Evergreen International Holdings Limited

長興國際(集團)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 238

Annual Report 2010

CONTENTS


V.E. DELURE


Testantin

CORPORATE INFORMATION

Directors

Executive Directors

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

Independent Non-Executive Directors

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

Joint Company Secretaries

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

Authorized Representatives

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Registered Office

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

Principal Place of Business and Headquarters in the PRC

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

Principal Place of Business in Hong Kong

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

Cayman Islands Principal Share Registrar and Transfer Office

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

Hong Kong Share Registrar

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

Principal Bankers

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

Compliance Advisor

Piper Jaffray Asia Limited

Auditors

Ernst & Young, Certified Public Accountants

Legal Advisor

MinterEllison Lawyers

Investor Relations

iPR Ogilvy Ltd.

Stock Code

HKEx:00238.HK

Website Address

www.evergreen-intl.com

FINANCIAL HIGHLIGHTS

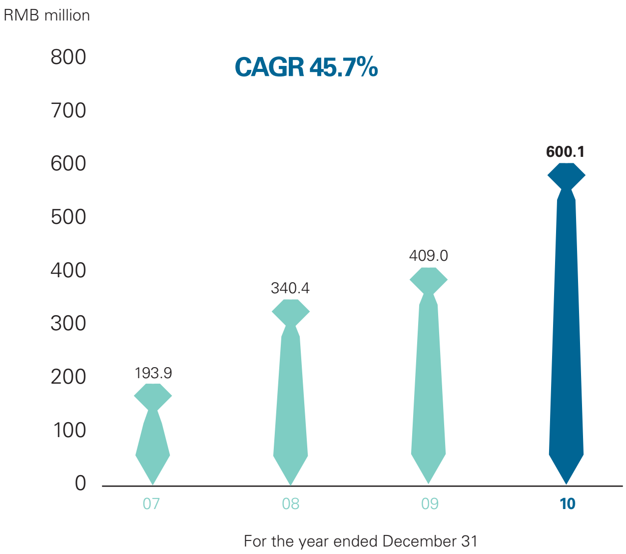
Key Financial Highlights

For the Year ended 31 December

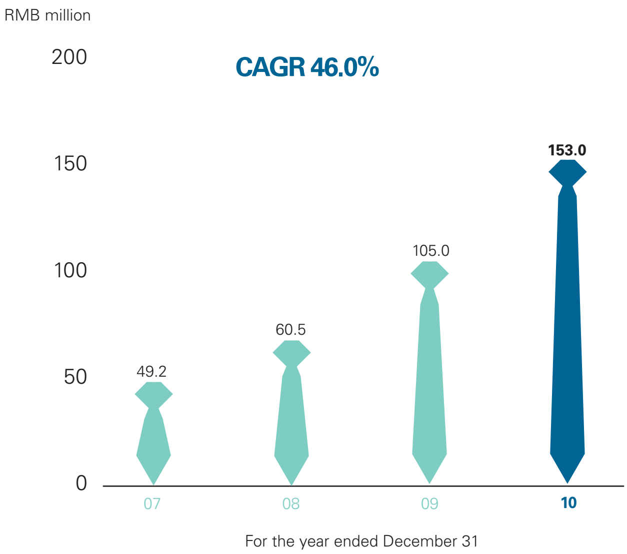
	2010	2009	**% change**
Revenue (RMB million)	**600.1**	409.0	46.7%
Gross profit (RMB million)	**385.4**	248.0	55.5%
Profit before tax (RMB million)	**176.1**	131.0	34.5%
Profit for the year (RMB million)	**153.0**	105.0	45.8%
Gross profit margin (%)	**64.2%**	60.6%	
Profit before tax margin (%)	**29.3%**	32.0%	
Earnings per share – basic (RMB cents)[1]	**23.2**	17.5	
Dividend per share – final (HK cents)	**7.5**	–	
As at 31 December			
Current ratio[2] (times)	**13.4**	1.8	
Trade payable turnover days[3] (days)	**66**	65	
Trade receivable turnover days[4] (days)	**62**	62	
Inventory turnover days[5] (days)	**281**	251	

Key ratios:
1. Basic earnings per share = Profit attributable to shareholders / weighted average number of ordinary shares
2. Current ratio = Current assets / current liabilities
3. Trade payable turnover days = Average of opening and closing balances on trade payables / cost of sales for the year x no. of days for the year
4. Trade receivable turnover days = Average of opening and closing balances on trade receivables / revenue for the year x no. of days for the year
5. Inventory turnover days = Average of opening and closing balances on inventory / cost of sales for the year x no. of days for the year

REVENUE



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY



CHAIRMAN'S STATEMENT

To be world class brands operator in Mainland China

Chan Yuk Ming
Chairman

I am pleased to report that Evergreen International Holdings Limited and its subsidiaries (the "Group") recorded significant growth in revenue of 46.7% for 2010 as compared with 2009. The gross profit margin also improved from 60.6% to 64.2%. Profit for the year increased by 45.8% to RMB153 million. By the end of 2010, the Group had 328 retail stores of which 114 are self-operated stores and 325 are in the Mainland China.

Business Review

The state's policy to encourage domestic demand and boost economy has achieved remarkable results in 2010. The performance of China's economy continued to shine, with GDP growing at 10.3%. In the meantime, changes in the economic growth model and adjustments to the economic structure were accelerating. With stronger consumer confidence and higher disposable income, the consumer retail industry as a whole had a very good performance.

This provided positive support for the Group's business which is owning and managing two brands, ***V.E. DELURE*** and ***TESTANTIN***, covering the middle-upper to high-end segments of the menswear market. The Group has experienced not only strong top line growth, but also significant improvement in the profit margins. Moreover, this offered ample room to sustain the Group's future development.

During the year, the growth of sales was mainly driven by the fast lifting effects of same-store-sales growth and rapid store network expansion. The net increase in store numbers was 66 which was in line with the store network expansion as disclosed in the Prospectus. The same-store-sales growth rate was over 30% reflecting the strong market sentiment.

Successful Initial Public Offering ("IPO") on 4 November 2010

With the improvement in sentiment of capital market, the Company has grasped this opportunity and was successfully listed on the Main Board of the Hong Kong Stock Exchange on 4 November 2010. The issue was heavily oversubscribed by institutional investors and 1,231 times by retail investors. The Company was encouraged by the enthusiastic response and active subscription of the investors.

Through the listing, the Group has brought itself a sufficient pool of funds to sustain its future development, has marked an important milestone in gaining international presence and has remarkably promoted a widespread awareness of the Group and its brands, thereby laying a solid cornerstone for the long-term business growth.

Outlook for 2011

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

I would like to take this opportunity to express my sincere gratitude to the members of the Board for their advice and support. And on behalf of the Directors, I would also like to thank the colleagues, shareholders, distributors, customers and suppliers of the Group for their hard work and dedication, which have made possible the remarkable business performance in 2010.

Chan Yuk Ming
Chairman

Hong Kong, 18 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

China's economy continued its growth momentum from 2009. Growth in certain sectors could be upheld while some overheated areas had been suppressed with the overall economy maintaining a rapid growth, the pattern of China's economic growth had changed after the global financial tsunami occurred in late 2008. Furthermore, the guiding principles of the "Twelfth Five-Year Plan" have clearly identified the need for establishing a long-term effective mechanism to expand domestic demand, aiming to gradually transform the economic structure from export-oriented to domestic-oriented. Such policy has created a favorable operating environment and growth potential for the retail industry.

According to the statistics from the National Bureau of Statistics of China, total retail sales of consumer products reached RMB15,500 billion in 2010, representing a year-on-year growth of 18.4%. Among which, sales of clothing and accessories and knitting and textile products accounted for RMB587.4 billion, representing a year-on-year growth of 24.8%. The fast growing consumer market of the Mainland China has become the new growth driver for the garment industry.

Moreover, other factors including a quick increase in middle-class wealthy population in the Mainland China due to the acceleration of urbanization and the continuous rise in income, and rise in purchasing power as a result of the appreciation of Chinese currency have driven the expansion of high-end garment consumer market.

Business Review

During the year ended 31 December 2010, (the "Reporting Year"), leverage on our extensive market experience, segmented marketing strategy and extensive sales network, the Group successfully captured the opportunities from the rapid growing domestic consumer market, and recorded satisfactory results. During the Reporting Year, the Group recorded a turnover of approximately RMB600,131,000 (2009: RMB409,013,000), representing a year-on-year growth of approximately 46.7%, mainly attributable to the increase in average selling price and sales volume, and the gross profit margin was up to 64.2%. Net profit attributable to shareholders amounted to approximately RMB153,001,000 (2009: RMB104,918,000), representing an increase of approximately 45.8% compared to the corresponding period of last year.

Proprietary Brands

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

Retail and Distribution Network

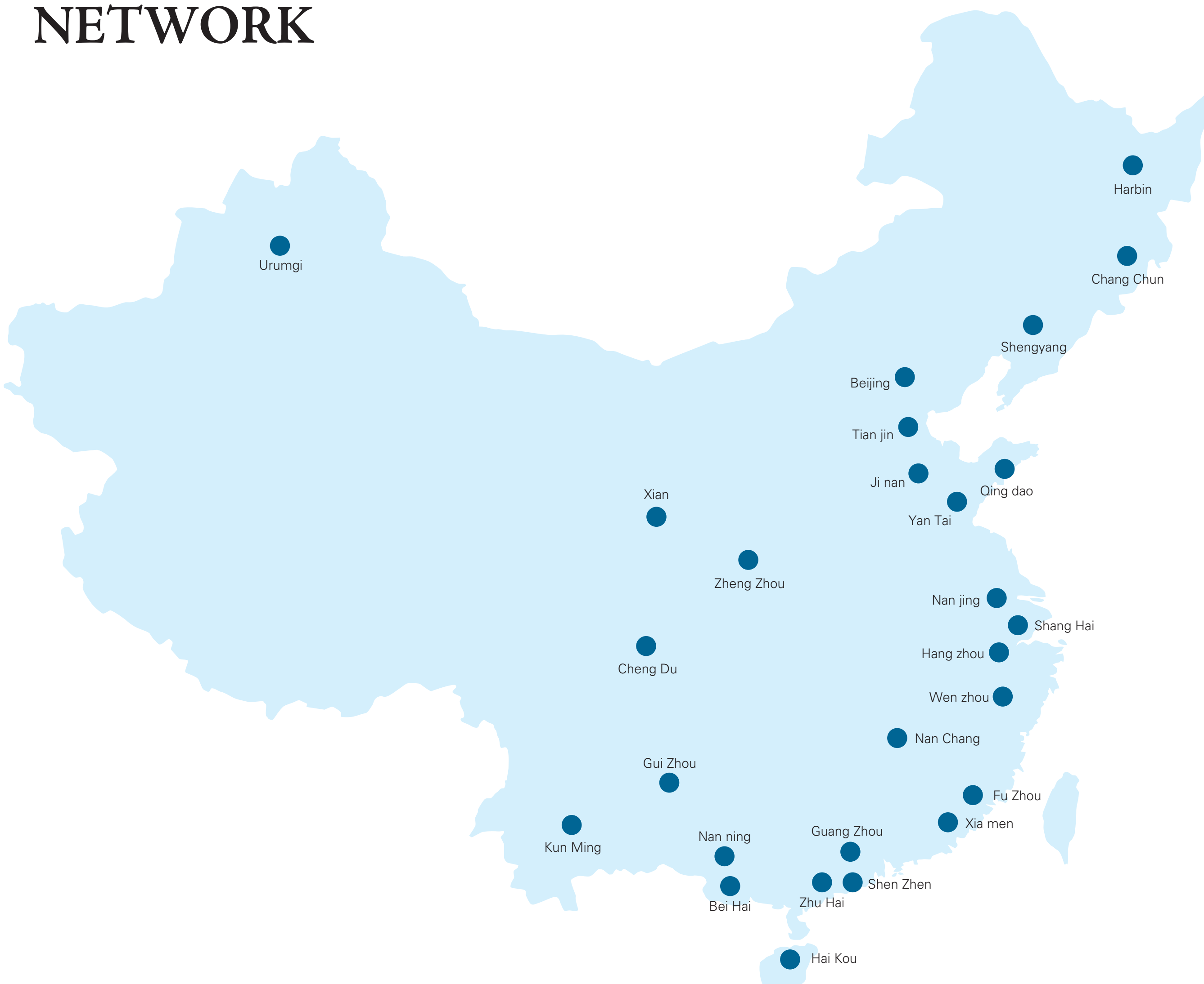
The Group has strategically used a combination of self-operated retail stores as well as distributors model of various degrees to cater to different stages of development and different target markets for each of our brands.

Self-operated retail stores enable the Group to create direct contact with target customers, thereby allowing the Group to optimize its marketing efforts to customers and to directly instill in the customers the brand image and atmosphere that the Group created and expressed. The use of distributors allows the Group to expand our retail network rapidly with lower capital expenditure requirements as compared to self-operated retail stores. In addition, the distributors have a better understanding of the less developed areas. To explore these markets through distributors is a more cost-effective way.

The Group's strategy is to open self-operated stores in high-tier cities, while penetrating into the market of low-tier cities through distributors.

As at 31 December 2010, the Group had 114 self-operated stores and 214 distributors stores.

SALES NETWORK



In Aggregate

	As at 31 December 2010		As at 31 December 2009	
	Self-operated	Distributors	Self-operated	Distributors
Region				
Central PRC	7	26	4	24
North Eastern PRC	11	20	7	19
Eastern PRC	12	50	7	47
North Western PRC	6	29	4	24
Northern PRC	18	40	16	32
South Western PRC	22	20	9	16
Southern PRC	35	29	22	27
Hong Kong	3	–	3	–
	114	214	72	189

V.E. DELURE

At the beginning of the Reporting Year		Net Changes in number of stores during the Reporting Year		At the end of the Reporting Year		
Self-operated	Distributors	Self-operated	Distributors	Self-operated	Distributors	Total
59	138	33	10	92	148	240

TESTANTIN

At the beginning of the Reporting Year		Net Changes in number of stores during the Reporting Year		At the end of the Reporting Year		
Self-operated	Distributors	Self-operated	Distributors	Self-operated	Distributors	Total
11	51	8	15	19	66	85

Most of the self-operated stores of the Group are located in department stores and mid-to-high end shopping malls. The sales strategy of the Group is to increase the number of self-operated stores, particularly focusing on those directly-managed stores in key markets with stronger purchasing power. Self-operated stores can enhance our brand value and further strengthen our brand image. Marketing our products through self-operated stores can impress our customers with the brand image and shopping ambience created and presented in our stores. In addition, self-operated stores can provide our customers with high-quality and standardized services.

As at 31 December 2010, the Group had 90 distributors operating in 24 provinces and autonomous regions, with the coverage of 134 cities. The franchised business model enables us to expand the retail network in a short time with a lower capital expenditure than self-operated stores. As to the management of the distributors, the Group has completed the on-line connection for 64 distributors stores. Management can get the real-time operation data through the Enterprise Resources Planning (ERP) system and the upgraded database management system, which was further enhancing the inventory control and financial management. The Group expected all distributors stores to be connected to our ERP system within 18 months.

Sales Fair

In order to showcase the new apparel design for the new season, the Group organizes two sales fairs every year. The Group held sales fair in March and August 2010 for the 2010 fall/winter and 2011 spring/summer seasons, respectively.

In the sales fair in March 2010, the sales orders increased by 33% compared to that of the previous year, and the 2010 fall/winter products started delivery in August 2010. As a result of its brands becoming more popular, the Group achieved outstanding results in the sales fair in August 2010 for the 2011 spring/summer season with sales orders increased by 60% compared to that a year ago, which was mainly attributable to an increase in volume and steady rise in selling prices.

Marketing and Promotion

The Group has a dedicated marketing team, responsible for the execution and organization of the marketing and promotional activities of V.E. DELURE and TESTANTIN. The Group has the exclusive sponsorships of formal attire of the PRC national table tennis team and badminton team. Both sponsorships will end in 2015. The Group has been inviting elite athletes to participate in appropriate promotional events and charity activities.

During the Reporting Year, the Group collaborated with national table tennis team and famous shopping malls to organize a series of torch relay fund raising events namely "迪萊愛心火炬傳遞籌款活動" in cities including Suzhou, Xiamen, Changchun, Guangzhou and Chengdu. Such charity activities not only can deliver the Group's brand message, but also can promote our image as a social responsible enterprise.

In order to enhance the Group's brand image, the Group has engaged Guangzhou Oltrefrontiera Trading Co., Ltd (廣州市奧蘭拉商貿有限公司) to assist in product display, aiming to promote our brand more effectively and attract more customers.

During the Reporting Year, the Group's total expenditure in marketing and promotion amounted to approximately RMB23,837,000 (2009: RMB9,673,000), accounting for 4% of the total turnover. The Group will try its best to maintain the ratio not exceeding 5%, in a way to promote our products, stimulate sales, and enhance our image in a cost effective approach.

Product Design and Development

The Group always believes that the fashion-conscious and customized design for customers is crucial to success. Customers nowadays pursuit products with higher quality, comfortable cutting and unique style. Only with the leading product design and development capability can make our Group become the forerunner in such market environment.

The Group has a design team of 13 staff in Guangzhou's headquarters. The Group is in the process to target talented and experienced designers in order to further increase the Group's competitive advantages in the menswear market.

Financial Analysis

Revenue analysis by geographical location and brand is as follows:

V.E. DELURE	2010 RMB million	2009 RMB million	TESTANTIN	2010 RMB million	2009 RMB million
Central PRC	52.5	22.9		2.8	4.0
North Eastern PRC	31.4	28.0		7.2	8.9
Eastern PRC	70.5	59.6		13.6	16.5
North Western PRC	38.9	20.5		6.6	6.4
Northern PRC	106.0	69.9		8.6	6.6
South Western PRC	44.8	17.2		23.3	8.0
Southern PRC	117.0	77.3		33.2	24.9
Hong Kong	4.8	5.6		9.9	10.3
Total	465.9	301.0		105.2	85.6

Revenue generated from the sale of V.E. DELURE brand products in the Eastern, Northern and Southern PRC, in the aggregate, amounted to 63.0% (2009 : 68.7%) of the total revenue attributable to the V.E. DELURE brand, primarily because the majority of our V.E. DELURE retail stores were located in major cities such as Shanghai, Beijing and Guangzhou where the Group target V.E. DELURE customers, who are relatively more affluent and possess strong purchasing power, are located.

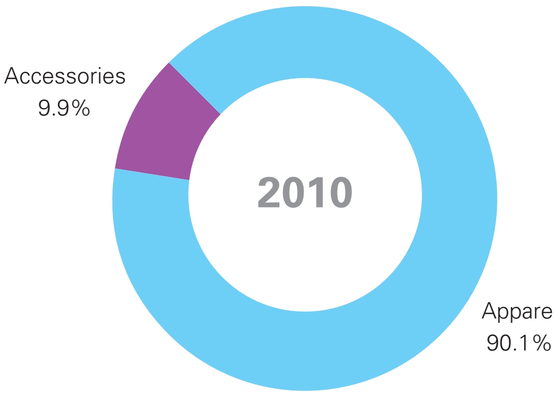
For TESTANTIN brand products in the Eastern, South Western and Southern PRC, in the aggregate, amounted to 66.6% (2009: 57.7%) of the total revenue attributable to the TESTANTIN brand because most of TESTANTIN retail stores opened in tier two and tier three cities in these geographical regions.

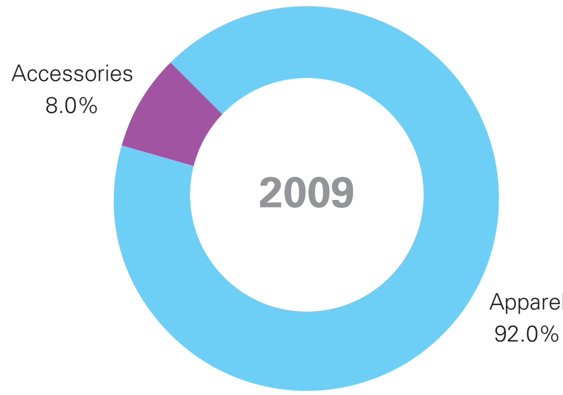
Revenue Breakdown by Product

The following table sets out the contribution to the revenue by product segments, namely apparels and accessories for the Reporting Year:

	2010		2009	
	Apparel (RMB'000)	Accessories (RMB'000)	Apparel (RMB'000)	Accessories (RMB'000)
V.E. Delure	440,853	25,057	288,167	12,848
Testantin	97,899	7,312	81,728	3,894
Cartier	–	26,629	–	15,488
Harmont & Blaine	2,244	137	6,352	536
	540,996	59,135	376,247	32,766
Total		600,131		409,013

During the Reporting Year, revenue was increased by 46.7% as compared with the corresponding period of last year. It was mainly due to the increase in average selling prices and expansion of the self-operated stores and distributors stores network, the increased recognition of our brands in the market and cold weather in China boosted the Group's revenue.





The following table sets out a breakdown of our revenue, units sold and the average selling price of our V.E. DELURE and TESTANTIN in self-operated stores by product segments, namely apparel and accessories, during the Reporting Year:

		2010			2009		
		Revenue RMB million	**Units sold pcs**	**Average selling price RMB**	Revenue RMB million	Units sold pcs	Average selling price RMB
V.E. DELURE	Apparel[(1)]	**226**	**117,652**	**1,922**	131	77,985	1,680
	Accessories[(2)]	**6.4**	**26,922**	**239**	6.4	11,910	541
TESTANTIN	Apparel[(1)]	**27.8**	**26,074**	**1,065**	19.1	20,286	944
	Accessories[(2)]	**2.3**	**8,228**	**280**	2.0	6,520	304

Notes:

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

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

The average selling prices of the apparel products of our V.E. DELURE and TESTANTIN in self-operated stores were increased by 14.4 % and 12.8% respectively because of the increase in demand of our products in the PRC and the enhanced recognition of our brands in the market.

The average selling prices of the accessory products of our V.E. DELURE and TESTANTIN in self-operated stores were dropped by 55.8 % and 7.9% respectively. It was due to many accessory products sold in the Reporting Year were low value items (for examples, socks, underpants, etc).

Gross Profit Margin

Gross profit margin for the Group in 2010 was 64.2%, representing an increase of 3.6 percentage points compared to 60.6% in 2009. The increase was mainly attributable to the enhancement in customers' brand loyalty, allowing the Group to increase the retail price for apparel. In addition, the increase in the number of self-operated stores having higher gross profit margin also improved the overall gross profit margin.

Other Income

During the Reporting Year, other income primarily consisted of foreign exchange gains, bank interest income and other miscellaneous income. For the Reporting Year, the Group recorded foreign exchange gain of approximately RMB2,761,000 (2009: RMB393,000), bank interest income of approximately RMB2,375,000 (2009: RMB188,000) and other miscellaneous income of approximately RMB1,962,000 (2009: RMB1,486,000).

Selling and Distribution Costs

Selling and distribution costs primarily consisted of rental fees for retail stores, advertising and promotional expenses, staff costs for our sales and marketing staffs, and other costs related to sales and distribution. For the Reporting Year, the concessionaire commission paid to shopping malls and department stores was approximately RMB71,793,000 (2009: RMB39,123,000), and the advertising and promotional expense was approximately RMB23,837,000(2009: RMB9,673,000). Such expenses included media advertising expenses, promotional event expenses, sales fair and fashion show expenses and renovation subsidies to distributors.

Operating Profit

Operating profit for the Reporting Year increased by 38.3% to RMB190,735,000 (2009: RMB137,951,000), but operating profit margin decreased from 33.7% to 31.8% mainly attributable to higher advertising and promotional expense for the enhancement of brand awareness and higher employee expenses for adjusted employee benefits.

Finance Cost

During the Reporting Year, finance costs consisted primarily of interest expenses on interest-bearing bank and other borrowings of RMB2,752,000 (2009: RMB6,064,000) interest expenses related to the redeemable convertible bonds of RMB8,321,000 (2009: Nil). For the Reporting Year, the Group recorded the finance costs amounted to approximately RMB11,073,000 (2009: RMB6,065,000). The Group had repaid all interest-bearing bank and other borrowing in July 2010, and the redeemable convertible bonds were fully converted in November 2010.

Effective Tax Rate

The effective tax rate for the Group decreased from 19.9% in 2009 to 13.1% in 2010, which was mainly attributable to the decrease of deferred tax liability for the undistributed profit of 2009 and 2010 from the Group's Mainland subsidiaries during the Reporting Year.

Profit Attributable to Shareholders

Profit from operating activities attributable to shareholders increased by 45.8% to approximately RMB153,001,000 (2009: RMB104,918,000). Its ratio to revenue slightly dropped from 25.6% in 2009 to 25.5% in 2010. Basic earnings per share for the Group increased from RMB17.5 cents in 2009 to RMB23.2 cents in 2010.

Working Capital Management

A substantial part of our inventories was finished goods. Our management performs specific reviews on finished goods regularly. For slow-moving and obsolete inventories, our management makes specific provisions for inventories with the net realizable value lower than its carrying value. The number of inventory turnover days was 281 days as of the end of 2010 (2009: 251 days). The increase in number of inventory turnover day was resulted from the year ended balance of inventory surged from RMB131,642,000 to RMB198,772,000. The increase of inventory was due to 41 new self-operated stores opened during the Reporting Year, which required additional inventory of RMB32,489,000, purchased more popular fabrics and semi-finished products accounted RMB30,713,000 as a measure to control cost, the start-up inventory for opening a new Cartier store and had a net increment of RMB3,928,000.

The Group's trade receivables represent the receivables for goods sold to our distributors and also the receivables from department stores or shopping malls in respect of our self-operated stores. The number of debtors' turnover days is equal to the average trade receivables divided by revenue and multiplied by 365 days. Average trade receivables are equal to trade receivables at the beginning of the year plus trade receivables at the end of the year and divided by two. Average number of debtors' turnover days is 62 days, which is the same as that in 2009.

Trade payables represented payables to long-standing suppliers, such as raw material suppliers and outsourced manufacturers. The number of creditors' turnover days is equal to the average trade payables divided by cost of sales and multiplied by 365 days. Average trade payables are equal to the trade payables at the beginning of the year plus trade payables at the end of the year and divided by two. Average number of creditors' turnover days is 66 days, remaining close to the level of 65 days in 2009.

Use of Proceeds

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 November 2010 (the "Listing Date"). Net proceeds from the global offering were approximately HK$1,167,000,000 (after deducting the underwriting commission and relevant expenses). As at 31 December 2010, the unused proceeds were deposited in licensed banks in Hong Kong and Mainland China.

Use of fund raised	Percentage to total amount	Net proceeds (HK$ million)	Utilized amount (as at 31 December 2010) (HK$ million)	Unutilized amount (as at 31 December 2010) (HK$ million)
Expansion and improvement of our retail network	45%	525.2	**19.9**	**505.3**
Developing independent lines of branded apparels and accessories under our V.E. DELURE brand	10%	116.7	—	**116.7**
Acquisitions or licensing of additional brands	20%	233.4	—	**233.4**
Marketing and promotion activities	7%	81.7	—	**81.7**
Upgrade of ERP system and database management system	5%	58.3	**0.5**	**57.8**
Hiring international design talent and design consultant firms, expanding the Group's existing design team and establishing the Group's own research and design centre	5%	58.3	—	**58.3**
General working capital	8%	93.4	—	**93.4**
		1,167	**20.4**	**1,146.6**

Prospects

With the rapid development of China's economy, Chinese consumers tend to pursuit fashionable products with better quality. Therefore, the Group is confident in the future development of China's menswear market.

According to Frost & Sullivan's forecast, the compound annual growth rate of the retail revenue of the menswear market in China is 15.8% from 2009 to 2013, indicating that the menswear market in China is full of growth momentum. Such a fast growing menswear market is attributable to (1) the annual disposable income per capita of urban household increases and drives stronger purchasing power of customers; (2) as there are more products available to customers, it is normal for them to buy apparels of better design and quality of different brands; and (3) prominent design and brand value of menswear products grow customers' needs.

The Group will continue to expand and improve the sales network with the focus on self-operated stores opening in prestigious department stores or shopping malls. Moreover, the Group's expansion strategy is to open self-operated stores in the prime locations in the first and second tier cities and flagship stores to further enhance the brand awareness for V.E. DELURE, and to open self-operated stores in the strategic prime locations to explore the second, third and fourth tier cities for TESTANTIN. At the beginning of 2011, after discussion with the sales team, the Group has decided the target number and locations of the new self-operated stores to be set up in every region for the year. We expect that those major department stores and shopping malls will review the shop floor plan after the major holiday periods. The Group is confident in entering into the new tenancy agreements with them. The Group also plans to open specialty stores for leather and footwear products to enrich the product lines of our brands to lift its revenue.

Regarding the distributors store opening plan, the Group reviewed the target number of new stores with the distributors in the 2011 autumn/winter sales fair held in February 2011, and invited new distributors to participate in the sales fair. The Group plans to open about 152 new retail stores in 2011 of which about 59 are self-operated stores with the balance of about 93 are distributors stores. Overall, it is expected that the Group's stores will be operated across 30 provinces in China.

Liquidity and Financial Resources

The Group's net cash proceeds from the initial public offer is about HK$1,167,000,000 (equivalent to RMB1,004,601,000). It is expected that the cash flow of the Group will remain strong in 2011, providing a stable source of fund required by existing projects. The Group is looking for potential strategic investment opportunities, with an aim to enhance our profitability. As at 31 December 2010, the total assets of the Group was approximately RMB1,582,200,000 (2009: RMB381,959,000), and there were no interest-bearing bank and other borrowings. On 29 April 2010, the Company, Pacific Success Holdings

Limited, Mr. Chan Yuk Ming (the controlling shareholder and executive director of the Company) and Admiralfly Holdings Limited ("Admiralfly") entered into a subscription and sale and purchase agreement as supplemented by the amendment letter dated 25 May 2010 for, inter alia, purchasing redeemable convertible bonds (please refer to the prospectus of the Company dated 22 October 2010 for details), pursuant to which the Company would issue to Admiralfly the redeemable convertible bonds in the aggregate principal amount of US$25,000,000, carry interest at 2% per annum under any circumstances. On 4 November 2010, Admiralfly converted the redeemable convertible bonds in full and 110,021,763 shares of the Company were issued to Admiralfly. Therefore, the loan to assets ratio of the Group (calculated by dividing total interest-bearing bank and other borrowings by total assets) was zero (2009: 24.6%) as at 31 December 2010. For the year ended 31 December 2010, the total capital expenditure incurred by the Group was approximately RMB20,527,000 (2009: RMB4,008,000).

Contingent Liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

Pledge of Assets

As at 31 December 2010, no assets of the Group were pledged as a security for the bank borrowings.

Exchange Risk

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

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

Employee's Benefits

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

As at 31 December 2010, the Group employed 823 full-time staff. For the year ended 31 December 2010, the staff costs of the Group was approximately RMB37,920,000 (2009: RMB21,694,000). The Group has adopted a defined contribution retirement benefits scheme (MPF Scheme) for Hong Kong employees, and contributions are made based on a certain percentage of the employee's basic salary. The contributions will be charged to the profit or loss account when they become payable. In China, the Group is obligated to make monthly contributions to the social security fund, including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance, for our employees in the PRC according to the relevant laws of the PRC.

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2010 (the "Reporting Year").

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

Corporate Governance Practices

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

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

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

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

The Board

Responsibilities

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

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

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

Delegation of Management Functions

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

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

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

Board Composition

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

Executive directors:

Chan Yuk Ming (Chairman of the Board)
Chen Yunan
Chen Minwen

Independent non-executive directors:

Fong Wo, Felix (Chairman of the Nomination Committee and member of the Audit Committee and Remuneration Committee)
Ko Wing Man (Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee)
Kwok Chi Sun, Vincent (Chairman of the Audit Committee and member of the Remuneration Committee and Nomination Committee)

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

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

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

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

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

Appointment and Re-Election of Directors

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

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

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

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

Induction and Continuing Development of Directors

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

Continuing briefing and professional development for the directors of the Company will be arranged where necessary.

Board and Board Committee Meetings

Number of Meetings and Directors' Attendance

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

During the Reporting Year, one Audit Committee meeting was held. No Nomination Committee and Remuneration Committee meetings were held during the Reporting Year.

The attendance records of the directors, together with their attendance at the Board and the Board Committee meetings for the Reporting Year are set out below:

	Attendance / Number of Meetings	
Name of Director	**Board**	**Audit Committee**
Chan Yuk Ming	7/9	–
Chen Yunan *[Note 1]*	6/9	–
Chen Minwen *[Note 1]*	9/9	–
Fong Wo, Felix *[Note 2]*	1/6	1/1
Ko Wing Man *[Note 2]*	1/6	1/1
Kwok Chi Sun, Vincent *[Note 2]*	3/6	1/1
Zou Jianming *[Note 3]*	3/4	–

Notes:

1. Mr. Chen Yunan and Mr. Chen Minwen were appointed as directors of the Company on 9 February 2010.

2. Mr. Fong Wo, Felix, Dr. Ko Wing Man and Mr. Kwok Chi Sun, Vincent were appointed as directors of the Company on 8 October 2010 and the total number of board meetings held since their appointment was 6.

3. Mr. Zou Jianming was appointed on 25 May 2010 and resigned as director of the Company on 12 October 2010 and the total number of board meetings held since his appointment and up to his resignation was 4.

Practices and Conduct of Meetings

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

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

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

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

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

Chairman and Chief Executive Officer

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

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

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

Board Committees

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

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

Nomination Committee

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

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

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

The Nomination Committee did not hold any meeting during the Reporting Year as the Company was listed in November 2010 and the Nomination Committee will meet before the forthcoming annual general meeting of the Company ("AGM") to review the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

Pursuant to Article 16.18 of the Articles of Association, Mr. Chan Yuk Ming shall retire from the office by rotation at the AGM, while Mr. Chen Yunan, Mr. Chen Minwen, Mr. Fong Wo, Felix, Dr. Ko Wing Man and Mr. Kwok Chi Sun, Vincent shall retire at the AGM pursuant to Article 16.2 of the Articles of Association. All the retiring Directors, being eligible, will offer themselves for re-election.

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

The Company's circular dated 4 April 2011 contains detailed information of the retiring directors standing for re-election at the AGM.

Remuneration Committee

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

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

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

The Remuneration Committee did not hold any meeting during the Reporting Year as the Company was listed in November 2010 and the Remuneration Committee will meet before the AGM to review the remuneration policy of the Company and remuneration packages of the directors and the senior management of the Company.

Audit Committee

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

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the chief financial officer, financial controller, internal auditor or external auditors before submission to the Board.
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors.
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

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

The Audit Committee held one meeting during the Reporting year to discuss the Company's internal control and audit planning. All members of the Audit Committee attended the meeting. The external auditors were invited to attend the meeting.

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

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

The Company's annual results for the year ended 31 December 2010 have been reviewed by the Audit Committee.

Model Code for Securities Transactions

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

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

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

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

Directors' Responsibilities in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

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

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

External Auditors and Auditors' Remuneration

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

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

Service Category	Fees Paid/Payable (RMB)	Fees Paid / Payable (HK$)
Audit Services	1,380,000	164,000
Non-audit Services		
– Reporting Accountant	4,428,800	–
– Taxation	–	54,000
– Internal control assessments	330,000	–
	6,138,800	218,000

Internal Controls

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

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

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

Communication with Shareholders and Investors

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

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

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

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

Shareholder Rights

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

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholders' meeting.

The directors of the Company (the "Directors") present their report and the audited consolidated financial statements (the "Consolidated Financial Statements") of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 (the "Reporting Year").

Corporate Reorganization

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

Pursuant to a reorganization to rationalize the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group.

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

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

Principal Activities

The principal activities of the Group are engaging in the manufacturing and trading of clothing and clothing accessories. The principal activities and other particulars of the subsidiaries are set out in note 16 to the Consolidated Financial Statements.

Results and Dividends

The board of Directors (the "Board") has recommended the payment of a final dividend of HK7.5 cents (equivalent to approximately RMB6.3 cents) per ordinary share for the Reporting Year.

The results of the Group for the Reporting Year are set out in the Consolidated Financial Statements on pages 35 to 79 of this report.

Summary Financial Information

A summary of the published results and of the assets and liabilities of the Group for the last four financial years, as extracted from the audited financial statements, is set out on page 80 of this report.

Property, Plant and Equipment

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

Share Capital

Details of movements in the Company's share capital during the Reporting Year are set out in note 26 to the Consolidated Financial Statements.

Pre-Emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

Since the Listing Date and up to 31 December 2010, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

Distributable Reserves

The Group's distributable reserves as at 31 December 2010 are set out in the section "Consolidated Statement of Changes in Equity" of this report.

Charitable Donations

Charitable donations made by the Group during the Reporting Year amounted to RMB6,245,000 (2009: RMB697,000).

Convertible Bonds

Details of the movement in convertible bonds during the Reporting Year are set out in note 24 to the Consolidated Financial Statements.

Major Customers and Suppliers

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

	2010 Percentage of the Group's total		2009 Percentage of the Group's total	
	Sales	**Purchases**	Sales	Purchases
The largest customer	**3.9%**		3.7%	
Five largest customers in aggregate	**16.4%**		11.3%	
The largest outsourcing supplier		**9.9%**		16.2%
Five largest outsourcing suppliers in aggregate		**35.3%**		41.9%

At no time during the Reporting Year, the Directors, their associates or the shareholders of the Company (who or which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in any of the Group's five largest customers or suppliers.

Directors

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

Executive Directors:

Chan Yuk Ming *(Chairman)*

Chen Yunan *(appointed on 9 February 2010)*

Chen Minwen *(appointed on 9 February 2010)*

Independent non-executive Directors:

Fong Wo, Felix *(appointed on 8 October 2010)*

Ko Wing Man *(appointed on 8 October 2010)*

Kwok Chi Sun, Vincent *(appointed on 8 October 2010)*

* *Mr. Zou Jianming was appointed on 25 May 2010 and resigned as the Director on 12 October 2010.*

Pursuant to Article 16.18 of the Articles of Association, Mr. Chan Yuk Ming shall retire from the office by rotation at the AGM, while Mr. Chen Yunan, Mr. Chen Minwen, Mr. Fong Wo, Felix, Dr. Ko Wing Man and Mr. Kwok Chi Sun, Vincent shall retire at the AGM pursuant to Article 16.2 of the Articles of Association. All the retiring Directors, being eligible, will offer themselves for re-election.

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

Directors' Service Contracts

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

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

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

Directors' Emoluments

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

Directors' Interests in Contracts

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

Directors' and Chief Executives' Interests in Securities

As at 31 December 2010, the interests or short positions of the Directors, the chief executives of the Company (the "Chief Executives") and their associates in the shares, underlying shares and debentures of the Company or its associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Name of director	Long/Short position	Type of interest	Number of shares and underlying shares held	Approximate percentage of shareholding in the Company
Chan Yuk Ming	Long position	Interest in a controlled corporation *(Note)*	575,022,086	58.55%

Note: Mr. Chan Yuk Ming is deemed to be interested in such shares as the sole shareholder of Pacific Success Holdings Limited.

Save as disclosed above, none of the Directors, the Chief Executives nor their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2010.

Substantial Shareholders' and Other Persons' Interests in Securities

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 31 December 2010, the following shareholders, other than those disclosed in the section headed "Directors' and Chief Executives' Interests in Securities", had notified the Company of relevant interests or short positions in the shares and underlying shares, being interests of 5% or more of the issued share capital of the Company:

Name of substantial shareholder	Long/Short position	Type of interest	Number of shares and underlying shares held	Approximate percentage of shareholding in the Company
Pacific Success Holdings Limited *(Note 1)*	Long position	Beneficial owner	575,022,086	58.55%
Admiralfly Holdings Limited *(Note 2)*	Long position	Beneficial owner	134,999,677	13.74%
New Horizon Capital III, L.P.	Long position	Interest in a controlled corporation *(Note 3)*	134,999,677	13.74%

Notes:

1. A controlled corporation of Mr. Chan Yuk Ming, which is duplicate to that disclosed in the section "Directors' and Chief Executives' Interests in Securities" above.

2. Pursuant to the subscription and sale and purchase agreement dated 29 April 2010 executed by the Company, Pacific Success Holdings Limited, Mr. Chan Yuk Ming and Admiralfly Holdings Limited ("Admiralfly"), as supplemented by the amendment letter dated 25 May 2010 (the "Subscription and SP Agreement"), the Company issued to Admiralfly redeemable convertible bonds in the aggregate principal amount of US$25,000,000 which were automatically converted to 110,021,763 shares in full (the "Conversion") upon listing of the Company. These 134,999,677 shares include the Conversion and 24,977,914 Shares transferred to Admiralfly pursuant to the Subscription and SP Agreement.

3. The entire issued share capital of Admiralfly is owned by New Horizon Capital III, L.P. ("New Horizon"). New Horizon is deemed to be interested in 134,999,677 shares which are beneficially owned by Admiralfly.

Save as disclosed above, the Company has not been notified of any other notifiable interests or short positions in the shares or underlying shares as at 31 December 2010.

Share Option Scheme

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

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

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

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

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

Directors' Service Contract

The Company has not signed any service contract, with any Director, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Interests of Directors in Competing Business

During the year and up to the date of this report, none of the Directors has any interest in business, which competes or may compete with the business of the Group under the Listing Rules.

Directors' Rights to Acquire Shares or Debentures

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

Connected Transactions and Continuing Connected Transactions

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

Remuneration Policy

As at 31 December 2010, the Group had 823 staff. The total staff costs for the Reporting Year amounted to approximately RMB37,920,000 (2009: RMB21,694,000).

The Group offers competitive remuneration schemes to its employees based on factors such as market rates, individual workload, responsibility, job complexity and the Group's performance. The Group has adopted a share option scheme to recognise and reward the contribution of the employees of our Group.

Pension Scheme

Details of the retirement benefits plans of the Group are set out in note 2.3 under the heading "Employee retirement benefits" to the Consolidated Financial Statements.

Sufficiency of Public Float

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

Auditors

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

On behalf of the Board
Chan Yuk Ming
Chairman

Hong Kong, 18 March 2011

Directors

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

Name	Age	Position
Mr. CHAN Yuk Ming	42	Chairman and executive Director
Mr. CHEN Yunan	42	Executive Director
Mr. CHEN Minwen	35	Executive Director
Mr. FONG Wo, Felix	60	Independent non-executive Director
Dr. KO Wing Man	53	Independent non-executive Director
Mr. KWOK Chi Sun, Vincent	48	Independent non-executive Director

Executive Directors

Mr. CHAN Yuk Ming, aged 42, is the chairman and one of the executive Directors and is the brother of Mr. Chen Yunan and Mr. Chen Minwen. Mr. Chan was designated as an executive Director and the chairman of the Board on 18 July 2008 and is also a director of each of Sunsonic Holdings Limited, Richwood Management Limited, Evergreen International Group Limited, Evergreen (Asia) Trading Company Limited ("Evergreen Asia"), Master (Hong Kong) Marketing Limited and 長興（廣東）服飾有限公司 ("Evergreen Guangdong") and general manager of VE Delure SARL. He is primarily responsible for our overall strategies, planning and business development. Mr. Chan graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a Degree of Bachelor of Arts in Public and Social Administration in 1993. Mr. Chan acquired Evergreen Asia (which was formerly known as Hanbon (Hong Kong) Limited) in 1998 after he left his post of administration officer in Shun Hing Electronic Trading Co., Ltd. Mr. Chan will allocate substantially all of his time and recourses to our business.

Mr. CHEN Yunan, aged 42, is one of the executive Directors and is the brother of Mr. Chan Yuk Ming and Mr. Chen Minwen. Mr. Chen was designated as an executive Director on 12 February 2010 and is also a director of each of Evergreen Guangdong, 廣州市長越貿易有限公司 ("Guangzhou Changyue") and 廣州市長珠興貿易有限公司 ("Guangzhou Changzhuxing"). He is primarily responsible for our general management and production planning. Mr. Chen has been studying part time Executive Master of Business Administration (EMBA) at the Lingnan (University) College, Sun Yat-Sen University since 2009. Mr. Chen was involved in the business operations of Evergreen Guangdong of which he is currently the general manager. Mr. Chen will allocate substantially all of his time and resources to our business.

Mr. CHEN Minwen, aged 35, one of the executive Directors and is the brother of Mr. Chan Yuk Ming and Mr. Chen Yunan. Mr. Chen was designated as an executive Director on 12 February 2010 and is also a director of each of Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing. He is primarily responsible for our sales and marketing promotion and public relations and activities. Mr. Chen was appointed as director of Evergreen Guangdong. Mr. Chen will allocate substantially all of his time and resources to our business.

Independent non-executive Directors

Dr. KO Wing Man, BBS, JP, aged 53, was appointed as an independent non-executive Director of the Company on 8 October 2010. Dr. Ko was formerly the Director (Professional Services and Human Resources) of the Hospital Authority. He obtained his Bachelor of Medicine and Bachelor of Surgery degree from the University of Hong Kong and is a fellow of the Royal College of Surgery of Edinburgh, the Hong Kong Academy of Medicine in the speciality of Orthopaedic Surgery, and the Hong Kong College Orthopaedic Surgeons. Dr. Ko also serves as a committee member, advisor and director of a number of public services organizations.

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

Currently, Dr. Ko is also an independent non-executive director of Asia Financial Holdings Ltd., a company whose shares are listed on the Hong Kong Stock Exchange and his is also an independent non-executive director of Asia Insurance Company, Limited.

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

Mr. FONG Wo, Felix, BBS, JP, aged 60, was appointed as an independent non-executive Director of the Company on 8 October 2010. Mr. Fong was the founding partner of Arculli Fong & Ng (now renamed as King & Wood) and is a consultant of King & Wood. Mr. Fong received his engineering degree in Canada in 1974 and his law degree from Osgoode Hall Law School in Toronto in 1978.

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

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

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

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

Mr. KWOK Chi Sun, Vincent, aged 48, was appointed as an independent non-executive Director of the Company on 8 October 2010. Mr. KWOK is the sole proprietor of Vincent Kwok & Co., Certified Public Accountants. He holds a Bachelor's Degree in Economics from University of Sydney. Mr. Kwok is a Certified Public Accountant (Practising) and a member of both the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in Australia. Mr. Kwok has more than 23 years of experience in auditing, due diligence review and being the tax representative for tax filing and investigation cases for numerous companies. Mr. Kwok was previously employed by Price Waterhouse (now known as PricewaterhouseCoopers) from 1989 to 1995 as its senior audit manager and was also employed by Hopewell Holdings Limited from 1995 to 1996 and Cathay Pacific Airways Limited from 1996 to 1997 as their internal audit manager.

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

Senior management

Mr Ying Chung Chieh, Alfred, aged 45, is the vice president of investor relations of the Group. Mr Ying joined the Group in 2011 and he has over 15 years of experience in the financial equity market. Prior to joining the Group, Mr Ying worked as vice president of investor relations of a listed company in Hong Kong. Besides, he led an equity research team at Grand Cathay Securities and BNP Paribas Peregrine Securities in Taiwan for 6 years. Mr Ying holds an MBA degree from the University of New South Wales in Australia and a master's degree in Science from National Chiao Tung University in Taiwan.

Mr. LI Chi Fai, aged 44, is the chief financial officer of the Group. He joined the Group in July 2010 and is responsible for the Group's financial reporting, financial management and investor relations. Mr. Li holds a Bachelor of Economics Degree from Monash University, Australia. He is a member of the Hong Kong Institute of Certified Public Accountants and Australian Society of Certified Practising Accountants. He has more than 10 years of experience in financial auditing and accounting. Prior to joining the Group, Mr. Li had been the chief financial officer and company secretary of listed companies including China Kangda Food Company Limited and First Natural Foods Holdings Limited.

Mr. CHEN Hong, aged 38, is the general vice manager of Guangzhou Changyue. Mr. Chen joined us in January 2010. Mr. Chen graduated from Beijing Union University with a bachelor of textile engineering degree in 1995 and Capital University of Economics and Business with a master of business administration degree in 2001. Mr. Chen has been engaged in the garment industry for about 15 years and has experience in production, purchasing, merchandising planning and management of sales operation. Prior to joining us, he had worked in the sales and marketing department in various companies such as Beijing Snow Lotus garment manufacturing company, Beijing TM trading Co., Ltd, and Beijing VICUTU garments Co., Ltd.

Ms. ZENG Shu Juan, aged 37, is our financial controller (PRC). She joined us in September 2008. Ms. Zeng graduated from Hunan College of Finance and Economics with a bachelor of finance degree in 1993 and a bachelor of accounting degree in 1995 and holds a master's degree in business administration awarded by the Open University of Hong Kong in 2005. She is a member of the Association of International Accountants and the Association of Registered Chartered Analysts. Ms. Zeng has experience in financial and accounting management, as well as ERP of private enterprises. She has about 16 years of experience in the financial affairs management and had worked in various private enterprises such as Foshan City Nanhai China Resources Ying Tu Arts & Crafts Ltd., Lange science and technology limited company, NanHai Wei Hong Model Produce Ltd., Modern furniture factory of Wugang City and Park green station of Wugang City before joining us.

Mr. YANG Qing, aged 40, is the manager of our finance department in the PRC. Mr. Yang joined us in April 2000. He graduated from the College of Trade and Finance in Anhui after passing the relevant professional examinations in accounting in 1996 and was awarded a professional qualification in accounting by the Ministry of Finance of the PRC in 2004. He has about 20 years of experience in the field of accounting and finance with experience in handling finance, accounting and taxation matters and in operating the finance-related software products and computerized systems.

Ms. CHEN Yan Xia, aged 29, is the assistant to our general manager. She joined us in May 2000 and was transferred to the current position in 2006. She assists the directors in managing our Retail Stores and distributors and is frequently involved in the liaison with department stores in the PRC. She has about 10 years of experience in terminal store sales and management. She is a daughter of a cousin of the Chan Brothers.

Ms. ZHANG Qiao Ling, aged 35, is our purchasing deputy manager. Ms. Zhang joined us in March 2001 as the head of the development department and was formally transferred to the purchasing department and promoted to the position of purchasing manager in 2007. Ms. Zhang graduated with fashion design qualifications from Jianxi Garments Institute in 1997. She has over 8 years of experience in clothing design including the process of clothing production and management.

Mr. LIU Shao Qing, aged 35, is our chief designer. Mr. Liu joined us in February 2004 as a designer and was promoted to chief designer in 2006. He graduated with qualifications in fashion design in 2000, and has been engaging in the fashion industry for over 6 years. He has over 6 years of experience in the processes of design, pattern-making, garment production and has related working experience.

Independent Auditors' Report

ERNST & YOUNG
安永會計師事務所

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

We have audited the consolidated financial statements of Evergreen International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 79, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

18 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
REVENUE	5	**600,131**	409,013
Cost of sales		**(214,712)**	(161,141)
Gross profit		**385,419**	247,872
Other income and gains	5	**7,098**	2,067
Selling and distribution costs		**(160,232)**	(89,079)
Administrative expenses		**(34,452)**	(20,842)
Other expenses		**(10,622)**	(3,000)
Finance costs	7	**(11,073)**	(6,065)
PROFIT BEFORE TAX	6	**176,138**	130,953
Income tax expense	10	**(23,137)**	(26,035)
PROFIT FOR THE YEAR		**153,001**	104,918
Attributable to:			
Owners of the Company		**153,001**	104,918
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic			
– For profit for the year		**RMB23.2 cents**	RMB17.5 cents

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
PROFIT FOR THE YEAR	**153,001**	104,918
OTHER COMPREHENSIVE INCOME:		
Exchange differences on translation of foreign operations	**(9,883)**	(77)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**143,118**	104,841
Attributable to :		
Owners of the Company	**143,118**	104,841

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**23,029**	9,647
Goodwill	15	**1,880**	1,880
Deferred tax assets	25	**7,928**	4,708
Total non-current assets		**32,837**	16,235
CURRENT ASSETS			
Inventories	17	**198,772**	131,642
Trade receivables	18	**149,444**	55,668
Prepayments, deposits and other receivables	19	**63,106**	111,863
Due from directors	32	**–**	650
Due from related parties	32	**–**	71
Pledged deposits	20	**–**	43,980
Cash and cash equivalents	20	**1,138,041**	21,850
Total current assets		**1,549,363**	365,724
CURRENT LIABILITIES			
Trade payables	21	**40,308**	37,472
Other payables and accruals	22	**51,642**	32,468
Interest-bearing bank and other borrowings	23	**–**	93,994
Due to a director	32	**–**	22,768
Tax payable		**23,532**	13,466
Total current liabilities		**115,482**	200,168
NET CURRENT ASSETS		**1,433,881**	165,556
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,466,718**	181,791
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	**77**	7,866
Total non-current liabilities		**77**	7,866
Net assets		**1,466,641**	173,925
EQUITY			
Equity attributable to owners of the Company			
Issued capital	26	**857**	–
Reserves	28(a)	**1,403,906**	173,925
Proposed final dividend	12	**61,878**	–
Total equity		**1,466,641**	173,925

CHAN Yuk Ming
Director

CHEN Yunan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

		Attributable to owners of the Company								
	Note	Issued capital RMB'000 *(note 26)*	Share premium account RMB'000 *(note 28(b))*	Acquisition reserve RMB'000 *(note 28(a)(iii))*	Merger reserve RMB'000 *(note 28(a)(i))*	Statutory surplus reserve RMB'000 *(note 28(a)(ii))*	Exchange fluctuation reserve RMB'000	Equity component of convertible bonds RMB'000 *(note 24)*	Retained profits RMB'000	Total RMB'000
At 1 January 2009		–	–	2,639	1,072	6,364	1,721	–	111,909	123,705
Profit for the year		–	–	–	–	–	–	–	104,918	104,918
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	–	(77)	–	–	(77)
Total comprehensive income for the year		–	–	–	–	–	(77)	–	104,918	104,841
Interim dividend	12	–	–	–	–	–	–	–	(54,621)	(54,621)
Transfer from retained profits		–	–	–	–	1,520	–	–	(1,520)	–
At 31 December 2009		–	–	2,639*	1,072*	7,884*	1,644*	–	160,686*	173,925

		Attributable to owners of the Company									
	Note	**Issued capital RMB'000** ***(note 26)***	**Share premium account RMB'000** ***(note 28(b))***	**Acquisition reserve RMB'000** ***(note 28(a)(iii))***	**Merger reserve RMB'000** ***(note 28(a)(i))***	**Statutory surplus reserve RMB'000** ***(note 28(a)(ii))***	**Exchange fluctuation reserve RMB'000**	**Equity component of convertible bonds RMB'000** ***(note 24)***	**Retained profits RMB'000**	**Proposed final dividend RMB'000** ***(note 12)***	**Total RMB'000**
At 1 January 2010		**–**	**–**	**2,639**	**1,072**	**7,884**	**1,644**	**–**	**160,686**	**–**	**173,925**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**153,001**	**–**	**153,001**
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**(9,883)**	**–**	**–**	**–**	**(9,883)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**(9,883)**	**–**	**153,001**	**–**	**143,118**
Interim dividend	12	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(38,647)**	**–**	**(38,647)**
Issue of shares		**762**	**1,077,166**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,077,928**
Share issue expenses		**–**	**(63,151)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(63,151)**
Issue of convertible bonds		**–**	**–**	**–**	**–**	**–**	**–**	**136**	**–**	**–**	**136**
Conversion of convertible bonds		**95**	**173,373**	**–**	**–**	**–**	**–**	**(136)**	**–**	**–**	**173,332**
Proposed final 2010 dividend	12	**–**	**(61,878)**	**–**	**–**	**–**	**–**	**–**	**–**	**61,878**	**–**
Transfer from retained profits		**–**	**–**	**–**	**–**	**19,527**	**–**	**–**	**(19,527)**	**–**	**–**
At 31 December 2010		**857**	**1,125,510***	**2,639***	**1,072***	**27,411***	**(8,239)***	**–**	**255,513***	**61,878**	**1,466,641**

* These reserve accounts comprise the consolidated reserves of RMB1,403,906,000 (2009: RMB173,925,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**176,138**	130,953
Adjustments for:			
Finance costs	*7*	**11,073**	6,065
Expensed share issue expenses		**16,309**	4,894
Foreign exchange gains		**(4,228)**	(76)
Interest income	*5*	**(2,375)**	(188)
Loss on disposal of items of property, plant and equipment	*6*	**7**	272
Depreciation	*6*	**7,163**	4,360
Provision against slow-moving and obsolete inventories	*17*	**9,924**	1,768
		214,011	148,048
Increase in inventories		**(77,054)**	(43,006)
(Increase)/decrease in trade receivables		**(93,776)**	27,079
(Increase)/decrease in prepayments, deposits and other receivables		**(29,223)**	18,756
Increase in trade payables		**2,836**	17,667
Increase in other payables and accruals		**11,769**	2,313
Cash generated from operations		**28,563**	170,857
Interest received		**2,375**	188
Mainland China corporate income tax paid		**(23,862)**	(13,270)
Hong Kong profits tax paid		**(245)**	(612)
Net cash flows from operating activities		**6,831**	157,163
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(20,527)**	(4,008)
Proceeds from disposal of items of property, plant and equipment		**5**	9
Decrease in balances due from directors		**650**	406
Decrease/(increase) in balances due from related parties		**71**	(53)
Decrease/(increase) in other receivables		**79,392**	(54,692)
Decrease/(increase) in pledged time deposits		**43,980**	(43,980)
Net cash flows from/(used in) investing activities		**103,571**	(102,318)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	*26*	**1,077,928**	–
Share issue expenses		**(73,327)**	(3,830)
Proceeds from issuance of convertible bonds	*24*	**170,634**	–
New bank loans		**50,000**	98,594
Repayment of bank loans		**(143,994)**	(75,174)
Repayment of finance leases		**–**	(42)
Increase/(decrease) in balances due to a director		**(22,768)**	4,101
Decrease in other payables		**–**	(20,000)
Interest paid		**(4,393)**	(6,065)
Dividend paid		**(38,647)**	(54,621)
Net cash flows from/(used in) financing activities		**1,015,433**	(57,037)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,125,835**	(2,192)
Cash and cash equivalents at beginning of year		**21,850**	24,042
Effect of foreign exchange rate changes, net		**(9,644)**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,138,041**	21,850

Statement of Financial Position

As at 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	*16*	–	–
Total non-current assets		–	–
CURRENT ASSETS			
Due from subsidiaries	*16*	1,156,867	6,920
Prepayments, deposits and other receivables	*19*	3,961	2,403
Cash and cash equivalents	*20*	20,464	–
Total current assets		1,181,292	9,323
CURRENT LIABILITIES			
Other payables and accruals	*22*	11,590	2,830
Due to a director		–	17
Due to subsidiaries	*16*	7,810	6,476
Total current liabilities		19,400	9,323
Net assets		1,161,892	–
EQUITY			
Issued capital	*26*	857	–
Reserves	*28(b)*	1,099,157	–
Proposed final dividend	*12*	61,878	–
Total equity		1,161,892	–

CHAN Yuk Ming
Director

CHEN Yunan
Director

Notes to Financial Statements

31 December 2010

1. Corporate Information

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

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

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

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB").

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

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

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

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 Issued but not yet Effective International Financial Reporting Standards

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Group does not expect any significant impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no significant impact on the Group after initial application.

IFRS 9 Financial Instruments
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have no material effect on the classification and measurement of the Group's financial assets.

IFRIC 14 Prepayments of a minimum funding requirement (Amendments)
The amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendments provide guidance on assessing the recoverable amount of a net pension asset. The amendments permit an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no significant impact on the financial statements of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no material effect on the financial statements of the Group.

Improvements to IFRSs (issued in 2010)
The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after 1 July 2010, 1 January 2011 or 1 January 2012. The amendments listed below, are considered to have a reasonable possible impact on the Group:

- IFRS 1 *First-time adoption of International Financial Reporting Standards*
- IFRS 3 *Business Combinations*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 12 *Income taxes*
- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 34 *Interim Financial Reporting*
- IFRIC 13 *Customer Loyalty Programmes*

The Group, however, expects no significant impact from the adoption of the amendments on its financial position or performance.

2.3 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

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 that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

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

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

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

2.3 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

Business combinations from 1 January 2010 (continued)

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

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

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

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

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

2.3 Summary of Significant Accounting Policies (continued)

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 parent;

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

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and 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 recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.3 Summary of Significant Accounting Policies (continued)

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 capitalised 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 capitalised finance leases, including prepaid land lease payments under 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. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, 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 recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, amounts due from directors and amounts due from related parties, 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 amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other 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 derecognised when:

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

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

2.3 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets (continued)

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 recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that 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 reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

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

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

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

2.3 Summary of Significant Accounting Policies (continued)

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value 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 parties, an amount due to a director, 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 amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

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

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised 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 amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised 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 recognised.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

2.3 Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

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

2.3 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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

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

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

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. 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 recognised against the sales revenue. The relevant cost of goods sold and closing inventories 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.

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

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

Employee retirement benefits

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

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

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

2.3 Summary of Significant Accounting Policies (continued)

Dividends

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

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

Foreign currencies

The financial statements are presented in Renminbi ("RMB"), which is also adopted by the Company as the presentation currency of the Group. The Company's functional currency is Hong Kong dollars ("HK$"). 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 recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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

3. Significant Accounting Judgements and Estimates

Estimation uncertainty

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

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group considers various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, 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.

Provision against slow-moving and obsolete inventories

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 25 to the financial statements.

4. Operating Segment Information

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

- The clothing segment produces and trades menswear and other accessories.

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

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

5. Revenue, Other Income and Gains

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

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

	2010 RMB'000	2009 RMB'000
Revenue		
Sale of goods	600,131	409,013
Other income and gains		
Bank interest income	2,375	188
Compensation income	300	646
Revenue from sale of packaging materials	653	439
Foreign exchange gains, net	2,761	393
Others	1,009	401
	7,098	2,067

6. Profit Before Tax

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

	Note	2010 RMB'000	2009 RMB'000
Cost of inventories sold		214,712	161,141
Depreciation	*14*	7,163	4,360
Operating lease rental expense:			
– Minimum lease payments		16,348	13,598
– Contingent rents		71,793	39,123
		88,141	52,721
Auditors' remuneration		1,530	150
Employee benefit expense (excluding directors' remuneration *(note 8)*):			
– Wages and salaries		34,625	19,807
– Pension scheme contributions		3,295	1,887
		37,920	21,694
Provision against slow-moving and obsolete inventories*		3,966	1,768
Loss on disposal of items of property, plant and equipment*		7	272
Donations*		6,245	697

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

7. Finance Costs

An analysis of finance costs is as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Interest on bank loans and other loans wholly repayable within five years	**2,752**	6,064
Interest on convertible bonds *(note 24)*	**8,321**	–
Interest on finance leases	**–**	1
	11,073	6,065

8. Directors' Remuneration

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

	Group	
	2010	2009
	RMB'000	RMB'000
Fees	**156**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**1,916**	993
Pension scheme contributions	**43**	20
	1,959	1,013
	2,115	1,013

(a) Independent non-executive directors

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

	2010	2009
	RMB'000	RMB'000
Mr. FONG Wo, Felix	**52**	–
Dr. KO Wing Man	**52**	–
Mr. KWOK Chi Sun, Vincent	**52**	–
	156	–

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

8. Directors' Remuneration (continued)

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
2010				
Executive directors:				
CHAN Yuk Ming (陳育明)	**–**	**554**	**13**	**567**
CHEN Yunan (陳育南)	**–**	**681**	**15**	**696**
CHEN Minwen (陳敏文)	**–**	**681**	**15**	**696**
	–	**1,916**	**43**	**1,959**
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

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

9. Five Highest Paid Employees

The five highest paid employees during the year included three (2009: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2009: two) non-director, highest paid employees for the year are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,034**	752
Pension scheme contributions	**41**	12
	1,075	764

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

	Number of employees	
	2010	2009
Nil to RMB1,000,000	**2**	2

10. Income Tax

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

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

The income tax provision of the Group in respect of its operations in Mainland China has been provided at the rate of 25% (2009: 25%) on the taxable profits for the periods, based on the existing legislation, interpretations and practices in respect thereof.

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

	2010 **RMB'000**	2009 RMB'000
Group:		
Current – Mainland China		
Charge for the year	**31,379**	21,449
Current – Hong Kong		
Charge for the year	**263**	–
Deferred *(note 25)*	**(8,505)**	4,586
Total tax charge for the year	**23,137**	26,035

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

Group – 2010

	2010 **RMB'000**	**%**	2009 RMB'000	%
Profit before tax	**176,138**		130,953	
Tax at the statutory tax rate	**44,035**	**25.00**	32,738	25.00
Lower tax rate enacted by local authority	**(16,589)**	**(9.42)**	(12,965)	(9.91)
Effect of withholding tax at 5% on the distributable profits of the Group's Mainland China subsidiaries	**(5,361)**	**(3.04)**	5,578	4.26
Income not subject to tax	**(977)**	**(0.55)**	(1)	–
Expenses not deductible for tax	**600**	**0.34**	193	0.15
Tax losses utilised from previous periods	**–**	**–**	(239)	(0.18)
Tax losses not recognised	**1,429**	**0.81**	731	0.56
Tax charge at the Group's effective rate	**23,137**	**13.14**	26,035	19.88

11. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 December 2010 includes a profit of RMB26,298,000 (2009: RMB56,718,000) which has been dealt with in the financial statements of the Company (note 28(b)).

12. Dividends

	2010 RMB'000	2009 RMB'000
Interim dividend – RMB6.4 cents (2009: RMB9.1 cents) per ordinary share	**38,647**	54,621
Proposed final – RMB6.3 cents (2009: Nil) per ordinary share	**61,878**	–
	100,525	54,621

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

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

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company and the weighted average number of shares of 658,106,535 (2009: 600,000,000) in issue during the year.

The calculation of basic earnings per share is based on:

	2010 RMB'000	2009 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**153,001**	104,918

The weighted average number of shares in issue during the years ended 31 December 2010 and 2009 is based on the assumption that 600,000,000 shares were in issue as if the shares issued at the date the Company became the holding company of the Group were outstanding throughout the entire period presented.

Weighted average number of ordinary shares

	2010 '000	2009 '000
Capitalisation upon legal establishment	**600,000**	600,000
Effect of shares issued upon placing and public offering on 4 November 2010	**37,608**	–
Effect of shares issued upon conversion of convertible bonds on 4 November 2010	**17,484**	–
Effect of shares issued upon exercise of the over– allotment option on 1 December 2010	**3,015**	–
Weighted average number of ordinary shares	**658,107**	600,000

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the years.

14. Property, Plant and Equipment

Group

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

14. Property, Plant and Equipment (continued)

	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2009					
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 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, net of accumulated depreciation	805	1,674	2,477	4,691	9,647
At 31 December 2009:					
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

15. Goodwill

	Group RMB'000
Cost and net carrying amount at 31 December 2009 and 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 three-year period. The discount rate applied to the cash flow projection is 21%. The growth rates used to extrapolate the cash flows for the second and third years have been assumed to be 10%.

16. Investments in Subsidiaries

	2010 RMB'000	2009 RMB'000
Investments in subsidiaries*	–	–

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

The amounts due from/to subsidiaries included in the Company's current assets and current liabilities of RMB1,156,867,000 (2009: RMB6,920,000) and RMB7,810,000 (2009: RMB6,476,000), respectively, are unsecured, interest-free and are repayable on demand.

Particulars of the subsidiaries are as follows:

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 Direct %	Indirect %	Principal activities
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)		18 August 2004	Hong Kong	HK$1,000,000/ HK$1,000,000	–	100	Investment holding and trading of garment products
Evergreen (Asia) Trading Company Limited (長興(亞洲)貿易有限公司)		19 September 1997	Hong Kong	HK$10,000/ HK$10,000	–	100	Trading of garment products and accessories
Master (Hong Kong) Marketing Limited (萬事達(香港)市場策劃有限公司)		9 January 2004	Hong Kong	HK$2/HK$10,000	–	100	Retailing and trading of garment products
Guangdong Evergreen Garment Co., Ltd (長興(廣東)服飾有限公司)	*(i)*	12 May 2005	Mainland China	HK$308,000,000/ HK$308,000,000	–	100	Manufacturing and sale of clothing and clothing accessories
Guangzhou Changyue Trading Co., Ltd. (廣州市長越貿易有限公司)	*(i)*	8 June 2005	Mainland China	RMB30,000,000/ RMB30,000,000	–	100	Sale of clothing and clothing accessories
Guangzhou Forever Green Trading Co., Ltd. (廣州市長珠興貿易有限公司)	*(i)*	15 January 2004	Mainland China	RMB20,000,000/ RMB20,000,000	–	100	Sale of clothing and clothing accessories
VE Delure SARL	*(i)*	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.

Note:

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

17. Inventories

	Group	
	2010	2009
	RMB'000	RMB'000
Raw materials	**9,134**	4,720
Work in progress	**31,917**	5,618
Finished goods	**157,721**	121,304
	198,772	131,642

The amount of provision against slow-moving and obsolete inventories recognised as an expense for the year ended 31 December 2010 was RMB9,924,000 (2009: RMB1,768,000).

18. Trade Receivables

	Group	
	2010	2009
	RMB'000	RMB'000
Trade receivables	**149,444**	55,668

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

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

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

	Group	
	2010	2009
	RMB'000	RMB'000
Within 1 month	**92,684**	39,679
1 to 3 months	**38,528**	14,623
3 to 6 months	**17,840**	1,084
6 months to 1 year	**185**	282
Over 1 year	**207**	–
	149,444	55,668

18. Trade Receivables (continued)

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

	Group	
	2010	2009
	RMB'000	RMB'000
Neither past due nor impaired	**131,212**	54,302
Less than 3 months past due	**17,840**	1,084
3 to 6 months past due	**185**	86
6 months to 1 year past due	**50**	196
Over 1 year past due	**157**	–
	149,444	55,668

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

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

19. Prepayments, Deposits and Other Receivables

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**24,917**	14,288	**–**	2,403
Deposits and other receivables	**38,189**	97,575	**3,961**	–
	63,106	111,863	**3,961**	2,403

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

20. Cash and Cash Equivalents and Pledged Deposits

		Group		Company	
		2010	2009	**2010**	2009
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**1,138,041**	21,850	**20,464**	–
Time deposits		**–**	43,980	**–**	–
		1,138,041	65,830	**20,464**	–
Less: Pledged time deposits:					
Pledged for short term bank loans	*23(a)*	**–**	(43,980)	**–**	–
Cash and cash equivalents		**1,138,041**	21,850	**20,464**	–

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi amounted to RMB157,780,000 (2009: RMB19,533,000), which is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

21. Trade Payables

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

	Group	
	2010	2009
	RMB'000	RMB'000
Within 1 month	**16,073**	10,346
1 to 3 months	**12,715**	15,272
3 to 6 months	**8,517**	10,047
6 months to 1 year	**1,283**	632
Over 1 year	**1,720**	1,175
	40,308	37,472

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

22. Other Payables and Accruals

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances from customers	**10,941**	16,162	**–**	–
Other payables	**24,295**	12,821	**2,203**	–
Accruals	**16,406**	3,485	**9,387**	2,830
	51,642	32,468	**11,590**	2,830

Other payables are non-interest-bearing.

23. Interest-Bearing Bank and Other Borrowings

		2010			2009		
Group	*Notes*	**Effective interest rate (%)**	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loans – secured	*(a)*	**–**	**–**	**–**	0.53	2010	43,994
Other loans – secured	*(b)*	**–**	**–**	**–**	8.39	2010	22,000
Other loans – unsecured	*(b)*	**–**	**–**	**–**	10.83	2010	28,000
				–			93,994
Analysed into:							
Bank loans and other loans repayable:							
Within one year				**–**			93,994
Denominated in RMB				**–**			50,000
Denominated in HK$				**–**			43,994

Notes:

The Group repaid all interest-bearing bank and other borrowings before 31 December 2010 .

(a) The Group's bank loans were secured by the pledge of the Group's time deposits amounting to RMB43,980,000 at 31 December 2009 (note 20);

(b) The Group's other loans were borrowed from a rural credit union. Certain of other loans were secured by properties owned by certain directors (note 32(f));

In addition, the Group's related party had guaranteed certain of the Group's unsecured other loans amounting to RMB28,000,000 as at 31 December 2009 (note 32(e)).

24. Convertible Bonds

On 25 May 2010, the Company issued the redeemable convertible bonds with a nominal value of US$25,000,000 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 bonds 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 initial public offering 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 shareholders' equity.

The convertible bonds issued during the year have been split as to the liability and equity components, as follows:

	2010 RMB'000
Nominal value of convertible bonds issued during the year	170,634
Equity component	(136)
Liability component at the issuance date	170,498
Interest expense *(note 7)*	8,321
Interest paid	(1,501)
Exchange gains	(1,102)
Exchange realignment	(2,884)
Conversion during the year	(173,332)
Liability component at 31 December 2010	–

On 4 November 2010, all convertible bonds were converted into ordinary shares of the Company (note 26(d)).

25. Deferred Tax

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

Deferred tax liabilities

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

Deferred tax assets

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

25. Deferred Tax (continued)

Deferred tax liabilities

Group

	2009		
	Depreciation allowance in excess of related depreciation RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2009	–	2,288	2,288
Deferred tax charged to the income statement during the year *(note 10)*	–	5,578	5,578
Gross deferred tax liabilities at 31 December 2009	–	7,866	7,866

Deferred tax assets

Group

	2009			
	Impairment provision RMB'000	Accelerated depreciation RMB'000	Unrealised profit on inventories RMB'000	Total RMB'000
At 1 January 2009	868	244	2,604	3,716
Deferred tax credited to the income statement during the year *(note 10)*	312	–	680	992
Gross deferred tax assets at 31 December 2009	1,180	244	3,284	4,708

The Group has tax losses arising in Hong Kong of RMB7.4 million (2009: RMB4.4 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

25. Deferred Tax (continued)

At 31 December 2010, no deferred tax liability has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB270 million at 31 December 2010 (2009: Nil).

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

26. Share Capital

Shares

	2010	2009
	HK$'000	US$'000
Authorised:		
Nil (2009: 50,000) ordinary shares of US$1.00 each	**–**	50
10,000,000,000 ordinary shares of HK$0.001 each	**10,000,000**	–

	2010	2009
	RMB'000	RMB'000
Issued and fully paid:		
Nil (2009: 1) ordinary share of US$1.00 each	**–**	–
982,196,763 (2009: Nil) ordinary shares of HK$0.001 each	**857**	–

During the year, the movements in share capital were as follows:

(a) As at the date of incorporation of the Company, its authorised 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 authorised share capital of the Company increased by HK$1,000,000 by creating 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 authorised share capital by the cancellation of 50,000 shares of US$1.00 each. The 600,000,000 ordinary shares have been paid up on 15 October 2010.

(c) Pursuant to an ordinary resolution passed on 8 October 2010, the authorised share capital of the Company increased from HK$1,000,000 to HK$10,000,000 by the creation of 9,000,000,000 additional shares of HK$0.001 each, ranking pari passu in all respects with the existing shares of the Company.

(d) On 4 November 2010, 236,674,000 ordinary shares of HK$0.001 each were issued in connection with the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Listing") for cash at a subscription price of HK$4.6 per share for a total cash consideration, before expenses, of RMB936,968,000 (HK$1,088,700,400). On the same date, all convertible bonds were converted into ordinary shares of the Company at the conversion price of HK$1.77 per share, resulting in the issue of 110,021,763 ordinary shares of the Company and new share capital of RMB95,000 (HK$110,022) and share premium of RMB173,373,000 (HK$201,447,498) (note 28(b)).

(e) Pursuant to the full exercise of the over-allotment option on 1 December 2010, 35,501,000 ordinary shares of HK$0.001 each were issued for cash at a subscription price of HK$4.6 per share for a total cash consideration, before expenses, of RMB140,432,000 (HK$163,304,600).

26. Share Capital (continued)

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

	Number of shares in issue	Issued capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2009	1	–	–	–
At 31 December 2009 and 1 January 2010	1	–	–	–
Repurchase of an ordinary share *(note (b))*	(1)	–	–	–
Issue of ordinary shares *(note (b))*	600,000,000	528	–	528
Issue of shares in connection with the Listing and exercise of the over-allotment option *(notes (d) and (e))*	272,175,000	234	1,077,166	1,077,400
Conversion of convertible bonds *(note (d))*	110,021,763	95	173,373	173,468
	982,196,763	857	1,250,539	1,251,396
Share issue expenses	–	–	(63,151)	(63,151)
At 31 December 2010	982,196,763	857	1,187,388	1,188,245

27. Share Option Scheme

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

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

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

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

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

28. Reserves

(a) Group

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

(i) Merger reserve

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

(ii) Statutory surplus reserve

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

(iii) Acquisition reserve

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

(b) Company

	Notes	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Equity component of convertible bonds RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2009		–	101	–	(2,097)	(1,996)
Total comprehensive income for the year		–	(101)	–	56,718	56,617
Interim 2009 dividend	*12*	–	–	–	(54,621)	(54,621)
At 31 December 2009		–	–	–	–	–
Total comprehensive income for the year		–	(14,004)	–	26,298	12,294
Issue of shares	*26*	1,077,166	–	–	–	1,077,166
Share issue expenses	*26*	(63,151)	–	–	–	(63,151)
Issue of convertible bonds	*26*	–	–	136	–	136
Conversion of convertible bonds	*26*	173,373	–	(136)	–	173,237
Interim 2010 dividend	*12*	–	–	–	(38,647)	(38,647)
Proposed final 2010 dividend	*12*	(61,878)	–	–	–	(61,878)
At 31 December 2010		1,125,510	(14,004)	–	(12,349)	1,099,157

29. Pledge of Assets

In the prior year, details of the Group's bank loans and other loans which were secured by the assets of the Group, are included in notes 20 and 23, respectively, to the financial statements.

30. Operating Lease Arrangements

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

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

	Group	
	2010	2009
	RMB'000	RMB'000
Within one year	**14,067**	10,894
In the second to fifth years, inclusive	**17,718**	2,522
	31,785	13,416

31. Commitments

In addition to the operating lease commitments detailed in note 30 above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group	
	2010	2009
	RMB'000	RMB'000
Contracted, but not provided for:		
Leasehold improvements	**334**	–

32. Related Party Transactions

(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

32. Related Party Transactions (continued)

(b) Outstanding balances with related parties:

	Group	
	2010 RMB'000	2009 RMB'000
Pacific Success Holdings Limited	–	31
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
	–	71

Balances with related parties represented various payments made by the Group on behalf of the related parties, which were unsecured, interest-free and repayable on demand.

(c) Amounts due from/to directors:

	2010 RMB'000	2009 RMB'000
Due from directors:		
Chen Yunan (陳育南)	–	372
Chen Minwen (陳敏文)	–	278
	–	650
Due to a director:		
Chan Yuk Ming (陳育明)	–	22,768

(d) Compensation of key management personnel of the Group:

	2010 RMB'000	2009 RMB'000
Salaries, allowances and benefits in kind	2,658	2,611
Pension scheme contributions	98	60
Total compensation paid to key management personnel	2,756	2,671

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

32. Related Party Transactions (continued)

(e) Provision of guarantees by a related party

	2010 RMB'000	2009 RMB'000
Guarantees given by:		
Guangzhou Dilai	–	28,000

(f) Pledges over certain assets of the related parties

	2010 RMB'000	2009 RMB'000
Residential properties owned by Chen Yunan, Chen Minwen and Zhou Chunsong (陳育南，陳敏文，周春松)	–	22,000

33. Financial Instruments by Category

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

Financial assets

	Group	
	2010 Loans and receivables RMB'000	2009 Loans and receivables RMB'000
Trade receivables	149,444	55,668
Financial assets included in prepayments, deposits and other receivables	38,189	97,575
Due from directors	–	650
Due from related parties	–	71
Pledged deposits	–	43,980
Cash and cash equivalents	1,138,041	21,850
	1,325,674	219,794

Financial liabilities

	2010 Financial liabilities at amortised cost RMB'000	2009 Financial liabilities at amortised cost RMB'000
Trade payables	40,308	37,472
Financial liabilities included in other payables and accruals	24,295	12,821
Interest-bearing bank and other borrowings	–	93,994
Due to a director	–	22,768
	64,603	167,055

33. Financial Instruments by Category (continued)

Financial assets

	Company	
	2010	2009
	Loans and receivables	Loans and receivables
	RMB'000	RMB'000
Financial assets included in prepayments, deposits and other receivables	**3,961**	–
Due from subsidiaries	**1,156,867**	6,920
Cash and cash equivalents	**20,464**	–
	1,181,292	6,920

Financial liabilities

	2010	2009
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	**2,203**	–
Due to subsidiaries	**7,810**	6,476
Due to a director	**–**	17
	10,013	6,493

34. Fair Value

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

Group

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Cash and cash equivalents	**1,138,041**	21,850	**1,138,041**	21,850
Pledged deposits	**–**	43,980	**–**	43,980
Due from directors	**–**	650	**–**	650
Due from related parties	**–**	71	**–**	71
Trade receivables	**149,444**	55,668	**149,444**	55,668
Financial assets included in prepayments, deposits and other receivables	**38,189**	97,575	**38,189**	97,575
	1,325,674	219,794	**1,325,674**	219,794
Financial liabilities				
Trade payables	**40,308**	37,472	**40,308**	37,472
Financial liabilities included in other payables and accruals	**24,295**	12,821	**24,295**	12,821
Interest-bearing bank borrowings	**–**	93,994	**–**	93,994
Due to a director	**–**	22,768	**–**	22,768
	64,603	167,055	**64,603**	167,055

Company

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets included in prepayments, deposits and other receivables	**3,961**	–	**3,961**	–
Due from subsidiaries	**1,156,867**	6,920	**1,156,867**	6,920
Cash and cash equivalents	**20,464**	–	**20,464**	–
	1,181,292	6,920	**1,181,292**	6,920
Financial liabilities				
Financial liabilities included in other payables and accruals	**2,203**	–	**2,203**	–
Due to subsidiaries	**7,810**	6,476	**7,810**	6,476
Due to a director	**–**	17	**–**	17
	10,013	6,493	**10,013**	6,493

34. Fair Value (continued)

The fair value of cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries, amounts due from/to directors, interest-bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

35. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing bank and other loans, amounts due from/to related parties and directors, 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 board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates related primarily to the Group's long term debt obligations with a floating interest rate.

The effective interest rates and terms of repayment of the interest-bearing bank loans of the Group are set out in note 23 above.

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

		Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity***
		RMB'000	RMB'000
2010			
HK$	**10**	**–**	**–**
RMB	**10**	**–**	**–**
HK$	**(10)**	**–**	**–**
RMB	**(10)**	**–**	**–**
2009			
HK$	10	(44)	–
RMB	10	(50)	–
HK$	(10)	44	–
RMB	(10)	50	–

* Excluding retained profits

35. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. Approximately 6% (2009: 3%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 5.3% (2009: 5.0%) of purchases were denominated in currencies other than the functional currency of the operating units making the sale. The Group is exposed to the foreign currency risk mainly arising from changes in the exchange rate of HK$ against RMB. The Group has not hedged its foreign exchange rate risk based on the consideration that the foreign currency transactions are not significant to the Group.

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

	Increase/ (decrease) in foreign currency rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	RMB'000	RMB'000
2010			
If RMB weakens against HK$	**5**	**(2,319)**	**–**
If RMB strengthens against HK$	**(5)**	**2,319**	**–**
2009			
If RMB weakens against HK$	5	(1,120)	–
If RMB strengthens against HK$	(5)	1,120	–

* Excluding retained profits

Credit risk

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

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

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

Liquidity risk

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

35. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

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

Group

	2010		
	On demand RMB'000	Less than 1 year RMB'000	Total RMB'000
Trade payables	–	40,308	40,308
Other payables	4,859	19,436	24,295
	4,859	59,744	64,603

	2009		
	On demand RMB'000	Less than 1 year RMB'000	Total 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 a director	22,768	–	22,768
	25,271	144,418	169,689

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

Company

	2010		
	On demand RMB'000	Less than 1 year RMB'000	Total RMB'000
Other payables	2,195	8	2,203
Due to subsidiaries	7,810	–	7,810
	10,005	8	10,013

	2009		
	On demand RMB'000	Less than 1 year RMB'000	Total RMB'000
Due to subsidiaries	6,476	–	6,476
Due to a director	17	–	17
	6,493	–	6,493

35. Financial Risk Management Objectives and Policies (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 2009.

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

	Group	
	2010	2009
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**–**	93,994
Trade payables	**40,308**	37,472
Other payables and accruals *(note 22)*	**51,642**	32,468
Due to a director	**–**	22,768
Less: Cash and cash equivalents	**(1,138,041)**	(21,850)
Net debt	**(1,046,091)**	164,852
Equity attributable to owners of the Company	**1,466,641**	173,925
Capital and net debt	**420,550**	338,777
Gearing ratio	**N/A**	49%

36. Comparative Amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation.

37. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 18 March 2011.

Four Year Financial Summary

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

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

Assets, Liabilities and Equity

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