009: Nil; 30 June 2010: Nil). The balance due to the related party is unsecured, interest-free and is repayable in accordance with normal commercial terms.

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

21. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	22,482	14,558	16,162	15,642
Other payables	10,680	32,410	12,821	13,160
Accruals	1,353	357	3,485	3,468
	34,515	47,325	32,468	32,270

Other payables are non interest-bearing. The carrying amount of the financial liabilities included in the above balances approximated to their fair values.

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	As at 31 December									As at		
	2007			2008			2009			30 June 2010		
	Effective interest rate (%)	*Maturity*	*Amount RMB'000*	*Effective interest rate (%)*	*Maturity*	*Amount RMB'000*	*Effective interest rate (%)*	*Maturity*	*Amount RMB'000*	*Effective interest rate (%)*	*Maturity*	*Amount RMB'000*
Current												
Bank loans – secured			–			–	0.53	2010	43,994	0.53	2010	43,417
Other loans – secured	9.18	2008	2,300	11.21-11.65	2009	24,300	8.39	2010	22,000	–	–	–
Other loans – unsecured	11.76-12.54	2008	14,200	11.92-12.85	2009	42,200	10.83	2010	28,000	10.83	2011	28,000
Trust receipt loans – secured	7.5-8.5	2008	5,920	7.5-8.5	2009	4,074			–			–
Finance lease payables	5.28	2008	166	5.28	2009	42			–			–
			22,586			70,616			93,994			71,417
Non-current												
Finance lease payables	5.28	2009	44			–			–			–
Analyzed into:												
Bank loans and other loans repayable within one year			22,420			70,574			93,994			71,417
Financial lease repayable:												
Within one year			166			42			–			–
In the second year			44			–			–			–
			210			42			–			–
Denominated in RMB			16,500			66,500			50,000			28,000
Denominated in HKD			6,130			4,116			43,994			43,417

Notes:

(i) The Group's bank loans were secured by the pledge of the Group's time deposits amounting to RMB43,980,000 as at 31 December 2009 and 30 June 2010 (note 19);

(ii) The Group's other loans were borrowed from rural credit union. Certain of other loans and trust receipt loans were secured by properties owned by certain directors (note 30(d));

In addition, the Group's related parties have guaranteed certain of Group's unsecured other loans and trust receipt loans amounting to RMB20,120,000, RMB36,874,000, RMB28,000,000 and RMB28,000,000 as at 31 December 2007, 2008, 2009 and 30 June 2010, respectively (note 30(c)).

The carrying amount of the Group's interest-bearing bank and other borrowings approximated to their fair values.

The Group leased a motor vehicle for business purpose and the lease is classified as a finance lease. The analysis of the obligation under the finance lease is as follows:

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amount payable:								
Within one year	173	43	–	–	169	42	–	–
In the second year	44	–	–	–	41	–	–	–
Total minimum finance lease payments	217	43	–	–	210	42	–	–
Future finance charges	(7)	(1)	–	–				
Total net finance lease payables	210	42	–	–				
Portion classified as current liabilities	(166)	(42)	–	–				
Non-current portion	44	–	–	–				

23. CONVERTIBLE BONDS

On 25 May 2010, the Company issued the redeemable convertible bonds ("Convertible Bonds") with nominal value of USD25,000,000 to Admiralfly Holdings Limited (the "Investor"). Pursuant to the subscription and sale and purchase agreement and the supplemental agreements dated 29 April 2010 and 2 August 2010, respectively (the "Agreements"), the major terms of the Convertible Bonds are set out as follows:

(a) Period

Pursuant to the Agreements, the Company shall repay the outstanding principal amount under the Convertible Bonds to the Investor with a premium equal to 10% per annum on a compound basis of such outstanding principal amount on 31 December 2013 (the "Maturity Date").

(b) Interest

The Convertible Bonds will bear interest from the date of issue at the rate of 2% per annum and calculated on a 360-day basis on the principal amount of the outstanding Convertible Bonds, which will be payable by the Company quarterly.

(c) Conversion

The Convertible Bonds will be converted into ordinary shares at the option of the bondholder at any time from the date of issue of the bond up to the Maturity Date or the date when the dealings in the Company's ordinary shares first commence on the relevant Stock Exchange, whichever is earlier. The total number of ordinary shares to which the Investor shall be entitled is 110,021,763 subject to no adjustment.

(d) Redemption

The Convertible Bonds are redeemable at the option of the Investor if any of the events of default as mentioned in the Agreements occurs from the date of issue of the Convertible Bonds until the Maturity Date, provided the IPO has not yet, by that time, been closed (unless such event of default has been rectified to the reasonable satisfaction of the Investor prior to the early redemption date). The redemption amount shall equal to the principal amount of the outstanding Convertible Bonds together with a premium of 10% per annum on a compound basis.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option and assessed by American Appraisal China Ltd., an independent firm of qualified valuers. The residual amount is assigned as the equity component and is included in shareholder's equity.

The convertible bonds issued during the six months period ended 30 June 2010 have been split as to the liability and equity components, as follows:

	For the six months ended 30 June 2010
	RMB'000
Nominal value of convertible bonds issued during the period	170,634
Equity component	(136)
Liability component at the issuance date	170,498
Interest expense	1,651
Interest paid	–
Exchange alignment	(862)
Liability component at 30 June 2010	171,287

24. DEFERRED TAX

Group

Deferred tax assets

	Advertising and business promotion expenses	Impairment provision	Accelerated depreciation	Unrealized profit on inventory	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007	–	–	184	24	–	208
Acquisition of subsidiaries *(note 27)*	461	–	–	–	42	503
Exchange differences	–	–	(20)	–	–	(20)
Tax effect of change of tax rate for temporary differences	(89)	–	–	(874)	–	(963)
Credited/(debited) to the consolidated income statement	372	–	194	3,430	(7)	3,989
At 31 December 2007 and 1 January 2008	744	–	358	2,580	35	3,717
Exchange differences	–	–	(20)	–	–	(20)
Tax effect of change of tax rate for temporary differences	–	–	(19)	–	–	(19)
Credited/(debited) to the consolidated income statement	(744)	868	(75)	24	(35)	38
At 31 December 2008 and 1 January 2009	–	868	244	2,604	–	3,716
Credited to the consolidated income statement	–	312	–	680	–	992
At 31 December 2009 and 1 January 2010	–	1,180	244	3,284	–	4,708
Credited/(debited) to the consolidated income statement	–	1,443	(244)	(404)	–	795
At 30 June 2010	–	2,623	–	2,880	–	5,503

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group had tax losses arising in Hong Kong and Mainland China of RMB2.7 million, RMB0.6 million, RMB4.4 million and RMB5.3 million, respectively, that will offset against future taxable profits. Deferred tax assets have not been recognized in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation *RMB'000*	**Withholding tax on distributable profits of PRC subsidiaries** *RMB'000*	**Total** *RMB'000*
At 1 January 2007	(25)	–	(25)
Exchange differences	2	–	2
Credited to the consolidated income statement	10	–	10
At 31 December 2007 and 1 January 2008	(13)	–	(13)
Exchange differences	1	–	1
Credited/(debited) to the consolidated income statement	12	(2,288)	(2,276)
At 31 December 2008 and 1 January 2009	–	(2,288)	(2,288)
Debited to the consolidated income statement	–	(5,578)	(5,578)
At 31 December 2009 and 1 January 2010	–	(7,866)	(7,866)
Credited to the consolidated income statement	–	3,989	3,989
Withholding tax paid on distributed dividend	–	2,525	2,525
At 30 June 2010	–	(1,352)	(1,352)

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

25. ISSUED CAPITAL

	As at 31 December		As at 30 June
	2008	**2009**	**2010**
	USD'000	*USD'000*	*HK$'000*
Authorized:			
50,000 ordinary shares of US$1.00 each	50	50	–
1,000,000,000 ordinary shares of HK$0.001 each	–	–	1,000,000
	50	50	1,000,000

	As at 31 December		As at 30 June
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Issued:			
1 ordinary share of US$1.00 each	–	–	–
600,000,000 ordinary shares of HK$0.001 each	–	–	528
	–	–	528

	As at 31 December		As at 30 June
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
Fully paid:			
1 ordinary share of US$1.00 each	–	–	–
600,000,000 ordinary shares of HK$0.001 each	–	–	–
	–	–	–

(a) As of the date of incorporation of the Company, its authorized share capital was US$50,000 divided into 50,000 shares of US$1.00 each. On the same date, one share of US$1.00 par value was allotted and issued.

(b) On 11 February 2010, the authorized share capital of the Company was increased by HK$1,000,000 by creating an additional 1,000,000,000 ordinary shares of HK$0.001 each. On the same date, the Company issued 600,000,000 ordinary shares of HK$0.001 each to Pacific Success and repurchased the one issued share of US$1.00 from Pacific Success, and reduced its authorized share capital by the cancellation of 50,000 shares of US$1.00 each. The 600,000,000 ordinary shares have been paid up subsequent to the end of the reporting period on 15 October 2010.

(c) Pursuant to the written resolution dated 8 October 2010, the authorized share capital of the Company was increased from HK$1,000,000 to HK$10,000,000 by the creation of an additional 9,000,000,000 shares.

26. RESERVES

Group

The amounts of the Group's reserves and the movements therein during the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Merger reserve

The merger reserve represents the difference between the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the Reorganization as detailed in note 1 above.

(b) Statutory surplus reserve

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

(c) Acquisition reserve

Goodwill arising on the acquisition of minority interests was recognized as acquisition reserve.

27. BUSINESS COMBINATION

On 31 May 2007, the Group acquired a 100% equity interest in Changyue from Chen Yunan (陳育南) and Chen Minwen (陳敏文) at a consideration of RMB1,380,000, which is determined based on an independent asset valuation of Changyue as at 31 December 2006. Changyue is engaged in the trading and sale of clothing and clothing accessories *(Note 30)*.

On 31 May 2007, the Group acquired a 100% equity interest in Changzhuxing from Chen Jiachang (陳甲長) and Jiang Shunzhu (江舜珠) at a consideration of RMB4,800,000, which is determined based on an independent asset valuation of Changzhuxing as at 31 December 2006. Changzhuxing is engaged in the trading and sale of clothing and clothing accessories *(Note 30)*.

The fair values of the identifiable assets and liabilities of the subsidiaries as at the date of acquisition and the corresponding carrying amounts before the acquisition were as follows:

		Changyue		Changzhuxing		Total
		Fair value recognized on acquisition	Previous carrying amount	Fair value recognized on acquisition	Previous carrying amount	Fair value recognized on acquisition
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	*14*	208	208	312	312	520
Deferred tax assets	*23*	–	–	503	503	503
Inventories		9,220	9,220	4,669	4,669	13,889
Trade receivables		13,934	13,934	2,773	2,773	16,707
Prepayments, deposits and other receivables		7,238	7,238	2,753	2,753	9,991
Due from related parties		82	82	20,130	20,130	20,212
Cash and cash equivalents		14,701	14,701	1,013	1,013	15,714
		45,383	45,383	32,153	32,153	77,536
Trade payables		(4,930)	(4,930)	(4,666)	(4,666)	(9,596)
Other payables and accruals		(26,321)	(26,321)	(7,585)	(7,585)	(33,906)
Other borrowings		–	–	(16,500)	(16,500)	(16,500)
Due to directors		(250)	(250)	–	–	(250)
Due to related parties		(11,398)	(11,398)	(482)	(482)	(11,880)
Tax payable		(303)	(303)	–	–	(303)
		(43,202)	(43,202)	(29,233)	(29,233)	(72,435)
		2,181	2,181	2,920	2,920	5,101
Goodwill on acquisition	*15*	–		1,880		1,880
Excess over the cost of a business combination recognized in the consolidated income statement	*6*	(801)		–		(801)
Satisfied by cash		(1,380)		(4,800)		(6,180)

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries are as follows:

	RMB'000
Cash consideration	(6,180)
Cash and bank balances acquired	15,714
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	9,534

Since its acquisition, Changyue contributed RMB121,085,000 to the Group's turnover and RMB3,532,000 to the Group's net profit for the year ended 31 December 2007.

Since its acquisition, Changzhuxing contributed RMB22,182,000 to the Group's turnover and a loss of RMB124,000 to the Group's net profit for the year ended 31 December 2007.

Had the combinations taken place at the beginning of the year, the revenue and the profit of the Group for the year ended 31 December 2007 would have been RMB234,419,000 and RMB47,485,000, respectively.

No intangable assets (other than goodwill) were separately identified during the acquisition.

28. PLEDGE OF ASSETS

Details of the Group's assets that are used to secure the Group's bank loans are included in note 22 to the Financial Information.

29. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its offices, factory and warehouses under operating lease arrangements. Leases for properties are negotiated for terms ranging from three months to five years.

At 31 December 2007, 2008, 2009 and 30 June 2010 the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	18,181	11,292	10,894	12,907
In the second to fifth years, inclusive	17,061	7,783	2,522	15,018
	35,242	19,075	13,416	27,925

30. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

(a) Name of and relationship with related parties

Name of related parties	Relationship
Chan Yuk Ming (陳育明)	Controlling Shareholder
Chen Jiachang (陳甲長)	Father of the Controlling Shareholder
Jiang Shunzhu (江舜珠)	Mother of the Controlling Shareholder
Chen Yunan (陳育南)	Brother of the Controlling Shareholder
Chen Minwen (陳敏文)	Brother of the Controlling Shareholder
Chen Mianna (陳勉娜)	Sister of the Controlling Shareholder
Zhou Chunsong (周春松)	Spouse of Chen Mianna
Guangzhou Dilai	Company controlled by Chen Yunan and Chen Minwen
Pacific Success Holdings Limited	Immediate holding company of the Company
Honour Focus (Far East) Development Limited	Company controlled by the Controlling Shareholder
Marvel Trend Limited	Company controlled by the Controlling Shareholder
New Trend Apparel Limited	Company controlled by the Controlling Shareholder
Mega Power (Asia) Investment Co. Ltd.	Company controlled by the Controlling Shareholder
Multi Shine Group Inc.	Company controlled by the Controlling Shareholder
New Asia (China) Limited	Company controlled by the Controlling Shareholder

(b) Significant related party transactions during the Relevant Periods

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of products to:					
Guangzhou Dilai*	3,567	–	–	–	–
Purchases of products from:					
Guangzhou Dilai*	5,223	83	–	–	–
Purchase of property, plant and equipment from:					
Guangzhou Dilai*	1,528	–	–	–	–
Purchase of equity interest from: Guangzhou Dilai**	3,953	–	–	–	–
Interest income received from Chen Jiachang (陳甲長)	982	–	–	–	–

* *The sales to and purchases from Guangzhou Dilai were made at prices and on terms and conditions as mutually agreed between the parties. In the opinion of the Directors, these related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.*

** *Pursuant to an agreement entered into between the Group and the minority shareholder of Evergreen GD, Guangzhou Dilai, the Group purchased a 30% equity interest of Evergreen GD from Guangzhou Dilai at a consideration of HK$4,000,000, which was mutually agreed between the parties and became effective on 8 January 2007.*

(c) Provision of guarantees by related parties

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given by:				
Guangzhou Dilai	–	28,000	28,000	–
Chen Jiacheng (陳甲長)	–	–	–	28,000*
Chan Yuk Ming (陳育明)	5,920	4,074	–	–
Chen Minwen (陳敏文)	4,800	–	–	–
Zhou Chunsong (周春松)	9,400	4,800	–	–
	20,120	36,874	28,000	28,000

* *The relevant bank loan was repaid subsequent to the end of the reporting period and the related guarantee was then released.*

(d) Pledges over certain assets of the related parties

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans secured by:				
Residential properties owned by Chan Yuk Ming, Chen Yunan, Chen Minwen and Zhou Chunsong (陳育明, 陳育南, 陳敏文, 周春松)	8,220	28,374	22,000	–

(e) Details on the acquisition of Changyue and Changzhuxing are disclosed in note 27 above. The consideration paid for the aforesaid acquisitions was mutually agreed between the parties.

(f) Amounts due from/to related parties

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from:				
Pacific Success Holdings Limited	–	18	31	832
Honour Focus (Far East) Development Limited	–	–	6	–
Marvel Trend Limited	–	–	8	–
New Trend Apparel Limited	–	–	8	–
Mega Power (Asia) Investment Co. Ltd.	–	–	6	–
Multi Shine Group Inc.	–	–	8	–
New Asia (China) Limited	–	–	4	–
Chen Jiachang (陳甲長)	14,402	–	–	–
	14,402	18	71	832

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to:				
Chen Jiachang (陳甲長)	6,906	–	–	–
Chen Mianna (陳勉娜)	1,450	–	–	–
Jiang Shunzhu (江舜珠)	1,344	–	–	–
Guangzhou Dilai	12,185	–	–	–
	21,885	–	–	–

The loans granted to Mr. Chan Jiachang were non-trade, unsecured and bore interest at a range from 0.7650% to 1.0449% in 2007, and were interest-free from January 2008 onwards.

Save for the aforesaid, the balances with related parties included net cash advances made between the Group and the related parties and various payment made by the Group on behalf of the related parties, which were unsecured, interest-free and repayable on demand.

The carrying amounts of above balances were with related parties to whom there was no recent history of default.

The carrying amounts of the balances with related parties approximated to their fair values.

The Directors confirmed that the amounts due from related parties had been settled before the Listing.

(g) Amount due from/to directors

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from directors:				
Chen Yunan (陳育南)	–	203	372	–
Chen Minwen (陳敏文)	–	10	278	–
Chan Yuk Ming (陳育明)	–	843	–	148
	–	1,056	650	148
Due to directors:				
Chen Yunan (陳育南)	828	228	–	–
Chen Minwen (陳敏文)	802	252	–	–
Chan Yuk Ming (陳育明)	27,761	18,186	22,768	–
	29,391	18,666	22,768	–

The amounts due from/to the directors included net cash advances made between the Group and the directors and various payments made by the Group on behalf of the directors. The balances were unsecured, interest-free and had no fixed terms of repayment. The carrying amount of the balances approximated to their fair values.

The Directors confirmed that the amounts due from the directors had been settled before the Listing.

(h) Maximum outstanding balances due from related parties and directors disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Amounts due from related parties:					
Pacific Success Holdings Limited	–	18	31	26	840
Guangzhou Dilai	11,868	9,259	108	108	–
Honour Focus (Far East) Development Limited	7	5	7	6	10
Marvel Trend Limited	9	5	9	8	8
New Trend Apparel Limited	5	6	9	4	4
Mega Power (Asia) Investment Co. Ltd.	10	4	6	2	6
Multi Shine Group Inc.	9	15	9	8	8
New Asia (China) Limited	115	4	1	–	4
Chen Jiachang (陳甲長)	14,402	10,293	–	–	–
Amounts due from directors:					
Chen Yunan (陳育南)	–	220	372	204	–
Chen Minwen (陳敏文)	–	40	278	230	–
Chan Yuk Ming (陳育明)	1,830	843	1,332	1,174	295

(i) Compensation of key management personnel of the Group, including directors' remuneration as detailed in note 9 above.

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	717	2,648	2,611	1,285	2,375
Pension scheme contributions	21	31	60	18	120
Total compensation paid to key management personnel	738	2,679	2,671	1,303	2,495

Further details of directors' emoluments are included in note 9 above.

31. FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated in the Cayman Islands on 26 June 2008 as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands. The financial position of the Company as at 31 December 2008, 2009 and 30 June 2010 is as follows:

	As at 31 December		As at 30 June
	2008	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*
CURRENT ASSETS			
Cash and cash equivalents	–	–	6,633
Prepayments, deposits and other receivables	637	2,403	4,293
Due from subsidiaries	–	6,920	209,748
Total current assets	637	9,323	220,674
CURRENT LIABILITIES			
Other payables and accruals	–	2,830	2,583
Due to a director	–	17	–
Due to immediate holding company	–	–	37,789
Due to subsidiaries	2,633	6,476	5,361
Total current liabilities	2,633	9,323	45,733
NET CURRENT ASSETS/(LIABILITIES)	(1,996)	–	174,941
TOTAL ASSETS LESS CURRENT LIABILITIES	(1,996)	–	174,941
NON-CURRENT LIABILITIES			
Convertible bonds	–	–	171,287
Total non-current liabilities	–	–	171,287
Net assets	(1,996)	–	3,654
EQUITY/(DEFICIT IN EQUITY)			
Issued capital	–	–	528
Equity component of convertible bonds	–	–	136
Reserves	(1,996)	–	2,990
Total equity/(deficit in equity)	(1,996)	–	3,654

The amounts of the Company's reserves and the movements therein during the Relevant Periods are presented as follows:

	Retained profits/ (Accumulated losses) *RMB'000*
Upon incorporation	–
Loss for the period since its incorporation	(2,097)
Exchange fluctuation reserve	101
At 31 December 2008 and 1 January 2009	(1,996)
Profit for the year	56,672
Exchange fluctuation reserve	(55)
Interim dividend	(54,621)
At 31 December 2009 and 1 January 2010	–
Profit for the period	41,623
Exchange fluctuation reserve	14
Interim dividend	(38,647)
At 30 June 2010	2,990

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2007, 2008, 2009 and 30 June 2010 are as follows:

2007

Group

Financial assets

	Loans and receivables *RMB'000*
Trade receivables	77,718
Financial assets included in prepayments, deposits and other receivables	14,534
Due from related parties	14,402
Cash and cash equivalents	9,830
	116,484

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade payables	25,845
Financial liabilities included in other payables and accruals	10,680
Interest-bearing bank and other borrowings	22,630
Due to directors	29,391
Due to related parties	21,885
	110,431

2008

Group

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	82,747
Financial assets included in prepayments, deposits and other receivables	52,880
Due from directors	1,056
Due from related parties	18
Cash and cash equivalents	24,042
	160,743

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade payables	19,805
Financial liabilities included in other payables and accruals	32,410
Interest-bearing bank and other borrowings	70,616
Due to directors	18,666
	141,497

2009

Group

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	55,668
Financial assets included in prepayments, deposits and other receivables	97,575
Due from directors	650
Due from related parties	71
Pledged deposits	43,980
Cash and cash equivalents	21,850
	219,794

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade payables	37,472
Financial liabilities included in other payables and accruals	12,821
Interest-bearing bank and other borrowings	93,994
Due to directors	22,768
	167,055

30 June 2010

Group

Financial assets

	Loans and receivables
	RMB'000
Trade receivables	66,392
Financial assets included in prepayments, deposits and other receivables	14,252
Due from directors	148
Due from related parties	832
Pledged deposits	43,980
Cash and cash equivalents	206,469
	332,073

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade payables	26,589
Financial liabilities included in other payables and accruals	13,160
Interest-bearing bank and other borrowings	71,417
Convertible bonds	171,287
	282,453

2008

Company

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Due to subsidiaries	2,633
	2,633

2009

Company

Financial assets

	Loans and receivables
	RMB'000
Due from subsidiaries	6,920
	6,920

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Due to directors	17
Due to subsidiaries	6,476
	6,493

30 June 2010

Company

Financial assets

	Loans and receivables
	RMB'000
Due from subsidiaries	209,748
Cash and cash equivalents	6,633
	216,381

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Due to intermediate holding company	37,789
Due to subsidiaries	5,361
Convertible bonds	171,287
	214,437

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarized below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations.

The effective interest rates and terms of repayment of the interest-bearing bank loans of the Group are set out in note 22 above.

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

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		RMB'000
31 December 2007		
HKD	10	(6)
	(10)	6
RMB	10	(17)
	(10)	17
31 December 2008		
HKD	10	(4)
	(10)	4
RMB	10	(67)
	(10)	67
31 December 2009		
HKD	10	(44)
	(10)	44
RMB	10	(50)
	(10)	50
30 June 2010		
HKD	10	(43)
	(10)	43
RMB	10	(28)
	(10)	28

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the unit functional currency. The Group is exposed to the foreign currency risk mainly arising from changes in the exchange rate of HKD against RMB. The Group has not hedged its foreign exchange rate risk based on the consideration that the foreign currency transactions are not significant to the Group.

The following table demonstrates the sensitivity at 31 December 2007, 2008, 2009 and 30 June 2010 to a reasonably possible change in the HKD exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity***
	%	*RMB'000*	*RMB'000*
31 December 2007			
If RMB weakens against HKD	5	388	–
If RMB strengthens against HKD	(5)	(388)	–
31 December 2008			
If RMB weakens against HKD	5	(535)	–
If RMB strengthens against HKD	(5)	535	–
31 December 2009			
If RMB weakens against HKD	5	(1,120)	–
If RMB strengthens against HKD	(5)	1,120	–
30 June 2010			
If RMB weakens against HKD	5	(915)	–
If RMB strengthens against HKD	(5)	915	–

* *Excluding retained profits.*

Credit risk

There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are dispersed. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 17 and 18 above.

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

Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents and to have available funding through capital contributions and financial support from related parties and bank borrowings.

The maturity profile of non-derivative financial liabilities as at 31 December 2007, 2008, 2009 and 30 June 2010 based on the contractual undiscounted payments, is as follows:

	31 December 2007			
Group	**On demand**	**Less than 1 year**	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	25,845	–	25,845
Other payables	754	9,926	–	10,680
Interest-bearing bank and other borrowings	–	23,490	–	23,490
Finance lease payables	–	173	45	218
Due to related parties	21,885	–	–	21,885
Due to directors	29,391	–	–	29,391
	52,030	59,434	45	111,509

	31 December 2008			
Group	**On demand**	**Less than 1 year**	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	19,805	–	19,805
Other payables	548	31,862	–	32,410
Interest-bearing bank and other borrowings	–	74,530	–	74,530
Finance lease payables	–	42	–	42
Due to directors	18,666	–	–	18,666
	19,214	126,239	–	145,453

	31 December 2009			
Group	**On demand**	**Less than 1 year**	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	37,472	–	37,472
Other payables	2,503	10,318	–	12,821
Interest-bearing bank and other borrowings	–	96,628	–	96,628
Due to directors	22,768	–	–	22,768
	25,271	144,418	–	169,689

Group	As at 30 June 2010 On demand	 Less than 1 year	 Over 1 year	 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	26,589	–	26,589
Other payables	3,476	9,684	–	13,160
Interest-bearing bank and other borrowings	–	73,495	–	73,495
Convertible bonds	–	3,396	237,158	240,554
	3,476	113,164	237,158	353,798

Company	31 December 2008 On demand	 Less than 1 year	 Over 1 year	 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to subsidiaries	2,633	–	–	2,633
	2,633	–	–	2,633

Company	31 December 2009 On demand	 Less than 1 year	 Over 1 year	 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to subsidiaries	6,476	–	–	6,476
Due to directors	17	–	–	17
	6,493	–	–	6,493

Company	30 June 2010 On demand	 Less than 1 year	 Over 1 year	 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to subsidiaries	5,361	–	–	5,361
Due to immediate holding company	37,789	–	–	37,789
Convertible bonds	–	3,396	237,158	240,554
	43,150	3,396	237,158	283,704

Capital management

The primary objectives of the Group's capital management is 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 maximize shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the three years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. (Net debt includes trade payables, other payables and accruals, interest-bearing bank and other borrowings, finance lease payables, amounts due to related parties, amounts due to directors and less cash and cash equivalents). Capital includes convertible bonds and equity attributable to owners of the Company. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	25,845	19,805	37,472	26,589
Other payables and accruals	34,515	47,325	32,468	32,270
Interest-bearing bank and other borrowings	22,420	70,574	93,994	71,417
Finance lease payables	210	42	–	–
Due to related parties	21,885	–	–	–
Due to directors	29,391	18,666	22,768	–
	134,266	156,412	186,702	130,276
Less: Cash and cash equivalents	(9,830)	(24,042)	(21,850)	(206,469)
Net debt	124,436	132,370	164,852	(76,193)
Convertible bonds, the liability component	–	–	–	171,287
Equity attributable to owners of the Company	62,569	123,705	173,925	207,231
Adjusted capital	62,569	123,705	173,925	378,518
Capital and net debt	187,005	256,075	338,777	302,325
Gearing ratio	67%	52%	49%	(25%)

34. FINANCIAL INFORMATION OF CHANGYUE AND CHANGZHUXING

The financial information of Changyue and Changzhuxing for the period from 1 January 2007 to 31 May 2007 is set out as follows:

(a) Income statements of Changyue and Changzhuxing

		For the period from 1 January 2007 to 31 May 2007	
		Changyue	**Changzhuxing**
	Notes	*RMB'000*	*RMB'000*
REVENUE	*(i)*	49,744	13,049
Cost of sales		(38,277)	(10,128)
Gross profit		11,467	2,921
Other income	*(i)*	22	526
Selling and distribution costs		(9,226)	(2,494)
Administrative expenses		(1,833)	(515)
Finance costs	*(iii)*	–	(621)
PROFIT/(LOSS) BEFORE TAX	*(ii)*	430	(183)
Income tax expense	*(iv)*	(142)	(115)
PROFIT/(LOSS) FOR THE PERIOD		288	(298)

(b) Statements of comprehensive income of Changyue and Changzhuxing

	For the period from 1 January 2007 to 31 May 2007	
	Changyue	**Changzhuxing**
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	288	(298)
Attributable to:		
Owners of Changyue/Changzhuxing	288	(298)

(c) Statements of financial position of Changyue and Changzhuxing

		31 May 2007	
		Changyue	**Changzhuxing**
	Notes	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*(v)*	208	312
Deferred tax assets	*(xiii)*	–	503
Total non-current assets		208	815
CURRENT ASSETS			
Inventories	*(vi)*	9,220	4,669
Trade receivables	*(vii)*	13,934	2,773
Prepayments, deposits and other receivables	*(viii)*	7,238	2,753
Due from related parties	*(xiv)*	82	20,130
Cash and cash equivalents	*(ix)*	14,701	1,013
Total current assets		45,175	31,338
CURRENT LIABILITIES			
Trade payables	*(x)*	4,930	4,666
Other payables and accruals	*(xi)*	26,321	7,585
Other borrowings	*(xii)*	–	16,500
Due to a director	*(xiv)*	250	–
Due to related parties	*(xiv)*	11,398	482
Tax payable		303	–
Total current liabilities		43,202	29,233
NET CURRENT ASSETS		1,973	2,105
Net assets		2,181	2,920
EQUITY			
Issued capital		1,000	5,000
Reserves		1,181	(2,080)
Total equity		2,181	2,920

(d) Statements of changes in equity of Changyue and Changzhuxing

	Attributable to owners of Changyue		
	Issued capital	**Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2007	1,000	893	1,893
Total comprehensive income	–	288	288
At 31 May 2007	1,000	1,181	2,181

	Attributable to owners of Changzhuxing		
	Issued capital	**Accumulated loss**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2007	5,000	(1,782)	3,218
Total comprehensive income	–	(298)	(298)
At 31 May 2007	5,000	(2,080)	2,920

(e) Statements of cash flows of Changyue and Changzhuxing

	Notes	For the period from 1 January 2007 to 31 May 2007 Changyue RMB'000	Changzhuxing RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		430	(183)
Adjustments for:			
Finance costs	*(iii)*	–	621
Interest income	*(i)*	(22)	(526)
Depreciation	*(ii)*	17	21
		425	(67)
Increase in inventories		(6,434)	(4,290)
Increase in trade receivables		(10,506)	(798)
Decrease in prepayments, deposits and other receivables		15,380	5,372
Increase in trade payables		2,130	3,147
Increase/(decrease) in other payables and accruals		10,302	(6,842)
Movement in balances with directors		450	–
Movement in balances with related parties		(7,563)	3,669
Cash received from operations		4,184	191
Interest received		22	6
PRC tax paid		(257)	(72)
Net cash inflows from operating activities		3,949	125
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(54)	–
Net cash outflows from investing activities		(54)	–
CASH FLOWS FROM FINANCING ACTIVITIES			
New borrowing		–	2,300
Repayment of other borrowing		–	(2,300)
Interest paid		–	(600)
Net cash outflows from financing activities		–	(600)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,895	(475)
Cash and cash equivalents at beginning of period		10,806	1,488
CASH AND CASH EQUIVALENTS AT END OF PERIOD		14,701	1,013

(i) Revenue and other income

Revenue, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue and other income is as follows:

	For the period from 1 January 2007 to 31 May 2007	
	Changyue	**Changzhuxing**
	RMB'000	*RMB'000*
Revenue		
Sale of goods	49,744	13,049
Other income		
Interest income	22	526

(ii) Profit/(loss) before tax

The profit/(loss) before tax of Changyue and Changzhuxing is arrived at after charging:

		For the period from 1 January 2007 to 31 May 2007	
		Changyue	**Changzhuxing**
	Note	*RMB'000*	*RMB'000*
Cost of inventories sold		38,277	10,128
Depreciation	*(v)*	17	21
Auditors' remuneration		3	27
Minimum lease payments under operating leases on land and buildings		1,290	302
Employee benefit expense (including directors' remuneration):			
Wages and salaries		175	69
Pension scheme contributions		39	17
		214	86

(iii) *Finance costs*

An analysis of finance costs is as follows:

	For the period from 1 January 2007 to 31 May 2007	
	Changyue	**Changzhuxing**
	RMB'000	*RMB'000*
Interest on bank loans	–	621

(iv) *Income tax*

In accordance with the relevant PRC income tax rules and regulations, Changyue and Changzhuxing are subject to CIT at a statutory rate of 33% on their respective taxable income for the period from 1 January 2007 to 31 May 2007.

	For the period ended 31 May 2007	
	Changyue	**Changzhuxing**
	RMB'000	*RMB'000*
Current – PRC		
Charge for the period	142	42
Deferred *(note (xiii))*	–	73
Total tax charge for the period	142	115

A reconciliation of the income tax expense applicable to profit/(loss) before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	For the period from 1 January 2007 to 31 May 2007			
	Changyue		**Changzhuxing**	
	RMB'000	%	*RMB'000*	%
Profit/(loss) before tax	430		(183)	
Tax at the statutory tax rate	142	33.00	(60)	33.00
Tax effect of change of tax rate for temporary differences	–	–	140	(76.50)
Tax losses not recognized	–	–	35	(19.13)
Tax charge at the effective tax rate	142	33.00	115	(62.84)

(v) Property, plant and equipment

Changyue	**Office and other equipment**
	RMB'000
At 1 January 2007:	
Cost	191
Accumulated depreciation	(20)
Net carrying amount	171
At 1 January 2007, net of accumulated depreciation	171
Additions	54
Depreciation provided during the period	(17)
At 31 May 2007, net of accumulated depreciation	208
At 31 May 2007:	
Cost	245
Accumulated depreciation	(37)
Net carrying amount	208

Changzhuxing	**Office and other equipment**	**Motor vehicles**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2007:			
Cost	91	364	455
Accumulated depreciation	(35)	(87)	(122)
Net carrying amount	56	277	333
At 1 January 2007, net of accumulated depreciation	56	277	333
Depreciation provided during the period	(7)	(14)	(21)
At 31 May 2007, net of accumulated depreciation	49	263	312
At 31 May 2007:			
Cost	91	364	455
Accumulated depreciation	(42)	(101)	(143)
Net carrying amount	49	263	312

(vi) Inventories

	31 May 2007	
	Changyue	**Changzhuxing**
	RMB'000	*RMB'000*
Work in progress	–	29
Finished goods	9,220	4,640
	9,220	4,669

(vii) Trade receivables

	31 May 2007	
	Changyue	**Changzhuxing**
	RMB'000	*RMB'000*
Trade receivables	13,934	2,773

The credit period of Changyue and Changzhuxing with their customers is generally one month, extending up to three months. Changyue and Changzhuxing grant longer credit periods to long standing customers with good payment history.

An aging analysis of the trade receivables, based on the invoice date, is as follows:

	31 May 2007	
	Changyue	**Changzhuxing**
	RMB'000	*RMB'000*
Within 1 month	8,305	1,389
1 to 3 months	3,079	618
3 to 6 months	987	504
6 months to 1 year	1,448	221
Over 1 year	115	41
	13,934	2,773

An aging analysis of the trade receivables, based on the credit term, that are neither individually nor collectively considered to be impaired, is as follows:

			Past due but not impaired			
	Total	**Neither past due nor impaired**	**< 90 days**	**91 to 180 days**	**181 to 360 days**	**Over 1 year**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Changyue	13,934	11,384	987	1,100	463	–
Changzhuxing	2,773	2,007	504	145	76	41

(viii) Prepayments, deposits and other receivables

	31 May 2007	
	Changyue	**Changzhuxing**
	RMB'000	*RMB'000*
Prepayments	5,870	1,624
Deferred expense	1,003	401
Deposits and other receivables	365	728
	7,238	2,753

The above assets were neither past due nor impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

(ix) Cash and cash equivalents

	31 May 2007	
	Changyue	**Changzhuxing**
	RMB'000	*RMB'000*
Cash and bank balances	14,701	1,013

(x) Trade payables

An aging analysis of the trade payables, based on the invoice date, is as follows:

	31 May 2007	
	Changyue	**Changzhuxing**
	RMB'000	*RMB'000*
Within 1 month	4,676	3,818
1 to 3 months	78	432
3 to 6 months	30	31
6 months to 1 year	146	–
Over 1 year	–	385
	4,930	4,666

The trade payables are non interest-bearing and are normally settled on terms of three months, extending to longer periods with these long standing suppliers.

(xi) Other payables and accruals

	31 May 2007	
	Changyue	**Changzhuxing**
	RMB'000	*RMB'000*
Advance from customers	25,171	6,410
Other payables	910	1,175
Accruals	240	–
	26,321	7,585

The other payables are non interest-bearing.

(xii) Other borrowings

	Changzhuxing		
	Effective interest rate	**Maturity**	**Amount**
	(%)		*RMB'000*
Current			
Other borrowings – secured	9.18	2008	2,300
Other borrowings – unsecured	11.76-12.54	2008	14,200
			16,500
Denominated in RMB			16,500

(xiii) Deferred tax

Changzhuxing	**Advertising and business promotion expenses**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2007	514	62	576
Credited to the income statement for the period *(note (iv))*	(53)	(20)	(73)
At 31 May 2007	461	42	503

(xiv) Balances with related parties

(a) Amount due from/to related parties

	31 May 2007	
	Changyue	**Changzhuxing**
	RMB'000	*RMB'000*
Amounts due from:		
廣州長珠興貿易有限公司	82	–
長興(廣東)服飾有限公司	–	1,817
Guangzhou Dilai	–	4,140
Chen Jiachang (陳甲長)	–	14,173
	82	20,130

	31 May 2007	
	Changyue	**Changzhuxing**
	RMB'000	*RMB'000*
Amounts due to:		
廣州長越貿易有限公司	–	82
長興(廣東)服飾有限公司	5,025	–
Guangzhou Dilai	5,873	–
Chen Jiachang (陳甲長)	500	400
	11,398	482

(b) Amount due to director

	31 May 2007	
	Changyue	**Changzhuxing**
	RMB'000	*RMB'000*
Chen Minwen (陳敏文)	250	–

35. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed in note 25 above, there are no material subsequent events undertaken by the Company or by the Group after 30 June 2010.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2010.