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 2012

Contents


V.E. DELURE

Corporate Information

Directors

Executive Directors

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

Independent Non-Executive Directors

Mr. Fong Wo, Felix
Mr. Kwok Chi Sun, Vincent
Mr. Cheng King Hoi, Andrew (appointed on 27 June 2012)
Dr. Ko Wing Man (resigned on 27 June 2012)

Joint Company Secretaries

Ms. Chan Sau Ling ACIS, ACS(PE)
Ms. Kwok Yu Ching ACIS, ACS(PE)
(resigned on 22 February 2013)

Authorized Representatives

Mr. Chan Yuk Ming
Ms. Chan Sau Ling (appointed on 22 February 2013)
Ms. Kwok Yu Ching (resigned on 22 February 2013)

Audit Committee

Mr. Kwok Chi Sun, Vincent *(Chairman)*
Mr. Fong Wo, Felix
Mr. Cheng King Hoi, Andrew (appointed on 27 June 2012)
Dr. Ko Wing Man (resigned on 27 June 2012)

Remuneration Committee

Mr. Cheng King Hoi, Andrew *(Chairman)*
(appointed on 27 June 2012)
Mr. Fong Wo, Felix
Mr. Kwok Chi Sun, Vincent
Dr. Ko Wing Man (resigned on 27 June 2012)

Nomination Committee

Mr. Fong Wo, Felix *(Chairman)*
Mr. Kwok Chi Sun, Vincent
Mr. Cheng King Hoi, Andrew (appointed on 27 June 2012)
Dr. Ko Wing Man (resigned on 27 June 2012)

Registered Office

Appleby Trust (Cayman) Ltd
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

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

Appleby Trust (Cayman) Ltd
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Hong Kong Share Registrar

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

Principal Bankers

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

Auditors

Ernst & Young, Certified Public Accountants

Legal Advisor

Minter Ellison

Investor Relations

iPR Ogilvy Ltd.

Stock Code

00238.HK

Company's Website

www.evergreen-intl.com

Financial Highlights

For the year ended 31 December

	2012 RMB'million	2011 RMB'million	% change
Revenue	**749.1**	757.4	-1.1%
Gross profit	**504.4**	495.1	+1.9%
Profit attributable to ordinary equity holders	**155.3**	190.1	-18.3%
Basic and diluted earnings per share (RMB cents) *(Note 1)*	**16.4**	19.7	-16.8%
Proposed dividends per share (HK cents)			
Final	**6.2**	8.6	-27.9%
Special Final	**7.0**	8.6	-18.6%
Gross profit margin	**67.3%**	65.4%	
Net profit margin	**20.7%**	25.1%	
Effective tax rate	**27.2%**	25.2%	
Trade receivables turnover days *(Note 2)*	**71**	70	
Trade and bills payables turnover days *(Note 3)*	**123**	117	
Inventory turnover days *(Note 4)*	**431**	325	

Notes:

1. Basic and diluted earnings per share = Profit attributable to the ordinary equity holders/weighted average number of ordinary shares
2. Trade receivables turnover days = Average of the opening and closing balances on trade receivables/revenue and income from sale of raw materials for the year x number of days for the year
3. Trade and bills payables turnover days = Average of the opening and closing balances on trade and bills payables/cost of sales and cost of sale of raw materials for the year x number of days for the year
4. Inventory turnover days = Average of the opening and closing balances on inventory/cost of sales and cost of sale of raw materials for the year x number of days for the year

Chairman's Statement

To be a world-class brand operator in Mainland China

Chan Yuk Ming
Chairman

I am pleased to present our shareholders with the annual results of Evergreen International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012.

Notwithstanding the impact of volatile and uncertain global economy in 2012, the Chinese government executed a series of policies and plans and successfully maintained a steady growth in gross domestic product ("GDP") of 7.8% in 2012. In view of the risk of economic slowdown, the Chinese government also implemented a series of policies with an aim to accelerate economic restructuring, improve people's living standards and boost domestic demand and maintain a balanced growth. With the increasing disposable income of consumers and the pursuit for better quality products, the growth rate of the total retail sales of consumer goods realised in urban area and rural area in 2012 amounted to 14.3% and 14.5%, respectively. However, consumer sentiment remained weak during the year due to the growing concern and uncertainties over economic growth in the People's Republic of China (the "PRC", "China" or "Mainland China"). In particular, the total sales of garments, footwear, hats and knitwear in China increased by 18.0% as compared to last year, the growth rate of which was 6.2 percentage points lower than 24.2% in 2011.

The revenue of the Group for the year ended 31 December 2012 slightly decreased by 1.1% to RMB749,101,000, which was mainly resulted from the growth in sales by self-operated stores, offsetted by the slowdown in sales to distributors and decrease in sales from licensed brands. Profit attributable to ordinary equity holders of the Company for the year ended 31 December 2012 amounted to RMB155,252,000, representing a decrease of 18.3%. The board of directors of the Company (the "Board") recommended the payment of a final dividend and a special final dividend of HK6.2 cents (equivalent to approximately RMB5.0 cents) and HK7.0 cents (equivalent to approximately RMB5.6 cents), respectively, per share for the year ended 31 December 2012. Together with the interim dividend of HK5.0 cents (equivalent to approximately RMB4.1 cents) per share paid, the total dividend for the year ended 31 December 2012 amounted to HK18.2 cents (equivalent to approximately RMB14.7 cents) per share, representing a dividend payout ratio of 90%, to remunerate the shareholders of the Company for their support to the Group.

In spite of the slowed economy and weak consumer sentiment, the business of self-operated stores achieved desirable results, which was attributable to the quality products of the two brands owned and managed by the Group, ***V.E. DELURE*** and ***TESTANTIN*** and a clear positioning of these brands which covers the middle-upper to high-end segments of the menswear market. Supported by the strong VIP customer base, ***V.E. DELURE*** self-operated stores business grew steadily in 2012. The number of ***V.E. DELURE*** self-operated stores increased from 127 to 143 and its revenue increased by more than 10% for the year ended 31 December 2012 as compared to 31 December 2011. ***TESTANTIN*** also gained higher awareness and recognition from the market during the year. The number of ***TESTANTIN*** self-operated stores increased from 44 to 61 and its revenue increased significantly by more than 50% for the year ended 31 December 2012 as compared to 31 December 2011.

In order to enhance brand equity, the Group continued to implement a series of advertising and promotion activities through various channels, including advertisements in fashion magazines, promotion activities on the internet and large advertising billboards in the airport, highway and well-known department stores. To facilitate a healthy and sustainable development of ***V.E. DELURE*** and ***TESTANTIN***, the Group expanded the retail and distribution network prudently and improved operation efficiency of the retail stores during the year.

In addition to regular advertising and promotion activities, the Group collaborated with China national badminton team and well-known shopping malls to organise ***V.E. DELURE*** Torch Relay Love Journey ("***迪萊***火炬傳遞愛心之旅") in Wuhan during the year. Since the launch of this meaningful charity journey in 2006, the Group has organised a number of events in many cities and the event held in Wuhan during the year marked the ninth station of the journey. Corporate social responsibility is one of the important values of the Group and the Group will continue to organise and participate in various charity and social activities in the future.

Looking forward, amid the steady economic growth in China, the Group is confident in the long-term development of menswear market in China, especially in the mid- to high-end segments. The Group will implement consistent and clear strategies, which include expanding retail and distribution network prudently and healthily, expanding product offerings and design capabilities, enhancing brand equity of ***V.E. DELURE*** and ***TESTANTIN***, enriching our brands portfolio and upgrading our ERP system and administrative support, in order to achieve healthy and sustainable growth in the long run.

Finally, I would like to take this opportunity to express my sincere gratitude to the members of the Board for their valuable advice and support. On behalf of the Board, I would also like to thank the staff, shareholders, distributors, customers and suppliers of the Group for their confidence and continuous support to the Group.

Chan Yuk Ming
Chairman

Hong Kong, 25 March 2013

V.E. DELURE

Management Discussion and Analysis

Market Review

In 2012, as the global economy continued to be volatile and uncertain, there was increasing concern on the slowdown of the economic growth in the PRC. In the midst of the complicated economic environment and the risk of economic slowdown, the Chinese government carried out a series of policies and plans with an aim to strengthen and improve the domestic economy. In particular, the Chinese government reduced interest rates for the first time since 2008 and also loosened controls on lending and deposit rates.

According to the National Bureau of Statistics of China, the GDP of China in 2012 increased at a rate of 7.8% on a year-on-year basis and reached RMB51.9 trillion, which represented the slowest rate of economic growth since 1999. The consumer sentiment was adversely affected by the unfavorable economic climate. Notwithstanding that the total retail sales of consumer goods in China in 2012 amounted to RMB20.7 trillion, representing an increase of 14.3% compared to last year, the growth rate was 2.8 percentage points lower than that of last year. The total retail sales of consumer goods realised in urban area amounted to RMB17.9 trillion representing a year-on-year increase of 14.3%, which was 2.9 percentage points lower than that of last year. In particular, the total sales of garments, footwear, hats and knitwear amounted to RMB977.8 billion, representing a year-on-year increase of 18.0%. However, the growth rate was a significant 6.2 percentage points lower than 24.2% in 2011.

In view of the challenging environment, the Group continued to monitor the changes in the market and strategically adjust its development strategy to deal with the turbulent market conditions. During the year, the Group further increased resources in strengthening the direct retail business through its self-operated retail stores network, adjusted its store opening plan prudently, enhanced operation efficiency of retail and distribution network and improved marketing strategy for brand equity in order to achieve a sustainable and healthy growth of the Group in the long run.

Financial Review

During the year ended 31 December 2012, the Group recorded an aggregate turnover of approximately RMB749,101,000 (2011: RMB757,411,000), representing a mild decrease of approximately 1.1% compared to last year. Gross profit for the year increased from RMB495,073,000 for the year ended 31 December 2011 to RMB504,420,000 for the year ended 31 December 2012, representing a year-on-year increase of about 1.9%. Gross profit margin also improved from 65.4% for the year ended 31 December 2011 to 67.3% for the year ended 31 December 2012. Profit attributable to ordinary equity holders of the Company for the year ended 31 December 2012 however decreased by about 18.3% to approximately RMB155,252,000 (2011: RMB190,071,000) and net profit margin for the year ended 31 December 2012 also decreased by 4.4 percentage points from 25.1% to 20.7%. The decrease in profit and net profit margin was mainly resulted from the decrease in sales to distributors offsetted by the increase in sales from self-operated stores, and also the increase in selling and distribution expenses directly attributable to self-operated stores operation. The increase in selling and distribution expenses was in line with the increase in turnover generated from self-operated stores.

Turnover

	2012		2011		Change
	RMB'000	% of turnover	RMB'000	% of turnover	(%)
V.E. DELURE					
Self-operated stores	**382,136**	**51.0%**	346,026	45.7%	10.4%
Distributors	**199,862**	**26.7%**	238,817	31.5%	–16.3%
Corporate sales	**12,517**	**1.7%**	12,954	1.7%	–3.4%
	594,515	**79.4%**	597,797	78.9%	–0.5%
TESTANTIN					
Self-operated stores	**85,666**	**11.4%**	56,791	7.5%	50.8%
Distributors	**39,157**	**5.2%**	63,126	8.3%	–38.0%
	124,823	**16.6%**	119,917	15.8%	4.1%
Licensed brands	**29,763**	**4.0%**	39,697	5.3%	–25.0%
	749,101		757,411		–1.1%

The total turnover of the Group for the year ended 31 December 2012 decreased by 1.1% to approximately RMB749,101,000 (2011: RMB757,411,000). The decrease in turnover was mainly resulted from the growth in sales by self-operated stores, offsetted by the slowdown in sales to distributors and decrease in sales from licensed brands.

Turnover of the Group for the year ended 31 December 2012 comprised sales from self-operated stores of about RMB467,802,000 (2011: RMB402,817,000), sales to distributors of RMB239,019,000 (2011: RMB301,943,000), corporate sales of RMB12,517,000 (2011: RMB12,954,000) and sales from the licensed brands business of RMB29,763,000 (2011: RMB39,697,000).

The aggregate sales from self-operated stores for the year ended 31 December 2012 achieved a steady increase of 16.1% as compared to last year, and accounted for 62.4% (2011: 53.2%) of the total turnover, which was mainly attributed to the tactical strategy shift to self-operated stores business under the challenging environment during the year. On the other hand, the aggregate sales to distributors for the year ended 31 December 2012 recorded a decrease of 20.8% as compared to last year and accounted for about 31.9% (2011: 39.9%) of the total turnover, which mainly reflected that the distributors remained uncertain and cautious towards the overall consumer market in the PRC.

Turnover by Sales Region

	2012 RMB'000	2011 RMB'000
V.E. DELURE		
Central PRC	**48,734**	56,531
North Eastern PRC	**53,874**	36,450
Eastern PRC	**77,877**	79,817
North Western PRC	**65,745**	61,648
Northern PRC	**131,526**	136,653
South Western PRC	**69,609**	69,928
Southern PRC	**128,603**	142,060
Hong Kong, Macau	**18,547**	14,710
Total	**594,515**	597,797

	2012 RMB'000	2011 RMB'000
TESTANTIN		
Central PRC	**2,185**	2,465
North Eastern PRC	**12,582**	10,990
Eastern PRC	**14,111**	14,383
North Western PRC	**19,481**	13,566
Northern PRC	**8,792**	7,574
South Western PRC	**20,569**	23,800
Southern PRC	**30,282**	35,141
Hong Kong, Macau	**16,821**	11,998
Total	**124,823**	119,917

The sales from ***V.E. DELURE*** in the Eastern, Northern and Southern PRC for the year ended 31 December 2012 accounted for 56.9% (2011: 60.0%) of the total brand revenue, which was mainly attributable to the location of ***V.E. DELURE*** retail stores in major cities such as Shanghai, Beijing, Tianjin and Guangzhou, where targeted ***V.E. DELURE*** customers are relatively more affluent with strong purchasing power.

The sales from ***TESTANTIN*** in the Eastern, South Western, Southern and North Western PRC for the year ended 31 December 2012 accounted for 67.7% (2011: 72.5%) of the total brand revenue, as most of the ***TESTANTIN*** retail stores are situated in the second-tier and third-tier cities of these regions.

Turnover by Product (self-operated stores only)

	2012 RMB'000	2011 RMB'000
V.E. DELURE		
Apparel[1]	**356,639**	323,070
Accessories[2]	**25,497**	22,956
	382,136	346,026
TESTANTIN		
Apparel[1]	**80,379**	53,232
Accessories[2]	**5,287**	3,559
	85,666	56,791

	2012 Unit sold pcs	2011 Unit sold pcs
Sales Volume		
V.E. DELURE		
Apparel[1]	**174,465**	157,264
Accessories[2]	**106,234**	94,285
TESTANTIN		
Apparel[1]	**73,815**	47,483
Accessories[2]	**18,895**	12,462

	2012 RMB	2011 RMB
Average Selling Price		
V.E. DELURE		
Apparel[1]	**2,044**	2,054
Accessories[2]	**240**	243
TESTANTIN		
Apparel[1]	**1,089**	1,121
Accessories[2]	**280**	286

Notes:

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

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

Gross Profit

Despite the major raw material costs continued to soar and the increase in wages increased the pressure on cost of production, the Group maintained a relatively steady gross profit margin of 67.3% (2011: 65.4%) for the year ended 31 December 2012, which was attributable to the increased revenue contribution by self-operated store business and outsourcing of the majority of the production process to quality suppliers.

Other Income and Gains

During the year, other income and gains mainly represented bank interest income of RMB35,843,000 (2011: RMB31,259,000).

Selling and Distribution Expenses

Selling and distribution expenses primarily represented rental and concessionaire commission to shopping malls and department stores of self-operated stores of approximately RMB143,369,000 (2011: RMB122,276,000), advertising and promotion expenses of approximately RMB21,809,000 (2011: RMB25,857,000), and staff costs of approximately RMB63,610,000 (2011: RMB48,593,000). During the year, the total selling and distribution expenses represented about 36.7% (2011: 32.0%) and 58.8% (2011: 60.2%) of the total turnover and the turnover of sales from self-operated stores, respectively. The increase in selling and distribution expenses was generally in line with the increase in turnover of sales from self-operated stores.

Rental and concessionaire commission to shopping malls and department stores of self-operated stores accounted for approximately 30.6% of sales from self-operated stores for the year ended 31 December 2012, which was comparable to that of 30.4% for the year ended 31 December 2011.

Administrative Expenses

Administrative expenses decreased from RMB45,731,000 for the year ended 31 December 2011 to RMB44,953,000 for the year ended 31 December 2012, representing a decrease of 1.7% as compared to last year because of the tightened cost control measures under the current challenging business environment. During the year, administrative expenses accounted for 6.0% (2011: 6.0%) of turnover, which was comparable to last year.

Finance Costs

Finance costs for the year ended 31 December 2012 mainly consisted of interest expenses on interest-bearing bank borrowings.

Effective Tax Rate

During the year, the effective tax rate of the Group increased from 25.2% to 27.2% which was mainly because of tax losses incurred in Hong Kong operation.

Profit Attributable to Ordinary Equity Holders of the Company

Profit attributable to ordinary equity holders of the Company decreased by about 18.3% from approximately RMB190,071,000 for the year ended 31 December 2011 to RMB155,252,000 for the year ended 31 December 2012. Basic earnings per share decreased from RMB19.7 cents to RMB16.4 cents and net profit margin decreased from 25.1% to 20.7%. Decrease in profit attributable to ordinary equity holders of the Company and net profit margin was mainly because of the decrease in sales to distributors offsetted by the increase in turnover from self-operated stores and the increase in selling and distribution expenses directly attributable to self-operated stores operation.

Business Review

Proprietary Brands

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

The Group's two proprietary brands, ***V.E. DELURE*** and ***TESTANTIN***, recorded steady same store sales growth for the self-operated stores business of 7.0% and 8.5%, respectively, during the year.

Retail and Distribution Network

Number of stores of proprietary brands by region

	2012	2011
Central PRC	**29**	34
North Eastern PRC	**43**	43
Eastern PRC	**74**	70
North Western PRC	**47**	46
Northern PRC	**73**	72
South Western PRC	**71**	61
Southern PRC	**90**	91
Hong Kong, Macau	**5**	5
	432	422

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

In view of the slowdown of economic growth and weak consumer sentiment, the Group prudently adjusted the store opening plan in response to the challenging market circumstances and consolidated low efficiency stores.

As at 31 December 2012, the Group had a total of 432 stores in 33 provinces and autonomous regions, covering 197 cities in China. There were 143 self-operated stores of ***V.E. DELURE*** in 57 cities in China whilst there were 61 self-operated stores of ***TESTANTIN*** in 31 cities in China.

In addition, the total number of distributors of the Group amounted to 103, which operated 164 franchised stores of ***V.E. DELURE*** in 120 cities and 64 franchised stores of ***TESTANTIN***, in 62 cities, respectively.

Number of stores of proprietary brands by city tier

	2012 (number of stores)	2011 (number of stores)	Changes (number of stores)
V.E. DELURE			
Self-operated stores			
First-tier	**21**	26	–5
Second-tier	**75**	64	+11
Third-tier	**42**	33	+9
Fourth-tier	**5**	4	+1
	143	127	+16
Franchised stores			
First-tier	**–**	–	–
Second-tier	**19**	24	–5
Third-tier	**103**	109	–6
Fourth-tier	**42**	41	+1
	164	174	–10
	307	301	6
TESTANTIN			
Self-operated stores			
First-tier	**12**	8	+4
Second-tier	**34**	24	+10
Third-tier	**15**	10	+5
Fourth-tier	**–**	2	–2
	61	44	+17
Franchised stores			
First-tier	**–**	–	–
Second-tier	**4**	7	–3
Third-tier	**41**	48	–7
Fourth-tier	**19**	22	–3
	64	77	–13
	125	121	+4
TOTAL	**432**	422	+10

First-tier cities: Beijing, Shanghai, Guangzhou, Hong Kong and Macau
Second-tier cities: Provincial capital cities excluding Beijing, Shanghai and Guangzhou
Third-tier cities: Prefecture-level cities other than provincial capital cities
Fourth-tier cities: County-level cities

In 2012, the number of ***V.E. DELURE*** self-operated stores increased from 127 to 143. The new self-operated stores are mainly located in second-tier and third-tier cities in China. Franchised stores operated by the distributors of the Group decreased from 174 to 164. It is in line with the Group's shift of strategic focus to increase the proportion of self-operated stores in order to enhance the brand image of ***V.E. DELURE*** by direct contact with the target consumers and long-term profit quality.

The total area of retail outlets of self-operated stores of ***V.E. DELURE*** was approximately 21,680 square meters (2011: 18,065 square meters), representing an increase of 20.0%.

In 2012, the number of ***TESTANTIN*** self-operated stores increased from 44 to 61 whilst the number of franchised stores decreased from 77 to 64. It is in line with the focus of the Group in opening self-operated stores to enhance the brand image of ***TESTANTIN*** by direct contact with the target consumers to facilitate future growth and to consolidate inefficient stores. The Group increased ***TESTANTIN*** self-operated stores in high-tier cites during the year, as a stepping stone to enhance brand influence in the second-tier and third-tier cities in China.

The total area of retail outlets of self-operated stores of ***TESTANTIN*** was approximately 7,113 square meters (2011: 4,804 square meters), representing an increase of 48.1%. In 2012, the Group expanded sales network of ***TESTANTIN*** in high-tier cites by opening its first ***TESTANTIN*** store in Beijing and Shanghai, respectively.

Sales Fair

V.E. DELURE and ***TESTANTIN*** 2013 Spring and Summer Collections Sales Fair was held in July 2012. The total order amount from franchised stores operated by the distributors of the Group increased by 16% as compared to that of last year. Delivery of the orders has commenced in January 2013.

V.E. DELURE and ***TESTANTIN*** 2013 Fall and Winter Collections Sales Fair was held in March 2013. The total order amount from franchised stores operated by the distributors of the Group increased by 7% as compared to that of last year. Delivery of the orders will commence in August 2013.

Inventory Management

The Group has an effective inventory management system. In particular, the Group has adopted a flat distributor model comprising only one layer of distributors without any sub-distributor, which enables the Group to closely monitor the business performance and inventory of each franchised store and distributor. Moreover, orders made by the distributors are broken down proportionally into the first batch of order placed at the sales fair and the supplemental order placed following the commencement of the season. During the year, the inventory turnover days of the Group increased from 325 days to 431 days, which was mainly due to the increase in number of self-operated stores from 171 to 204 and lower rate of same store sales growth.

Marketing and Promotion

The Group has a dedicated marketing team, which is responsible for the execution and organisation of the marketing and promotional activities of ***V.E. DELURE*** and ***TESTANTIN***. The Group pays much attention to the long-term development of its brands. The marketing and promotion activities of the Group not only strengthen the brand recognition and value, but also publicise its brand theme.

In 2012, the total expenditure of the Group in marketing and promotion activities amounted to approximately RMB21,809,000 (2011: RMB25,857,000), accounting for approximately 2.9% (2011: 3.4%) of the total turnover of the Group. The Group budgeted to maintain the ratio less than 5% whilst promoting the brands effectively.

During the year, the Group continued to actively carry out regular advertising and promotion activities through various channels, such as advertisements in fashion magazines, promotion activities on the internet and other media, and large advertising billboards in airport, highway and well-known department stores.

The Group considers stores as one of the important channels to promote and enhance brand image. During the year, ***V.E. DELURE*** and ***TESTANTIN*** continued to carry out store image upgrade work, broaden the display space, which further enhanced its brand equity in order to enhance the brand image.

Moreover, the Group is the exclusive sponsor of the formal attire of the China national table tennis team and badminton team till 2015. The Group has arranged charity and promotion events participated by elite and well-known athletes. In April 2012, ***V.E. DELURE*** also sponsored the 25th Table Tennis Asia Cup 2012, which was held in Guangzhou with top Asian players participated in the competition.

In May 2012, the Group collaborated with China national badminton team and well-known shopping malls to organise ***V.E. DELURE*** Torch Relay Love Journey ("**迪萊**火炬傳遞愛心之旅") in Wuhan. Since the launch of this meaningful journey in 2006, the Group has organised this charity event in many cities and the event held in Wuhan marked the ninth station of the journey. ***V.E. DELURE*** Torch Relay Love Journey ("**迪萊**火炬傳遞愛心之旅") will continue to take place in other cities in China, with an aim to gather social force to participate in the charity activities. Such charity activities not only demonstrated the business philosophy of the Group but also promoted the corporate image of the Group as a social responsible enterprise.

Product Design and Development

Amid the continual urbanisation and the increasing disposable income of consumers, there is a consumption trend in pursuing products with superior materials, suitable cutting and unique style. While consumers have abundant product choices, the Group fully understands that fashionable and innovative apparel products not only attract consumers, but also provide the Group with a better pricing capability.

During the year, the Group continued to commit in innovative product designs and strict quality control, and launched unique product portfolios for both ***V.E. DELURE*** and ***TESTANTIN***.

The Group also targeted on experienced design talents to bring in fresh inspiration for innovation to diversify its product portfolio and enhance its competitiveness. The Group has experienced, innovative and independent design teams for ***V.E. DELURE*** and ***TESTANTIN***, respectively, which were led by chief supervisors with substantial design experience in the industry.

Working Capital Management

Finished goods represented a significant portion of the inventories of the Group. The Group performed specific review on finished goods regularly. For slow-moving and obsolete inventories, the Group made specific provision for inventories with the net realisable value lower than its carrying value.

Inventory turnover days was 431 days for the year ended 31 December 2012, representing an increase of 106 days as compared to inventory turnover days of 325 days for the year ended 31 December 2011. The increase in inventory turnover days was mainly due to the increase in number of self-operated stores, increased revenue contribution by self-operated stores business and lower rate of same store sales growth.

Trade receivables represented the receivables for goods sold to the distributors for franchised stores and the receivables from department stores and shopping malls for self-operated stores. Trade receivables turnover days was 71 days for the year ended 31 December 2012 which was comparable to 70 days for the year ended 31 December 2011.

Trade and bills payables represented payables to suppliers and outsourced manufacturers. Trade and bills payables turnover days increased from 117 days for the year ended 31 December 2011 to 123 days for the year ended 31 December 2012.

Use of Proceeds

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 November 2010. Net proceeds from the global offering were approximately RMB1,017.4 million (equivalent to approximately HK$1,167.0 million), after deducting the underwriting commission and relevant expenses. As at 31 December 2012, the unused proceeds were deposited in licensed banks in Hong Kong and Mainland China.

Use of fund raised

	Percentage to total amount	Net proceeds RMB'million	Utilised amount (as at 31 December 2012) RMB'million	Unutilised amount (as at 31 December 2012) RMB'million
Expansion and improvement of retail network	45%	457.8	424.9	32.9
Developing independent lines of branded apparels and accessories under ***V.E. DELURE*** brand	10%	101.7	19.3	82.4
Acquisitions or licensing of additional brands	20%	203.5	–	203.5
Marketing and promotion activities	7%	71.2	14.4	56.8
Upgrade of ERP system and database management system	5%	50.9	1.7	49.2
Hiring international design talent and design consultant firms, expanding the Group's existing design team and establishing the Group's own research and design centre	5%	50.9	1.0	49.9
General working capital	8%	81.4	31.0	50.4
	100%	1,017.4	492.3	525.1

Liquidity and Financial Resources

As at 31 December 2012, the Group had cash and cash equivalents of RMB592,693,000 (2011: RMB940,698,000). In addition, the Group had pledged deposits and time deposits of RMB138,096,000 (2011: RMB10,000,000) and RMB100,000,000 (2011: RMB100,000,000), respectively. As at 31 December 2012, the Group had interest-bearing bank borrowings of an aggregate amount of RMB126,584,000 (2011: Nil), which were denominated in Hong Kong dollars, repayable within two years and interest-bearing at 3.15% per annum and variable rate of 2.3% below Hong Kong Dollar Best Lending Rate per annum. The gearing ratio, calculated as total bank borrowings divided by equity attributable to the shareholders of the Company, amounted to 8.9% (2011: Nil).

Contingent Liabilities

As at 31 December 2012, the Group had no material contingent liabilities.

Pledge of Assets

As at 31 December 2012, pledged deposits of RMB138,096,000 (2011: RMB10,000,000) were pledged as securities for the bank borrowings and bank acceptance bills (2011: bank acceptance bills) of the Group.

Exchange Risk

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

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

Employee's Benefits

The Group offered its staff competitive remuneration schemes and training and development opportunities. The Group also provided in-house sales and services coaching in order to develop human capital. In addition, discretionary bonuses and share options will be granted to eligible staff based on individual and the Group's performance as a means of rewarding and retaining high-calibre staff. Since the adoption of the share option scheme on 8 October 2010 and up to 31 December 2012, no option has been granted by the Company.

As at 31 December 2012, the total number of full-time employees of the Group was 1,239. The total staff costs for the year ended 31 December 2012 amounted to approximately RMB80,407,000 (2011: RMB63,033,000).

Prospects

Given a slowdown in the domestic consumer market in Mainland China, the outlook of retail sector remains challenging and uncertain. In addition, although inflation pressure in Mainland China started to ease, there are risks that operating costs including material costs, labour costs and rental expenses continue to surge, adding additional pressure to retailers in the region under the challenging environment. However, as the Chinese government continued to drive domestic consumption to support economic growth, the domestic consumption will remain as the key contributor to GDP growth and achieve healthy and steady growth in the long term. This will also be supported by the continual increase in people's income and the pursuit for better quality products by middle to upper class population.

Under the current slowed and challenging business environment, the Group will execute prudent and responsive business strategy to maintain the advantageous position in the high-end menswear market in Mainland China. The Group will continue to enhance the brand equity and expand its retail network prudently. With respect to strengthening the brand image of ***V.E. DELURE*** and ***TESTANTIN***, the Group will focus on the long-term and sustainable development and the increase and retention of VIP customers. Various specific advertising and promotion activities will continuously be launched to strengthen the competitiveness of the brands.

In November 2012 and February 2013, the Group entered into a series of agreements to purchase certain office properties in a brand new commercial building in Guangzhou. The construction of the building is expected to complete by August 2013. The Group is currently renting its headquarters office in Guangzhou. The office properties will be used as the headquarters, design centre and showroom to accommodate its expanding business operation of the Group. With the expansion of the business of the Group, the Group needs a larger space in a convenient location in Guangzhou to be used as its headquarters office. The building is strategically located in a newly developed prime commercial area and is easily accessible by public transport, providing an ideal location for the headquarters office of the Group. The acquisition of the office properties is in line with the long-term development strategy of the Group as well as the corporate and brand image of the Group which will strengthen the market position and business development of the Group in the long term. For details, please refer to the announcements of the Company, dated 2 November 2012 and 19 February 2013, and the circular of the Company dated 12 March 2013.

Despite the challenging business environment, the Group will continue to expand and enhance its retail network prudently. The Group plans to increase approximately 50 new retail stores in 2013, of which approximately 28 are self-operated stores with the remaining 22 being franchised stores. In the long run, the Group is confident in the steady and healthy growth of menswear market in China, especially the mid-end to high-end segments. With the growing people's income, pursuit for higher quality products by consumers and the accelerating urbanization, it is expected that the domestic consumption will continue to grow healthily. As a result, by providing consumers with quality, prestigious as well as classic menswear products, the Group is still confident in the steady and sustainable growth of menswear sector in the long term.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2012 (the "Reporting Year").

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

Corporate Governance Practices

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

On 1 April 2012, the Code on Corporate Governance Practices ("Former CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") was amended and renamed as Corporate Governance Code and Corporate Governance Report ("New CG Code").

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 Former CG Code and New CG Code.

In the opinion of the directors of the Company (the "Directors"), the Company has complied with all the code provisions as set out in the Former CG Code and New CG Code during the Reporting Year.

The Company regularly reviews its corporate governance practices to ensure compliance with the New 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. The Board takes decisions objectively in the interests of the Company.

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

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

Delegation of Management Functions

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

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

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

Board Composition

The Board comprises six members, consisting of three executive Directors and three independent non-executive Directors. The executive Directors and independent non-executive Directors during the Reporting Year were as follows:

Executive Directors:

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

Independent non-executive Directors:

Mr. Fong Wo, Felix *(Chairman of the Nomination Committee and member of the Audit Committee and Remuneration Committee)*
Mr. Kwok Chi Sun, Vincent *(Chairman of the Audit Committee and member of the Remuneration Committee and Nomination Committee)*
Mr. Cheng King Hoi, Andrew *(Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee)* (appointed on 27 June 2012)
Dr. Ko Wing Man *(Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee)* (resigned on 27 June 2012)

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

The relationships among the members of the Board are disclosed under "Biographical Details of Directors and Senior Management" on pages 30 to 32.

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 (the "Articles of Association"). The Nomination Committee is responsible for reviewing the Board composition, developing and formulating procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from 4 November 2010 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.

The independent non-executive Directors, Mr. Fong Wo, Felix and Mr. Kwok Chi Sun, Vincent, have entered into appointment letters with the Company for a term of two years commencing from 4 November 2010, which was renewed for two years commencing from 4 November 2012, whilst Mr. Cheng King Hoi, Andrew, has entered into an appointment letter with the Company for a term of two years commencing from 27 June 2012. They are subject to retirement by rotation and re-election at the annual general meeting of the Company under the Articles of Association. Either party may terminate the appointment by giving the other party not less than three months' notice in writing.

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

Continuous Professional Development of Directors

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

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

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

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

Directors	Topics of training covered [Note]
Executive Directors	
Mr. Chan Yuk Ming	1,2,3,4
Mr. Chen Yunan	1,2,3,4
Mr. Chen Minwen	1,2,3,4
Independent non-executive Directors	
Mr. Fong Wo, Felix	1,2,3
Mr. Kwok Chi Sun, Vincent	1,2,3
Mr. Cheng King Hoi, Andrew (appointed on 27 June 2012)	1,2
Dr. Ko Wing Man (resigned on 27 June 2012)	1,2

Note:

1. Corporate governance
2. Regulatory updates
3. Finance and accounting
4. Industry updates

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

Attendance Records of Directors and Committee Members

Number of Meetings and Directors' Attendance

During the Reporting Year, 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, three Audit Committee meetings, two Nomination Committee meetings and two Remuneration Committee meetings were held.

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

	Attendance/Number of Meetings				
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting
Chan Yuk Ming	4/4	–	–	–	1/1
Chen Yunan	4/4	–	–	–	1/1
Chen Minwen	4/4	–	–	–	0/1
Fong Wo, Felix	4/4	2/2	2/2	3/3	1/1
Kwok Chi Sun, Vincent	4/4	2/2	2/2	3/3	1/1
Cheng King Hoi, Andrew (appointed on 27 June 2012)	2/2	–	–	1/1	–
Ko Wing Man (resigned on 27 June 2012)	1/1	1/1	1/1	2/2	1/1

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

Practices and Conduct of Meetings

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

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

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

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

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

Chairman and Chief Executive Officer

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

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

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

Board Committees

The Board has established 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 posted on the Company's website and the Stock Exchange's website and 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 currently comprises three members, namely, Mr. Fong Wo, Felix (Chairman), Mr. Kwok Chi Sun, Vincent and Mr Cheng King Hoi, Andrew, all are independent non-executive Directors.

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

The Nomination Committee held two meetings during the Reporting Year to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualification of the retiring Directors standing for election at the annual general meeting. The attendance records of the Nomination Committee are set out under "Attendance Records of Directors and Committee Members".

Pursuant to Article 16.18 of the Articles of Association, Mr Chen Minwen and Mr Kwok Chi Sun, Vincent shall retire from the office by rotation at the forthcoming annual general meeting of the Company ("AGM"), while Mr Cheng King Hoi, Andrew 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 retiring Directors standing for re-election at the AGM.

The Company's circular dated 19 April 2013 contains detailed information of the retiring Directors standing for re-election at the AGM.

Remuneration Committee

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

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and the senior management, the remuneration policy and structure for all Directors and senior management. The Remuneration Committee is also responsible for establishing formal and transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/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 held two meetings during the Reporting Year to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters. The attendance records of the Remuneration Committee are set out under "Attendance Records of Directors and Committee Members".

There are 11 members of senior management in the Group whereas 10 members of senior management have remuneration of RMB1,000,000 or below and 1 member of senior management has remuneration between RMB1,500,001 to RMB2,000,000.

Audit Committee

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

The Audit Committee held three meetings during the Reporting Year to review the financial results and reports, financial reporting and compliance procedures and the report of the internal auditor on the Company's internal control and risk management systems and processes. The external auditors were invited to attend the meeting. The attendance records of the Audit Committee are set out under "Attendance Records of Directors and Committee Members".

The Company's annual results for the year ended 31 December 2012 have been reviewed by the Audit Committee.

Corporate Governance Functions

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

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

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

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.

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 2012.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on page 33.

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

Auditors' Remuneration

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

Service Category	Fees Paid/ Payable (RMB)
Audit Services	1,850,000
Non-audit Services	
Taxation	60,000
Others	166,000
	2,076,000

Other certified public accountants firm charged the Group RMB232,000 for the provision of audit services to the Company's subsidiaries in the PRC.

Internal Controls

During the Reporting Year, the Board conducted a review of the effectiveness of the internal control system of the Group, 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's 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.

Company Secretary

Ms. Kwok Yu Ching and Ms. Chan Sau Ling of Tricor Services Limited, the external service provider, have been engaged by the Company as its Joint Company Secretaries during the Reporting Year. The primary contact person at the Company is Mr. To Kwong Yeung, the Chief Financial Officer of the Company. Ms. Kwok and Ms. Chan have respectively confirmed that they have taken no less than 15 hours of relevant professional trainings to update their skills and knowledge during the Reporting Year.

Subsequent to the Reporting Year, Ms. Kwok resigned as the Joint Company Secretary of the Company with effect from 22 February 2013. Details of the said resignation of Joint Company Secretary were set out in the Company's announcement dated 22 February 2013.

Communication with Shareholders and Investors

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

The 2012 AGM was held on 4 June 2012. The notice of AGM was sent to shareholders at least 20 clear business days before the AGM.

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

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

Shareholders' Rights

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

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

Convening and putting forward proposals at Extraordinary General Meeting by Shareholders

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

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

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

Putting Forward Enquiries to the Board

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

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

Contact Details

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

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

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

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

Deed of Non-competition

As disclosed in the Company's prospectus (the "Prospectus") dated 22 October 2010, each of the Controlling Shareholders (as defined in the Prospectus) has entered into a deed of non-competition dated 8 October 2010 (the "Deed of Non-Competition") in favour of the Company (for its own and on behalf of all members of the Company and its subsidiaries).

The Company has received declarations made from the Controlling Shareholders on compliance with the Deed of Non-Competition for the Reporting Year.

The independent non-executive Directors have conducted a review on the compliance with the Deed of Non-Competition by the Controlling Shareholders and their respective Associates (as defined in the Prospectus), the options, pre-emptive rights or first rights of refusal (if any) provided by the Controlling Shareholders and their respective Associates on their existing or future competing business.

Report of the Directors

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

Corporate Reorganisation

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 reorganisation to rationalise the structure of the Group in preparation for the public listing of the shares of the Company (the "Shares") on the Stock Exchange, the Company became the holding company of the companies now comprising the Group.

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

The Shares 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 the manufacturing and trading of clothing and clothing accessories. The principal activities and other particulars of the subsidiaries are set out in note 17 to the financial statements. During the Reporting Year, there were no significant changes in the Group's principal activities.

Results and Dividends

The results of the Group for the year ended 31 December 2012 and the state of affairs of the Company and the Group are set out in the financial statements on pages 34 to 83 of this report.

An interim dividend of HK5.0 cents (equivalent to approximately RMB4.1 cents) per ordinary share in respect of the period ended 30 June 2012 was paid to the shareholders on 5 October 2012. The Board has recommended the payment of a final dividend of HK6.2 cents (equivalent to approximately RMB5.0 cents) and a special final dividend of HK7.0 cents (equivalent to approximately RMB5.6 cents) per ordinary share, respectively, for the Reporting Year to shareholders whose names appear on the register of members of the Company on 18 June 2013.

Summary Financial Information

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and the Company's prospectus dated 22 October 2010, is set out on page 84 of this report. This summary does not form part of the audited financial statements.

Property, Plant and Equipment

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

Share Capital

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

Pre-Emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2012.

Reserves

The movements in reserves of the Group and the Company during the Reporting Year and distributable reserves of the Company as at 31 December 2012 are set out in the consolidated statement of changes in equity and notes 28(a) and 28(b) to the financial statements, respectively.

Distributable Reserves

At 31 December 2012, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"), amounted to RMB779,849,000, of which RMB47,441,000 and RMB53,134,000 have been proposed as a final dividend and a special final dividend, respectively for the year. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances. Details of the reserves of the Company as at 31 December 2012 are set out in note 28(b) to the financial statements.

Charitable Donations

During the year, the Group made charitable donations of RMB3,180,000.

Major Customers and Suppliers

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

	2012 Percentage of the Group's total		2011 Percentage of the Group's total	
	Sales	Purchases	Sales	Purchases
The largest customer	4.2%		3.9%	
Five largest customers in aggregate	13.1%		14.4%	
The largest outsourcing supplier		8.4%		11.0%
Five largest outsourcing suppliers in aggregate		27.3%		28.2%

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

Directors

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

Executive Directors:

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

Independent non-executive Directors:

Fong Wo, Felix
Kwok Chi Sun, Vincent
Cheng King Hoi, Andrew (appointed on 27 June 2012)
Ko Wing Man (resigned on 27 June 2012)

Pursuant to Article 16.18 of the Articles of Association, Mr. Chen Minwen and Mr. Kwok Chi Sun, Vincent shall retire from their offices by rotation at the AGM, while Mr. Cheng King Hoi, Andrew 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 as at the date of this report still considers them to be independent.

Directors' and Senior Managements' Biographies

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 30 to 32 of this report.

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.

The independent non-executive Directors, Mr. Fong Wo, Felix and Mr. Kwok Chi Sun, Vincent, have entered into appointment letters with the Company for a term of two years commencing from 4 November 2010, which was renewed for two years commencing from 4 November 2012, whilst Mr. Cheng King Hoi, Andrew, has entered into an appointment letter with the Company for a term of two years commencing from 27 June 2012. They are subject to retirement by rotation and re-election at the annual general meeting of the Company under the Articles of Association. Either party may terminate the appointment by giving the other party not less than three months' notice in writing.

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

Directors' Remuneration

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

Directors' Interests in Contracts

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

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

As at 31 December 2012, the interests or short positions of the Directors, the chief executives of the Company (the "Chief Executives") and their associates in the Shares, underlying Shares and debentures of the Company or its associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Long/Short position	Type of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company
Chan Yuk Ming	Long position	Interest in a controlled corporation *(Note)*	575,022,086	60.60%

Note: The 575,022,086 Shares are owned by Pacific Success Holdings Limited ("Pacific Success"), a company wholly-owned by Mr. Chan Yuk Ming. Mr. Chan Yuk Ming is deemed to be interested in such Shares held by Pacific Success under the SFO.

Save as disclosed above, as at 31 December 2012, none of the Directors, the Chief Executives nor their associates had registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company's share option scheme (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 incentivise them to remain with the Company, to give effect to our customer-focused corporate culture, and to motivate them to strive for the Company's future development and expansion by providing them with the opportunity to acquire Shares.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option scheme of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (i.e. 94,669,576 Shares representing approximately 9.98% of the issued share capital of the Company as at the date of this report), unless the Company obtains an approval from its shareholders and must not exceed 30% of the total number of Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period shall not exceeds 1% of the total number of Shares in issue, unless an approval of the Company's shareholders is obtained. The amount payable by the grantee on application or acceptance of an option shall be HK$1.00. The period within which the Shares must be taken up under an option shall be determined by the Board at its absolute discretion and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the Share Option Scheme.

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

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

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

At 31 December 2012, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name of substantial shareholder	Long/Short position	Type of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company
Chan Yuk Ming *(Note 1)*	Long position	Interest in a controlled corporation	575,022,086	60.60%
Pacific Success *(Note 1)*	Long position	Beneficial owner	575,022,086	60.60%
New Horizon Capital III, L.P. ("New Horizon")	Long position	Interest in a controlled corporation *(Note 2)*	134,999,677	14.23%
Admiralfly Holdings Limited ("Admiralfly") *(Note 2)*	Long position	Beneficial owner	134,999,677	14.23%

Notes:

1. The 575,022,086 Shares are owned by Pacific Success, a company wholly-owned by Mr. Chan Yuk Ming. Mr. Chan Yuk Ming is deemed to be interested in such Shares held by Pacific Success under the SFO. Mr. Chan Yuk Ming is the sole director of Pacific Success.

2. The entire issued share capital of Admiralfly is owned by 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 had not been notified of any other notifiable interests or short positions in the Shares or underlying Shares as at 31 December 2012.

Sufficiency of Public Float

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

Directors' Interests in Competing Business

During the Reporting Year and up to the date of this report, none of the Directors had an interest in a business, which competes or may compete with the business of the Group under the Listing Rules.

Directors' Rights to Acquire Shares or Debentures

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 had 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.

Subsequent Events

On 19 February 2013, the Group entered into a series of agreements to purchase certain office properties in Guangzhou, further details of which are set out in note 36 to the financial statements.

Auditors

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

On behalf of the Board
Chan Yuk Ming
Chairman

Hong Kong
25 March 2013

Biographical Details of Directors and Senior Management

Directors

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

Name	Age	Position
Mr. CHAN Yuk Ming	44	Chairman and executive Director
Mr. CHEN Yunan	44	Executive Director
Mr. CHEN Minwen	37	Executive Director
Mr. FONG Wo, Felix	62	Independent non-executive Director
Mr. KWOK Chi Sun, Vincent	50	Independent non-executive Director
Mr. CHENG King Hoi, Andrew	54	Independent non-executive Director

Executive Directors

Mr. CHAN Yuk Ming, aged 44, is the chairman and one of the executive Directors. He is the brother of Mr. Chen Yunan, Mr. Chen Minwen and Ms. Chen Mianna and is also an uncle of Ms. Chen Yanxia. Mr. Chan was designated as an executive Director and the chairman of the Board on 18 July 2008 and is also a director of each of Sunsonic Holdings Limited, Richwood Management Limited, Evergreen International Group Limited, Evergreen (Asia) Trading Company Limited ("Evergreen Asia"), Master (Hong Kong) Marketing Limited 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 the Group's overall strategies, planning and business development. Mr. Chan graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a Degree of Bachelor of Arts in Public and Social Administration in 1993. 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 resources to the Group's business.

Mr. CHEN Yunan, aged 44, is one of the executive Directors. He is the brother of Mr. Chan Yuk Ming, Mr. Chen Minwen and Ms. Chen Mianna and is also an uncle of Ms. Chen Yanxia. Mr. Chen was designated as an executive Director on 12 February 2010 and is also a director of each of Evergreen Guangdong, 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 the Group's 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 the Group's business.

Mr. CHEN Minwen, aged 37, is one of the executive Directors. He is the brother of Mr. Chan Yuk Ming, Mr. Chen Yunan and Ms. Chen Mianna and is also an uncle of Ms. Chen Yanxia. Mr. Chen was designated as an executive Director on 12 February 2010 and is also a director of each of Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing. He is primarily responsible for the Group's 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 the Group's business.

Independent Non-Executive Directors

Mr. FONG Wo, Felix, BBS, JP, aged 62, was appointed as an independent non-executive Director on 8 October 2010. Mr. Fong was the founding partner of Arculli Fong & Ng (now renamed as King & Wood Mallesons) and is a consultant of King & Wood Mallesons. Mr. Fong received his engineering degree in Canada in 1974 and his Juris Doctor degree from Osgoode Hall Law School in Toronto in 1978.

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

Mr. Fong is currently one of the China-appointed Attesting Officers in Hong Kong appointed by the Ministry of Justice of China. Mr. Fong undertook a number of community and social roles, such as the former Chairman of the Chinese Canadian Association of Hong Kong, the Chairman of the Advisory Council on Food and Environmental Hygiene 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 (9th and 10th Sessions) 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.

Mr. Fong is an independent non-executive director of the following listed companies in Hong Kong, namely Kingway Brewery Holdings Limited (stock code: 124), SPG Land (Holdings) Limited (stock code: 337), China Investment Development Limited (stock code: 204), Sheen Tai Holdings Group Company Limited (stock code: 1335) (effective from 22 June 2012) and also China Oilfield Services Limited whose shares are listed on the Stock Exchange (stock code: 2883) and the Shanghai Stock Exchange (stock code: 601808).

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

Mr. KWOK Chi Sun, Vincent, aged 50, was appointed as an independent non-executive Director on 8 October 2010. Mr. Kwok is the sole proprietor of Vincent Kwok & Co., Certified Public Accountants. He holds a Bachelor's Degree in Economics from University of Sydney. Mr. Kwok is a Certified Public Accountant (Practising) and a member of both the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in Australia. Mr. Kwok has more than 24 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.

Mr. Kwok is an independent non-executive director of the following listed companies in Hong Kong, namely, Emperor Capital Group Limited (stock code: 717), Magnificent Estates Limited (stock code: 201), Shun Ho Resources Holdings Limited (stock code: 253), Shun Ho Technology Holdings Limited (stock code: 219), China Neng Xiao Technology (Group) Limited (formerly known as Palmpay China (Holdings) Limited) (stock code: 8047) and China Digital Licensing (Group) Limited (stock code: 8175).

Mr. CHENG King Hoi, Andrew, aged 54, was appointed as an independent non-executive Director on 27 June 2012. He is the superintendent, China Division, of Kwoon Chung Bus Holdings Limited (stock code: 306), a company listed on the Main Board of the Stock Exchange after he resigned as its executive director with effect from 5 December 2012. He is also the chairman of Overseas Teo Chew Entrepreneurs Association Limited. He is a member of the Australian Institute of Management NSW Ltd. and a committee member of the Chinese People's Political Consultative Conference of Sichuan Province of Mainland China. He had worked in the banking industry for over 9 years.

Senior Management

Ms. CHEN Mianna, aged 41, is the purchasing director of the Group. She joined the Group in 2004 and was responsible for the Group's purchasing and ordering affairs. She was then promoted to the purchasing director of the Group in January 2012 and is also a director of Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing. She is a sister of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen.

Mr. TO Kwong Yeung, aged 34, is the chief financial officer of the Group. Mr. To joined the Group in December 2011 and is responsible for the Group's financial reporting, financial management and investor relations. He graduated from the University of Hong Kong in 2000 with a bachelor's degree of Business Administration in Accounting and Finance. Mr. To is a Fellow Member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants and has over 10 years of working experience in the finance and accounting profession. Prior to joining the Group, he was the chief financial officer and company secretary of Boer Power Holdings Limited ("Boer Power"), a company listed on the Main Board of the Stock Exchange. Prior to joining Boer Power, Mr. To worked as a senior manager in Ernst & Young.

Ms. ZENG Shujuan, aged 40, is the financial controller (PRC). She joined the Group 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 18 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 Company Limited, NanHai Wei Hong Model Produce Ltd., Modern Furniture Factory of Wugang City and Park Green Station of Wugang City before joining the Group.

Mr. YANG Qing, aged 43, is the deputy director of the finance department in the PRC. Mr. Yang joined the Group in April 2000 and was promoted to the position of deputy director of finance department in December 2010. He graduated from the College of Trade and Finance in Anhui after passing the relevant professional examinations in accounting in 1996 and was awarded a professional qualification in accounting by the Ministry of Finance of the PRC in 2004. He has over 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 computerised systems.

Ms. CHEN Yanxia, aged 32, is the brand deputy director of ***V.E. DELURE***. She joined the Group in May 2000 and was the assistant to our general manager since 2006 and was then promoted to the position of deputy director of ***V.E. DELURE*** in February 2012. 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 over 10 years of experience in terminal store sales and management. She is a daughter of a cousin of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen.

Mr. LIN Youhai , aged 41, is the deputy director of franchise department of the Group's brand ***V.E. DELURE***. Mr. Lin joined the Group in May 2007 as the assistant to director and was transferred to the position of manager of franchise department for ***V.E. DELURE*** in March 2010 and promoted to the position of deputy director of franchise department for ***V.E. DELURE*** in February 2012. Mr. Lin graduated from the Guangzhou Workers University in 2000. He has over 13 years of experience in sales and operation management and market network development. Prior to joining the Group, he had worked in the sales department of various companies such as Guangzhou Klundear Clothing Co., Ltd., A. Jesdani Clothing (Guangzhou) Co., Ltd. and Guangzhou Mendum Garment Co., Ltd..

Ms. ZHANG Qiaoling, aged 38, is the senior manager of the audit department. Ms. Zhang joined the Group in March 2001 as the head of the development department and was formally transferred to the purchasing department and promoted to the position of purchasing manager in 2007. She was then transferred to the audit department and promoted to the position of senior manager of audit department in November 2011. Ms. Zhang graduated with fashion design qualifications from Jiangxi Garments Institute in 1997. She has over 8 years of experience in clothing design including the process of clothing production and management. She also has over 3 years of experience in the processing and manufacturing of clothing and garment as well as the purchasing of complementary materials, and was familiar with the workflow and processes of clothing manufacturing and purchasing.

Mr. LIU Shaoqing, aged 38, is the deputy director of the design department of the Group's brand ***V.E. DELURE***. Mr. Liu joined the Group in February 2004 as a designer and was promoted to chief designer in 2006. He was further promoted to deputy director of the design department of ***V.E. DELURE*** in March 2011 and was primarily responsible for the research and development of product design for ***V.E. DELURE***. He graduated with qualifications in fashion design in 2000, and has been engaging in the fashion industry for over 8 years. He has over 8 years of experience in the processes of design, pattern-making, garment production and has related working experience.

Mr. YANG Hao, aged 31, is the deputy director of the design department of the Group's brand ***TESTANTIN***. Mr. Yang joined the Group in May 2006 as a fashion designer for ***TESTANTIN*** and was subsequently promoted to the head of design department for ***TESTANTIN*** in 2009. He was promoted to the position of deputy director of the design department of ***TESTANTIN*** in February 2012. He graduated in 2004 with fashion design qualifications and has worked in the fashion industry for over 9 years. He has over 9 years of experience in the processes of design, pattern-making and garment production and has related working experience.

Mr. TANG Changjiang, aged 39, is an assistant to the general manager of the Group's PRC division, responsible for the division's administration and human resources functions. He joined the Group in March 2012. Mr. Tang graduated from Lanzhou University with a degree in journalism. He worked as the general manager of the business department at Guangdong Apples Industrial Co., Ltd. as well as the deputy managing director of 廣州市彤佰咖服裝有限公司. He has 13 years of experience in managing garment business as well as handling the management and marketing of a conglomerate, especially familiar with the operations of sizable apparel enterprises based on his extensive knowledge and experience ranging from financial management to marketing and brand building.

Ms. ZHANG Xingfang, aged 44, is an assistant to the general manager of the Group's PRC division, responsible for the operation of the Group's training centre. She joined the Group in July 2011. Ms. Zhang graduated with a qualification in English teaching in 1992. She is a human resources manager and corporate trainer by profession. For the 20 years prior to joining the Group, she worked for Guangzhou Mechanical Engineering Research Institute, a unit at departmental level, Hanview Amenities Manufacturing (Guangzhou) Ltd. (a Hong Kong company), Guangzhou Denso (a Japanese company), "Ayilian" and "ALT" branded apparel, as well as "Meters/bonwe" branded apparel, accumulating a wealth of hands-on experience in human resources management.

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 34 to 83, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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

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 2012, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

25 March 2013

Consolidated Income Statement

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	5	**749,101**	757,411
Cost of sales		**(244,681)**	(262,338)
Gross profit		**504,420**	495,073
Other income and gains	5	**37,376**	47,984
Selling and distribution expenses		**(275,129)**	(242,614)
Administrative expenses		**(44,953)**	(45,731)
Other expenses		**(6,226)**	(480)
Finance costs	7	**(2,196)**	–
PROFIT BEFORE TAX	6	**213,292**	254,232
Income tax expense	10	**(58,040)**	(64,161)
PROFIT FOR THE YEAR		**155,252**	190,071
Attributable to:			
Owners of the Company	11	**155,252**	190,071
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic and diluted			
— For profit for the year		**RMB16.4 cents**	RMB19.7 cents

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
PROFIT FOR THE YEAR	**155,252**	190,071
OTHER COMPREHENSIVE INCOME/(LOSS):		
Exchange differences on translation of operations outside Mainland China	**1,249**	(15,706)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**156,501**	174,365
Attributable to:		
Owners of the Company	**156,501**	174,365

Consolidated Statement of Financial Position

31 December 2012

	Notes	**2012 RMB'000**	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**36,508**	37,870
Other intangible asset	15	**3,698**	–
Goodwill	16	**1,880**	1,880
Deferred tax assets	25	**7,218**	6,589
Prepayments for non-current assets	20	**251,935**	–
Pledged deposits	21	**103,100**	–
Total non-current assets		**404,339**	46,339
CURRENT ASSETS			
Inventories	18	**293,984**	284,571
Trade receivables	19	**148,138**	144,661
Prepayments, deposits and other receivables	20	**150,458**	148,887
Time deposits	21	**100,000**	100,000
Pledged deposits	21	**34,996**	10,000
Cash and cash equivalents	21	**592,693**	940,698
Total current assets		**1,320,269**	1,628,817
CURRENT LIABILITIES			
Trade and bills payables	22	**37,947**	127,576
Other payables and accruals	23	**70,389**	59,473
Interest-bearing bank borrowings	24	**28,941**	–
Tax payable		**64,674**	47,701
Total current liabilities		**201,951**	234,750
NET CURRENT ASSETS		**1,118,318**	1,394,067
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,522,657**	1,440,406
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	24	**97,643**	–
Deferred tax liabilities	25	**60**	215
Total non-current liabilities		**97,703**	215
Net assets		**1,424,954**	1,440,191
EQUITY			
Equity attributable to owners of the Company			
Issued capital	26	**829**	829
Reserves	28(a)	**1,323,550**	1,306,526
Proposed final and special final dividends	12	**100,575**	132,836
Total equity		**1,424,954**	1,440,191

CHAN Yuk Ming
Director

CHEN Yunan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

		Attributable to owners of the Company									
	Notes	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))	Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000 (note 12)	Total RMB'000
At 1 January 2011		857	1,125,510	2,639	1,072	27,411	–	(8,239)	255,513	61,878	1,466,641
Profit for the year		–	–	–	–	–	–	–	190,071	–	190,071
Other comprehensive income for the year:											
Exchange differences on translation of operations outside Mainland China		–	–	–	–	–	–	(15,706)	–	–	(15,706)
Total comprehensive income for the year		–	–	–	–	–	–	(15,706)	190,071	–	174,365
Final 2010 dividend declared		–	–	–	–	–	–	–	–	(61,878)	(61,878)
Interim 2011 dividend	12	–	(35,173)	–	–	–	–	–	–	–	(35,173)
Proposed final 2011 dividend	12	–	(66,418)	–	–	–	–	–	–	66,418	–
Proposed special final 2011 dividend	12	–	(66,418)	–	–	–	–	–	–	66,418	–
Repurchase of shares	26	(28)	(103,736)	–	–	–	28	–	(28)	–	(103,764)
Transfer from retained profits		–	–	–	–	18,741	–	–	(18,741)	–	–
At 31 December 2011		829	853,765*	2,639*	1,072*	46,152*	28*	(23,945)*	426,815*	132,836	1,440,191

		Attributable to owners of the Company									
	Notes	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))	Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000 (note 12)	Total RMB'000
At 1 January 2012		829	853,765*	2,639*	1,072*	46,152*	28*	(23,945)*	426,815*	132,836	1,440,191
Profit for the year		–	–	–	–	–	–	–	155,252	–	155,252
Other comprehensive income for the year:											
Exchange differences on translation of operations outside Mainland China		–	–	–	–	–	–	1,249	–	–	1,249
Total comprehensive income for the year		–	–	–	–	–	–	1,249	155,252	–	156,501
Final 2011 dividend declared	12	–	–	–	–	–	–	–	–	(132,836)	(132,836)
Interim 2012 dividend	12	–	(38,902)	–	–	–	–	–	–	–	(38,902)
Proposed final 2012 dividend	12	–	(47,441)	–	–	–	–	–	–	47,441	–
Proposed special final 2012 dividend	12	–	(53,134)	–	–	–	–	–	–	53,134	–
Transfer from retained profits		–	–	–	–	17,118	–	–	(17,118)	–	–
At 31 December 2012		829	714,288*	2,639*	1,072*	63,270*	28*	(22,696)*	564,949*	100,575	1,424,954

* These reserve accounts comprise the consolidated reserves of RMB1,323,550,000 (2011: RMB1,306,526,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**213,292**	254,232
Adjustments for:			
Finance costs	7	**2,196**	–
Foreign exchange gains		**(229)**	(11,416)
Interest income	5	**(35,843)**	(31,259)
Loss on disposal of items of property, plant and equipment	6	**–**	19
Depreciation	6	**23,004**	13,790
Write-down/(write-back) of inventories to net realisable value		**2,279**	(5,515)
		204,699	219,851
Increase in other prepayments for non-current assets	20	**(10,000)**	–
Increase in inventories		**(11,692)**	(80,284)
(Increase)/decrease in trade receivables		**(3,477)**	4,783
Increase in prepayments, deposits and other receivables		**(29,336)**	(30,281)
(Decrease)/increase in trade and bills payables		**(59,651)**	37,268
Increase in other payables and accruals		**11,584**	9,386
Cash generated from operations		**102,127**	160,723
Interest received		**33,221**	21,480
Mainland China corporate income tax paid		**(41,442)**	(37,608)
Hong Kong profits tax paid		**–**	(258)
Net cash flows from operating activities		**93,906**	144,337
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(22,374)**	(21,422)
Proceeds from disposal of items of property, plant and equipment		**44**	85
Additions to other intangible assets	15	**(3,698)**	–
Prepayments for property, plant and equipment	20	**(241,935)**	–
Increase in pledged deposits and time deposits		**(128,096)**	(110,000)
Net cash flows used in investing activities		**(396,059)**	(131,337)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue expenses		**–**	(5,428)
Repurchase of shares	26	**–**	(103,764)
New bank loans		**126,584**	–
Interest paid		**(2,196)**	–
Dividends paid		**(171,738)**	(97,051)
Net cash flows used in financing activities		**(47,350)**	(206,243)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(349,503)**	(193,243)
Cash and cash equivalents at beginning of year		**940,698**	1,138,041
Effect of foreign exchange rate changes, net		**1,498**	(4,100)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**592,693**	940,698
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**588,263**	940,698
Non-pledged time deposits with original maturity of less than three months when acquired	21	**4,430**	–
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows		**592,693**	940,698

Statement of Financial Position

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	–	–
Total non-current assets		–	–
CURRENT ASSETS			
Due from subsidiaries	17	880,596	1,064,791
Prepayments, deposits and other receivables	20	56	84
Cash and cash equivalents	21	1,300	252
Total current assets		881,952	1,065,127
CURRENT LIABILITIES			
Other payables and accruals	23	1,652	297
Due to subsidiaries	17	166,034	165,188
Total current liabilities		167,686	165,485
Net assets		714,266	899,642
EQUITY			
Issued capital	26	829	829
Reserves	28(b)	612,862	765,977
Proposed final and special final dividends	12	100,575	132,836
Total equity		714,266	899,642

CHAN Yuk Ming
Director

CHEN Yunan
Director

Notes to Financial Statements

31 December 2012

1. Corporate Information

The Company was incorporated in the Cayman Islands on 26 June 2008 as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The registered office address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal activity of the Company is investment holding.

During the year, the 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

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. 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.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it 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 the income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or retained profits, as appropriate.

2.2 Changes in Accounting Policy and Disclosures

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements:

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised IFRSs has had no significant financial effect on these financial statements.

2.3 Issued but not Yet Effective International Financial Reporting Standards

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

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — *TransitionGuidance*[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — *Investment Entities*[3]
IFRS 13	*Fair Value Measurement*[2]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
IAS 19 (Amendments)	Amendments to IAS19 *Employee Benefits*[2]
IAS 27 (Revised)	*Separate Financial Statements*[2]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

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

The IFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The Group expects to adopt the amendments from 1 January 2013.

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

2.3 Issued but not Yet Effective International Financial Reporting Standards (continued)

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in the income statement, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in the income statement. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 and SIC 12 *Consolidation — Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The adoption of this new standard is unlikely to have any impact on the Group.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In June 2012, the IASB issued amendments to IFRS 10, IFRS 11 and IFRS 12 which clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC 12 at the beginning of the annual period in which IFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

The amendments to IFRS 10 issued in October 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, IAS 27 (Revised), IAS 28 (Revised), and the subsequent amendments to these standards issued in June and October 2012 from 1 January 2013.

2.3 Issued but not Yet Effective International Financial Reporting Standards (continued)

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013, which is not expected to have a significant impact on the financial position of the Group upon adoption.

The IAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

IAS 19 (Amendments) include a number of amendments that range from fundamental changes to simple clarifications and re-wording. The amendments introduce significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt IAS 19 (2011) from 1 January 2013, which is not expected to have a significant impact on the financial position of the Group upon adoption.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have significant impact on the financial position or performance of the Group upon adoption.

The *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) IAS 1 *Presentation of Financial Statements: Clarifies* the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

    In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) IAS 32 *Financial Instruments: Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, deferred tax assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs 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 an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

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

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

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

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

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

Intangible assets (other than goodwill)

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

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

Operating leases

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

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. 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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

The Group's financial assets include cash and bank balances, time deposits, pledged deposits, trade and other receivables, 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 other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

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.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the 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.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. 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 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 loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

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

Financial liabilities

Initial recognition and measurement

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Subsequent measurement

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

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.

2.4 Summary of Significant Accounting Policies (continued)

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:

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

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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.

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. The adjustments on actual sales return made by customers and 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;

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

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

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

Employee retirement benefits

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

Under the Mandatory Provident Fund Schemes Ordinance in Hong Kong, the Company's subsidiaries registered in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme

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

Borrowing costs

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

2.4 Summary of Significant Accounting Policies (continued)

Dividends

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

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

Foreign currencies

The financial statements are presented in RMB, which is also adopted by the Company as the presentation currency of the Group. The Company's functional currency is Hong Kong dollars ("HK$"). These financial statements are presented in RMB for the convenience of the users of the financial statements as RMB is the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the 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 gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain Hong Kong and overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their 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 RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of Hong Kong and overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year since RMB has been defined.

3. Significant Accounting Judgements and Estimates

Estimation uncertainty

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

Impairment of property, plant and equipment

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

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 16.

Write-down of inventories to net realisable value

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

Deferred tax assets

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

	2012	2011
	RMB'000	RMB'000
Revenue		
Sale of goods	**749,101**	757,411
Other income and gains		
Bank interest income	**35,843**	31,259
Gains on sale of raw materials	**101**	357
Compensation income	**771**	1,400
Foreign exchange gains, net	**–**	14,271
Others	**661**	697
	37,376	47,984

6. Profit Before Tax

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

	Note	2012 RMB'000	2011 RMB'000
Cost of inventories sold		244,681	262,338
Depreciation	*14*	23,004	13,790
Operating lease rental expense:			
— Minimum lease payments		16,478	17,715
— Contingent rents		143,369	122,276
		159,847	139,991
Auditors' remuneration		2,082	1,944
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):			
— Wages and salaries		72,432	57,555
— Pension scheme contributions		7,975	5,478
		80,407	63,033
Donations*		3,180	–
Write-down of inventories to net realisable value*		2,279	459
Foreign exchange losses, net*		696	–
Loss on disposal of items of property, plant and equipment*		–	19

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

7. Finance Costs

An analysis of finance costs is as follows:

	2012 RMB'000	2011 RMB'000
Interest on bank borrowings wholly repayable within five years	2,196	–

8. Directors' and Chief Executive's Remuneration

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

	2012 RMB'000	2011 RMB'000
Fees	**579**	585
Other emoluments:		
Salaries, allowances and benefits in kind	**4,722**	4,458
Pension scheme contributions	**63**	56
	4,785	4,514
	5,364	5,099

(a) Independent non-executive directors

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

	2012 RMB'000	2011 RMB'000
Mr. FONG Wo, Felix	**193**	195
Mr. KWOK Chi Sun, Vincent	**193**	195
Mr. CHENG King Hoi, Andrew (appointed on 27 June 2012)	**99**	–
Dr. KO Wing Man (resigned on 27 June 2012)	**94**	195
	579	585

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

8. Directors' and Chief Executive's Remuneration (continued)

(b) Executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2012				
Executive directors:				
CHEN Yunan (陳育南)	–	1,589	26	1,615
CHEN Minwen (陳敏文)	–	1,589	26	1,615
	–	3,178	52	3,230
Executive director and the chief executive:				
CHAN Yuk Ming (陳育明)	–	1,544	11	1,555
	–	4,722	63	4,785
2011				
Executive directors:				
CHEN Yunan (陳育南)	–	1,597	23	1,620
CHEN Minwen (陳敏文)	–	1,597	23	1,620
	–	3,194	46	3,240
Executive director and the chief executive:				
CHAN Yuk Ming (陳育明)	–	1,264	10	1,274
	–	4,458	56	4,514

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

9. Five Highest Paid Employees

The five highest paid employees during the year included two directors and the chief executive (2011: two directors and the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2011: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2012 RMB'000	2011 RMB'000
Salaries, allowances and benefits in kind	**2,575**	1,316
Pension scheme contributions	**38**	30
	2,613	1,346

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

	Number of employees	
	2012	2011
Nil to RMB1,000,000	**1**	2
RMB1,500,001 to RMB2,000,000	**1**	–
	2	2

10. Income Tax

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

No profits tax has been provided for profits derived from the Cayman Islands and the BVI in both 2012 and 2011 since the applicable profits tax rate is zero.

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2012.

Macau profits tax has been provided at the rates ranging from 0% to 12% (2011: 0% to 12%) depending on the extent of estimated assessable profits arising in Macau during the year ended 31 December 2012.

10. Income Tax (continued)

The income tax provision of the Group in respect of its operations in Mainland China has been provided at the rate of 25% (2011: 25%) on the taxable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

	2012 RMB'000	2011 RMB'000
Current — Mainland China		
Charge for the year	**58,098**	61,780
Current — Hong Kong		
Charge for the year	**410**	897
Current — Macau		
Charge for the year	**316**	–
Deferred *(note 25)*	**(784)**	1,484
Total tax charge for the year	**58,040**	64,161

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

	2012 RMB'000	2012 %	2011 RMB'000	2011 %
Profit before tax	**213,292**		254,232	
Tax at the statutory tax rate	**53,323**	**25.00**	63,558	25.00
Lower tax rates enacted by local authorities	**2,939**	**1.38**	4,022	1.58
Effect of withholding tax at 10% on the bank interest income of the Group's Hong Kong subsidiaries	**409**	**0.19**	901	0.35
Income not subject to tax	**(1,534)**	**(0.72)**	(5,904)	(2.32)
Expenses not deductible for tax	**640**	**0.30**	32	0.01
Tax losses not recognised	**2,263**	**1.06**	1,552	0.61
Tax charge at the Group's effective rate	**58,040**	**27.21**	64,161	25.23

11. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 December 2012 includes a loss of RMB8,909,000 (2011: RMB13,756,000) which has been dealt with in the financial statements of the Company (note 28(b)).

12. Dividends

	2012 RMB'000	2011 RMB'000
Interim dividend — RMB4.1 cents (2011: RMB3.7 cents) per ordinary share	**38,902**	35,173
Proposed final dividend — RMB5.0 cents (2011: RMB7.0 cents) per ordinary share	**47,441**	66,418
Proposed special final dividend — RMB5.6 cents (2011: RMB7.0 cents) per ordinary share	**53,134**	66,418
	139,477	168,009

The proposed final dividend and special final dividend for the year are 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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of shares of 948,825,763 (2011: 966,285,892) in issue during the year ended 31 December 2012.

The calculation of basic earnings per share is based on:

	2012 RMB'000	2011 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**155,252**	190,071

	2012 '000	2011 '000
Shares		
Number of ordinary shares in issue during the year	**948,826**	982,197
Effects of shares repurchased and cancelled on 26 May 2011	–	(5,515)
Effects of shares repurchased and cancelled on 14 June 2011	–	(6,012)
Effects of shares repurchased and cancelled on 28 July 2011	–	(1,913)
Effects of shares repurchased and cancelled on 9 September 2011	–	(2,144)
Effects of shares repurchased and cancelled on 26 October 2011	–	(327)
Weighted average number of ordinary shares	**948,826**	966,286

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2012 and 2011 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 2012					
1 January 2012:					
Cost	1,449	4,994	8,914	41,613	56,970
Accumulated depreciation	(1,232)	(2,719)	(4,123)	(11,026)	(19,100)
Net carrying amount	217	2,275	4,791	30,587	37,870
At 1 January 2012, net of accumulated depreciation	217	2,275	4,791	30,587	37,870
Additions	13	1,178	1,975	18,540	21,706
Disposals	–	–	(44)	–	(44)
Depreciation provided during the year	(99)	(991)	(1,820)	(20,094)	(23,004)
Exchange realignment	–	1	(6)	(15)	(20)
At 31 December 2012, net of accumulated depreciation	131	2,463	4,896	29,018	36,508
At 31 December 2012:					
Cost	1,461	6,169	9,772	49,631	67,033
Accumulated depreciation	(1,330)	(3,706)	(4,876)	(20,613)	(30,525)
Net carrying amount	131	2,463	4,896	29,018	36,508

14. Property, Plant and Equipment (continued)

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 2011					
1 January 2011:					
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
At 1 January 2011, net of accumulated depreciation	459	2,616	2,351	17,603	23,029
Additions	7	513	3,711	24,701	28,932
Disposals	–	–	(104)	–	(104)
Depreciation provided during the year	(249)	(843)	(1,156)	(11,542)	(13,790)
Exchange realignment	–	(11)	(11)	(175)	(197)
At 31 December 2011, net of accumulated depreciation	217	2,275	4,791	30,587	37,870
At 31 December 2011:					
Cost	1,449	4,994	8,914	41,613	56,970
Accumulated depreciation	(1,232)	(2,719)	(4,123)	(11,026)	(19,100)
Net carrying amount	217	2,275	4,791	30,587	37,870

15. OTHER INTANGIBLE ASSET

	Group	
	2012 RMB'000	2011 RMB'000
Golf club debenture	**3,698**	–

The golf club debenture represents club membership in Hong Kong. The directors of the Company consider that no impairment of the balance of golf club debenture is required as its fair value was higher than its carrying value as at 31 December 2012.

16. Goodwill

	Group RMB'000
Cost and net carrying amount at 31 December 2011 and 2012	1,880

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the products selling cash-generating unit for impairment testing. The recoverable amount is determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a three-year period. The discount rate applied to the cash flow projection is 21%. The growth rate used to extrapolate the cash flows for the second and third years has been assumed to be the industrial average growth rate.

Assumptions were used in the value in use calculation of the products selling cash-generating unit for 31 December 2012 and 31 December 2011. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

17. Investments in Subsidiaries

	Company	
	2012 RMB'000	2011 RMB'000
Investments in subsidiaries*	–	–

* Investments in subsidiaries represented the investment cost 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 RMB880,596,000 (2011: RMB1,064,791,000) and RMB166,034,000 (2011: RMB165,188,000), respectively, are unsecured, interest-free and are repayable on demand.

17. Investments in Subsidiaries (continued)

Particulars of the subsidiaries are as follows:

Company name	*Note*	Date of incorporation/ establishment	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Sunsonic Holdings Limited		16 April 2008	BVI	US$1/ US$50,000	100	–	Investment holding
Richwood Management Limited		1 July 2004	BVI	US$1/ US$50,000	–	100	Holding of trademarks and investment holding
Evergreen (International) Group Limited (長興集團(國際)有限公司)		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	PRC/ 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	PRC/ Mainland China	RMB30,000,000/ RMB30,000,000	–	100	Sale of clothing and clothing accessories
Guangzhou Forever Green Trading Co., Ltd. (廣州市長珠興貿易有限公司)	*(i)*	15 January 2004	PRC/ Mainland China	RMB20,000,000/ RMB20,000,000	–	100	Sale of clothing and clothing accessories
VE Delure SARL		22 October 2001	France	EUR8,000/ EUR8,000	–	100	Holding of trademarks
Asia Effort Limited (Macau) (振亞一人有限公司)		24 March 2011	Macau	MOP25,000/ MOP25,000	–	100	Retailing and trading of garment products

Note:

(i) All these companies are wholly-foreign-owned enterprises under the law of the People's Republic of China ("PRC"). The English names of the Company's subsidiaries registered in Mainland China represent the translated names of these companies as no English names have been registered.

18. Inventories

	Group 2012 RMB'000	2011 RMB'000
Raw materials	**9,064**	5,475
Work in progress	**5,299**	8,183
Finished goods	**279,621**	270,913
	293,984	284,571

The amount of the write-down of inventories to net realisable value recognised for the year ended 31 December 2012 was RMB2,279,000 (2011: write-back of inventories of RMB5,515,000).

19. Trade Receivables

	Group 2012 RMB'000	2011 RMB'000
Trade receivables	**148,138**	144,661

Retail sales are made in cash or by credit card and sales through department stores are generally collectible within one month to three months. Sales to distributors are mainly on credit. The credit period is generally one month, extending up to three months. The Group grants longer credit periods to those long standing customers with good payment history.

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

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

	Group 2012 RMB'000	2011 RMB'000
Within 1 month	**125,037**	125,702
1 to 3 months	**11,847**	12,095
3 to 6 months	**8,947**	5,717
6 months to 1 year	**2,190**	661
Over 1 year	**117**	486
	148,138	144,661

19. 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	
	2012	2011
	RMB'000	RMB'000
Neither past due nor impaired	**136,884**	137,797
Less than 3 months past due	**8,947**	5,717
3 to 6 months past due	**2,167**	351
6 months to 1 year past due	**111**	783
Over 1 year past due	**29**	13
	148,138	144,661

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

20. Prepayments, Deposits and Other Receivables

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current				
Prepayments for new offices	**241,935**	–	**–**	–
Other prepayments	**10,000**	–	**–**	–
	251,935	–	**–**	–
Current				
Prepayments	**80,489**	60,186	**–**	–
Deposits and other receivables	**69,969**	88,701	**56**	84
	150,458	148,887	**56**	84
	402,393	148,887	**56**	84

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.

21. Cash and Cash Equivalents, Time Deposits and Pledged Deposits

		Group		Company	
		2012	2011	**2012**	2011
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**588,263**	940,698	**1,300**	252
Time deposits with original maturity within three months when acquired		**4,430**	–	**–**	–
Time deposits with original maturity of over three months when acquired		**238,096**	110,000	**–**	–
		830,789	1,050,698	**1,300**	252
Less: Pledged time deposits:					
Pledged for bank acceptance bills	*22*	**(2,584)**	(10,000)	**–**	–
Pledged for short term bank loans	*24*	**(32,412)**	–	**–**	–
Pledged for long term bank loans	*24*	**(103,100)**	–	**–**	–
Non-pledged time deposits with original maturity of over three months when acquired		**(100,000)**	(100,000)	**–**	–
Cash and cash equivalents		**592,693**	940,698	**1,300**	252

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi amounted to RMB707,156,000 (2011: RMB1,036,174,000), 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 in banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one month and two years depending on the cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22. Trade and Bills Payables

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

	Group	
	2012	2011
	RMB'000	RMB'000
Within 1 month	**9,015**	14,609
1 to 3 months	**14,065**	33,235
3 to 6 months	**13,771**	75,672
6 months to 1 year	**236**	1,826
Over 1 year	**860**	2,234
	37,947	127,576

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.

Included in trade and bills payables are bills payable of RMB20,022,000 (2011: RMB50,000,000), which are non-interest-bearing and settled on terms of six months. The bills are secured by the pledged deposits amounting to RMB2,584,000 (2011: RMB10,000,000).

23. Other Payables and Accruals

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances from customers	**16,964**	6,736	**–**	–
Other payables	**51,297**	47,161	**347**	297
Accruals	**2,128**	5,576	**1,305**	–
	70,389	59,473	**1,652**	297

Other payables are non-interest-bearing.

24. Interest-Bearing Bank Borrowings

Group	2012 Effective interest rate (%)	2012 Maturity	2012 RMB'000	2011 Effective interest rate (%)	2011 Maturity	2011 RMB'000
Current						
Bank loans — secured	variable rate of 2.3% below Hong Kong Dollar Best Lending Rate	2013	28,941	–	–	–
Non-current						
Bank loans — secured	3.15	2014	97,643	–	–	–
			126,584			–

	Group 2012 RMB'000	Group 2011 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**28,941**	–
In the second year	**97,643**	–
	126,584	–

Notes:

(a) The Group's bank loans are secured by the pledge of certain of the Group's time deposits amounting to RMB135,512,000 (2011: Nil) as set out in note 21 above.

(b) All borrowings are denominated in Hong Kong dollars.

25. Deferred Tax

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

Deferred tax liabilities

Group

	2012 Depreciation allowance in excess of related depreciation RMB'000	Total RMB'000
At 1 January 2012	215	215
Deferred tax credited to the income statement during the year *(note 10)*	(155)	(155)
Gross deferred tax liabilities at 31 December 2012	60	60

Deferred tax assets

Group

	2012				
	Impairment provision RMB'000	Unrealised profit on inventories RMB'000	Accrued expenses RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2012	2,595	2,726	1,268	–	6,589
Deferred tax credited/(charged) to the Income statement during the year *(note 10)*	610	(973)	399	593	629
Gross deferred tax assets at 31 December 2012	3,205	1,753	1,667	593	7,218

25. Deferred Tax (continued)

Deferred tax liabilities

Group

	2011 Depreciation allowance in excess of related depreciation RMB'000	Total RMB'000
At 1 January 2011	77	77
Deferred tax charged to the income statement during the year *(note 10)*	145	145
Exchange realignment	(7)	(7)
Gross deferred tax liabilities at 31 December 2011	215	215

Deferred tax assets

Group

	2011			
	Impairment provision RMB'000	Unrealised profit on inventories RMB'000	Accrued expenses RMB'000	Total RMB'000
At 1 January 2011	3,713	3,219	996	7,928
Deferred tax credited/(charged) to the income statement during the year *(note 10)*	(1,118)	(493)	272	(1,339)
Gross deferred tax assets at 31 December 2011	2,595	2,726	1,268	6,589

The Group has accumulated tax losses arising in Hong Kong of RMB32,909,000 (2011: RMB25,911,000) 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 enjoys a 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)

Deferred tax assets (continued)

At 31 December 2011 and 2012, 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 RMB598 million at 31 December 2012 (2011: RMB440 million).

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

26. Share Capital

Shares

	2012 HK$'000	2011 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.001 each	**10,000**	10,000

	2012 RMB'000	2011 RMB'000
Issued and fully paid:		
948,825,763 (2011: 948,825,763) ordinary shares of HK$0.001 each	**829**	829

A summary of the transactions during the year 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 2011	982,196,763	857	1,187,388	1,188,245
Repurchase of ordinary shares	(33,371,000)	(28)	(103,736)	(103,764)
At 31 December 2011 and 1 January 2012	948,825,763	829	1,083,652	1,084,481
At 31 December 2012	948,825,763	829	1,083,652	1,084,481

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 exceed 1% of the total number of shares in issue, unless approval of the Company's shareholders is obtained.

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

The subscription price in respect of each share issued pursuant to the exercise of an option granted under the Scheme shall be solely determined by the board and shall not be less than the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant (provided that the new issue price shall be used as the closing price for any business day falling within the period before listing of the shares where the Company has been listed for less than five business days as at the date of grant); and (c) the nominal value of a share. The Scheme does not contain any provision of minimum period for which an option must be held before it can be exercised unless otherwise determined by the board 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 page 37 of the financial statements.

(i) Merger reserve

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

(ii) Statutory surplus reserve

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

(iii) Acquisition reserve

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

28. Reserves (continued)

(b) Company

	Notes	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2011		1,125,510	(14,004)	(12,349)	1,099,157
Total comprehensive loss for the year		–	(47,679)	(13,756)	(61,435)
Repurchase of shares	*26*	(103,736)	–	–	(103,736)
Interim 2011 dividend		(35,173)	–	–	(35,173)
Proposed final 2011 dividend	*12*	(66,418)	–	–	(66,418)
Proposed special final 2011 dividend	*12*	(66,418)	–	–	(66,418)
At 31 December 2011 and 1 January 2012		853,765	(61,683)	(26,105)	765,977
Total comprehensive loss for the year		–	(4,729)	(8,909)	(13,638)
Interim 2012 dividend	*12*	(38,902)	–	–	(38,902)
Proposed final 2012 dividend	*12*	(47,441)	–	–	(47,441)
Proposed special final 2012 dividend	*12*	(53,134)	–	–	(53,134)
At 31 December 2012		714,288	(66,412)	(35,014)	612,862

29. Pledge of Assets

Details of the Group's bills payables and bank loans, which are secured by the time deposits of the Group, are included in notes 22 and 24, respectively, to the financial statements.

30. Operating Lease Arrangements

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

At 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2012 RMB'000	2011 RMB'000
Within one year	**10,868**	17,846
In the second to fifth years, inclusive	**5,620**	11,608
	16,488	29,454

31. Commitments

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

	Group	
	2012	2011
	RMB'000	RMB'000
Contracted, but not provided for:		
Leasehold improvements	**392**	673
Other non-current assets	**58,000**	–
	58,392	673

32. Related Party Transactions

Compensation of key management personnel of the Group:

	Group	
	2012	2011
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**11,258**	8,528
Pension scheme contributions	**236**	167
Total compensation paid to key management personnel	**11,494**	8,695

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

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	
	2012	2011
	Loans and receivables	Loans and receivables
	RMB'000	RMB'000
Trade receivables	**148,138**	144,661
Financial assets included in prepayments, deposits and other receivables	**33,466**	20,471
Pledged deposits	**138,096**	10,000
Time deposits	**100,000**	100,000
Cash and cash equivalents	**592,693**	940,698
	1,012,393	1,215,830

33. Financial Instruments by Category (continued)

Financial liabilities

	Group	
	2012	2011
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	RMB'000	RMB'000
Trade and bills payables	**37,947**	127,576
Financial liabilities included in other payables and accruals	**4,582**	3,511
Interest-bearing bank borrowings	**126,584**	–
	169,113	131,087

Financial assets

	Company	
	2012	2011
	Loans and receivables	Loans and receivables
	RMB'000	RMB'000
Financial assets included in prepayments, deposits and other receivables	**56**	84
Due from subsidiaries	**880,596**	1,064,791
Cash and cash equivalents	**1,300**	252
	881,952	1,065,127

Financial liabilities

	Company	
	2012	2011
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	**1,652**	297
Due to subsidiaries	**166,034**	165,188
	167,686	165,485

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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Trade receivables	**148,138**	144,661	**148,138**	144,661
Financial assets included in prepayments, deposits and other receivables	**33,466**	20,471	**33,466**	20,471
Pledged deposits	**138,096**	10,000	**138,096**	10,000
Time deposits	**100,000**	100,000	**100,000**	100,000
Cash and cash equivalents	**592,693**	940,698	**592,693**	940,698
	1,012,393	1,215,830	**1,012,393**	1,215,830

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Trade and bills payables	**37,947**	127,576	**37,947**	127,576
Financial liabilities included in other payables and accruals	**4,582**	3,511	**4,582**	3,511
Interest-bearing bank borrowings	**126,584**	–	**126,584**	–
	169,113	131,087	**169,113**	131,087

34. Fair Value (continued)

Company

	Carrying amounts		Fair values	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets included in prepayments, deposits and other receivables	**56**	84	**56**	84
Due from subsidiaries	**880,596**	1,064,791	**880,596**	1,064,791
Cash and cash equivalents	**1,300**	252	**1,300**	252
	881,952	1,065,127	**881,952**	1,065,127

	Carrying amounts		Fair values	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Financial liabilities included in other payables and accruals	**1,652**	297	**1,652**	297
Due to subsidiaries	**166,034**	165,188	**166,034**	165,188
	167,686	165,485	**167,686**	165,485

The fair values of cash and cash equivalents, pledged deposits, time deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. The fair values of the interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of the bank borrowings.

35. Financial Risk Management Objectives and Policies

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

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings of RMB28,941,000 with a floating interest rate. Due to the fact that these bank borrowings bear an interest rate which is closed to the market interest rate, the Group anticipates no material interest rate risk in relation to these bank borrowings.

Foreign currency risk

The Group has transactional currency exposures. Such exposures mainly arise from sales or purchases by operating units in currencies other than the units' functional currencies and cash in banks of operating units denominated in currencies other than the units' functional currencies. Approximately 5% (2011: 4%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 6% (2011: 6%) of purchases were denominated in currencies other than the functional currencies of the operating units making the purchase. Approximately 25% (2011: 14%) of the Group's cash in banks were denominated in currencies other than the functional currencies of the operating units. The Group is exposed to the foreign currency risk mainly arising from changes in the exchange rate of HK$ against RMB. The Group has not hedged its foreign exchange rate risk based on the consideration that the foreign currency transactions are not significant to the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$ exchange rate, with all other variables held constant, of the Group's profit 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 RMB'000	Increase/ (decrease) in equity * RMB'000
2012			
If RMB weakens against HK$	**5**	**(3,880)**	**389**
If RMB strengthens against HK$	**(5)**	**3,880**	**(389)**
2011			
If RMB weakens against HK$	5	(1,778)	–
If RMB strengthens against HK$	(5)	1,778	–

* Excluding retained profits

35. Financial Risk Management Objectives and Policies (continued)

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, pledged deposits, time deposits, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 19 and 20 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.

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

	2012			
	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	–	37,947	–	37,947
Financial liabilities included in other payables and accruals	4,582	–	–	4,582
Interest-bearing bank borrowings	–	32,396	98,890	131,286
	4,582	70,343	98,890	173,815

	2011			
	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	–	127,576	–	127,576
Financial liabilities included in other payables and accruals	3,511	–	–	3,511
	3,511	127,576	–	131,087

35. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

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

	2012		
	On demand RMB'000	Less than 1 year RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	**–**	**1,652**	**1,652**
Due to subsidiaries	**166,034**	**–**	**166,034**
	166,034	**1,652**	**167,686**

	2011		
	On demand RMB'000	Less than 1 year RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	–	297	297
Due to subsidiaries	165,188	–	165,188
	165,188	297	165,485

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 2012 and 2011.

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

	Group	
	2012	2011
	RMB'000	RMB'000
Interest-bearing bank borrowings	**126,584**	–
Trade and bills payables	**37,947**	127,576
Other payables and accruals *(note 23)*	**70,389**	59,473
Less: Cash and cash equivalents	**(592,693)**	(940,698)
Net debt	**(357,773)**	(753,649)
Equity attributable to owners of the Company	**1,424,954**	1,440,191
Capital and net debt	**1,067,181**	686,542
Gearing ratio	**N/A**	N/A

36. Events after the Reporting Period

On 19 February 2013, Guangdong Evergreen Garment Co., Ltd. (長興(廣東)服飾有限公司), an indirect wholly-owned subsidiary of the Company, entered into a series of pre-sale agreements with Guangzhou Hongsheng Real Estate Enterprise Co., Ltd. (廣州宏昇房地產實業有限公司) to acquire certain office properties in a commercial building in Guangzhou of the PRC at a consideration of approximately RMB87,501,000, which was subsequent to the acquisition of certain office properties (together with car parking spaces) of the same building pursuant to a series of pre-sale agreements on 2 November 2012 (see note 20). The amount was settled on 5 March 2013.

37. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 25 March 2013.

Five Year Financial Summary

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

	Year ended 31 December				
	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Results					
REVENUE	749,101	757,411	600,131	409,013	340,408
Cost of sales	(244,681)	(262,338)	(214,712)	(161,141)	(137,053)
Gross profit	504,420	495,073	385,419	247,872	203,355
Other income and gains	37,376	47,984	7,098	2,067	2,161
Selling and distribution expenses	(275,129)	(242,614)	(160,232)	(89,079)	(98,673)
Administrative expenses	(44,953)	(45,731)	(34,452)	(20,842)	(19,925)
Other expenses	(6,226)	(480)	(10,622)	(3,000)	(6,767)
Finance costs	(2,196)	–	(11,073)	(6,065)	(5,217)
PROFIT BEFORE TAX	213,292	254,232	176,138	130,953	74,934
Income tax expense	(58,040)	(64,161)	(23,137)	(26,035)	(14,456)
PROFIT FOR THE YEAR	155,252	190,071	153,001	104,918	60,478
Attributable to:					
Owners of the Company	155,252	190,071	153,001	104,918	60,478

Assets, Liabilities and Equity

	As at 31 December				
	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
TOTAL ASSETS	1,724,608	1,675,156	1,582,200	381,959	288,403
TOTAL LIABILITIES	(299,654)	(234,965)	(115,559)	(208,034)	(164,698)
TOTAL EQUITY	1,424,954	1,440,191	1,466,641	173,925	123,705