Cabbeen

CABBEEN FASHION LIMITED
卡賓服飾有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 2030

Annual Report 2013

ABOUT CABBEEN

Cabbeen is a leading Chinese menswear designer brand.

Cabbeen Fashion Limited and its subsidiaries are principally engaged in the design of men's apparel, footwear and accessories, brand management, and wholesaling and retailing of menswear in the People's Republic of China.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yang Ziming *(Chairman)*
Mr. Ng Siu Keung *(Chief Executive Officer)*
Mr. Ke Rongqin
Mr. Tian Dongliang
Mr. Wei Qiang

Independent Non-Executive Directors

Mr. Tsui Yung Kwok
Mr. Chen Honghui
Mr. Leung Ming Shu

AUDIT COMMITTEE

Mr. Tsui Yung Kwok *(Chairman)*
Mr. Chen Honghui
Mr. Leung Ming Shu

REMUNERATION COMMITTEE

Mr. Tsui Yung Kwok *(Chairman)*
Mr. Leung Ming Shu
Mr. Ng Siu Keung

NOMINATION COMMITTEE

Mr. Yang Ziming *(Chairman)*
Mr. Chen Honghui
Mr. Leung Ming Shu

CORPORATE GOVERNANCE COMMITTEE

Mr. Ng Siu Keung *(Chairman)*
Mr. Wei Qiang
Mr. Tsui Yung Kwok
Mr. Leung Ming Shu

AUTHORISED REPRESENTATIVES

Mr. Ng Siu Keung
Ms. Wong Lai Wah, *FCPA*

COMPANY SECRETARY

Ms. Wong Lai Wah, *FCPA*

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1603, 16/F, Billion Plaza
8 Cheung Yue Street
Cheung Sha Wan
Kowloon
Hong Kong

HEADQUARTERS IN CHINA

Cabbeen Apparel Building
No. 379 Shougouling Road
Tianhe District
Guangzhou 510507
PRC

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

KPMG, *Certified Public Accountants*

LEGAL ADVISOR AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

WEBSITE

www.ir.cabbeen.com

Financial Highlights

	2013 RMB'000	2012 RMB'000	Changes %
Financial highlights			
Turnover	**943,492**	940,057	0.4%
Gross profit	**389,735**	380,300	2.5%
Profit before taxation	**274,394**	200,775	36.7%
EBITDA	**293,202**	240,890	21.7%
Profit for the year	**195,355**	130,217	50.0%
Basic and diluted earnings per share (RMB)	**0.35**	0.25	40%
Total assets	**1,219,342**	865,459	40.9%
Total equity	**602,588**	126,608	376.0%
Profitability ratios			
Gross profit margin	**41.3%**	40.5%	
EBITDA margin	**31.1%**	25.6%	
Net profit margin	**20.7%**	13.9%	
Return on total assets(1)	**16.0%**	15.0%	
Return on equity(2)	**32.4%**	102.9%	
Liquidity ratios			
Current ratio	**1.90**	1.07	
Average inventory turnover days(3)	**30**	55	
Average trade and bills receivables turnover days(4)	**34**	87	
Average trade and bills payables turnover days(5)	**253**	236	
Capital ratio			
Interest coverage ratio(6)	**39.9**	8.4	
Net debt to equity ratio(7)	**(73.2%)**	(38.8%)	
Gearing ratio(8)	**15.0%**	108.2%	

Notes:

(1) Return on total assets equals net profit for the year divided by the closing balance of total assets.

(2) Return on equity equals net profit for the year divided by the closing balance of total shareholders' equity.

(3) Average inventory turnover days is equal to the average of the beginning and closing inventory balance divided by cost of sales and multiplied by the number of days in the year.

(4) Average trade and bills receivables turnover days is equal to the average of the beginning and closing trade and bills receivables balance divided by turnover (including value-added tax) and multiplied by the number of days in the year.

(5) Average trade and bills payables turnover days is equal to the average of the beginning and closing trade and trade bills payables balance divided by costs of sales and multiplied by the number of days in the year.

(6) Interest coverage ratio equals profit before interest and tax for one period divided by interest expenses of the same period.

(7) Net debt to equity ratio equals net debt divided by total equity as of the end of the period. Net debt includes all borrowings net of cash and cash equivalents.

(8) Gearing ratio equals total debts divided by total equity.

To all shareholders,

"I am pleased to present the annual results of Cabbeen Fashion Limited (the "Company") and its subsidiaries (collectively the "Group" or "Cabbeen Fashion") for 2013."

On behalf of the board (the "Board") of directors (the "Directors") of Cabbeen Fashion Limited (the "Company", stock code: 2030), I hereby present the results of the Company, and its subsidiaries (collectively the "Group" or "Cabbeen") for the year ended 31 December 2013.

In 2013, while the global economy gradually recovered, the aftermath of international financial crisis lingered. Even through China is the driving force of global economic growth, it also faces difficulties from various external challenges, and recorded a GDP growth of 7.5% in the year 2013, which is 0.3 percentage point lower than that of 2012. In terms of market condition, year 2013 is the turning point for the Chinese apparel industry. Under the macro environment both at home and abroad, many apparel enterprises were facing challenges presented by a lack of momentum, if not a drop in sales growth, which put pressure on their revenue as well as their profitability. Under the unfriendly operating environment and volatile prospect, we are still confident towards the massive potential in China's menswear industry. We are of the opinion that such factors will not hinder the development of the menswear industry in the long run. Based on our insights into China's menswear industry over the years, we believe that market demand of menswear mainly comes from the increase in disposable income of consumers and changes in the attitude of consumption, and we are optimistic towards the long term development of the industry.

Last year, we introduced Cabbeen to the international capital market and the Company was duly listed on the Main Board of The Stock Exchange of Hong Kong Limited on 28 October 2013. The listing made it possible for the Group to access the international capital market. The initial public offering of the Company enabled the Group to strengthen its capital with the net proceeds from the offering and enhanced the reputation and image of Cabbeen. We believe Cabbeen is now well-positioned to seize the enormous opportunities for further development of the China fashion casual menswear industry.

During the year ended 31 December 2013, the Group recorded a turnover of approximately RMB943.5 million (2012: RMB940.1 million). Profit for the year was approximately RMB195.4 million (2012: RMB130.2 million). Earnings per share was RMB0.35 (2012: RMB0.25). Attributable to the continuous effort of the Group and our staff, in 2013, we achieved the forecasted consolidated profit attributable to equity shareholders of not less than RMB189.1 million as disclosed in the Prospectus. The Board is pleased to propose a cash final dividend of HK$14.5 cents per share, the total payout ratio is 41.2%.

As an original designer brand, Cabbeen targeted the fashion causal wear market from the start, and focused our creativity on this sector to attain our market niche. Then, we expanded our distribution network with determination prudently and set up forward thinking ERP system. While we continue to excel in fashion creativity, our ERP system enables us to closely control the operations of the Group, and maintain a steady growth rate which outperformed the market amid the overall depression among China's menswear market in 2013.

Facing uncertainties under the macroeconomic environment, the Group managed to maintain its leading market position during the year. According to third party industry research carried out in January 2013, Cabbeen was named one of the three major fashion casual menswear brands in China, and ranked second in terms of brand awareness and customers loyalty. Cabbeen has long recognised that, as the PRC economy develops, more and more consumers go after fashionable apparel to manifest their personal style. In recent years, male customers in China are moving from business-chic to individualism in terms of style when selecting their apparel, a trend that goes in line with Cabbeen's philosophy of liberating the traditional PRC menswear norms. The unique brand image and designer-oriented operation model of our brand would further enhance our original and fashionable designs, reflecting our strategy to continue to attract target consumers and expand our loyal end-customer base. Our design team, under my leadership, is one of the most important and irreplaceable assets of Cabbeen. Our design, research and development team the theme of Cabbeen's designs for each year, as well as the design of new products for each season and develops the patterns and fabrics for our apparel. As at 31 December 2013, our designer, research and development team had 127 staff. Leveraging on the ingenuity of our design team, Cabbeen was recognized by "China Fashion Association" as one of the leading apparel designer brands in China for the year ended 31 December 2013. Based on the latest fashion trend, supply of different materials and historic consumer data, our design, research and development team would carry out product and design planning, improve our existing products, develop samples and stipulate production standards, in order to ensure that the sub-contractors could meet our standards in terms of production costs, delivery schedule and quality control. These measures would not only minimize discrepancies in the overall product designs, but also ensure prime quality of our products, which would in turn attract more customers and serves as the major factor in maintaining our massive VIP member base. As at 31 December, 2013, we had over 210,000 VIP members up 64% from those at 31 December 2012.

We have also established an extensive and systematic distribution network. The number of outlets of the Group increased substantially from 637 stores by the end of 2010 to 1,027 stores in 2013. We would make adjustment to our sales network according to the market conditions from time to time. The advanced and well-implemented ERP system of the Group enabled the effective management of our retail outlets. The ERP system, built upon the framework of SAP software system, connects the research and development, purchasing, production and sales processes throughout our value chain, tracking each product from production, delivery to end-sale, and covers all of our retail outlets. Our ERP system formed the solid foundation for our long-term development, as we not only possess acute sense and vision towards future trends in fashion, but are also supported by objective data for our planning and analysis of demand for our new products each year and effective control over the end-sale and inventory positions of our products. Based on the operation data generated from our ERP system, same-store-sales growth in 2013 was at low double digit percentage reflecting a relatively strong performance in the menswear industry under a challenging external economic environment.

Beginning in December 2012, we started to set up a few self-operated retail outlets in selected regions primarily as model stores to enhance our brand recognition, demonstrate our standards for store outlook and provide guidance to distributors in brand promotion and retail management. We believe that these model stores, along with our other efforts, would help to further improve and unify our brand image at the retail level.

Looking ahead, we endeavor to seize every opportunity in the market for development in order to solidify Cabbeen's leading status in China's fashion casual menswear market. In the long run, we aim to establish Cabbeen as a leading international designer brand with a collection of well-known brands. In the coming year, we will endeavor to implement the following key measures to drive our speedy yet stable development:

1. Continue to promote our brands to enhance our brand awareness nationwide, which includes setting up few self-operated retail outlets as model stores to provide guidance to distributors in terms of outlet image and marketing; to increase our efforts in advertising, and explore and develop new promotion channels; to solidify our brand awareness within the fashion industry by launching fashion shows during Fashion Week, the largest and most influential fashion event in China; and continue to expand our VIP program while providing more value-added services to our VIP members.

2. As a leading designer brand in China, our strong design, research and development capacity is the key to our future development and sustainable growth. Thus we will allocate more resources to further enhance our design, research and development capabilities, which includes the acquisition of land and construction of new building in Guangzhou County, Guangdong Province for the expansion of our design, research and development center; to recruit more talented designers so as to expand our design, research and development team; to provide them with comprehensive training; and to set up workshops overseas to join hands with domestic and foreign designers in design, research and development efforts.

3. Further strengthen and enhance our distribution network efficiency. We plan to expand our distribution network to new regional markets, and increase our penetration rate in existing markets, so as to expand the coverage of our retail outlets; and further integrate our business with our distributors, thus enhancing the efficiency of our existing distribution network.

4. Continue to upgrade and expand our ERP system with the view to strengthen our value-chain management. We will continue to focus on developing an advanced supply-chain management system, to upgrade the retail management system within our ERP framework, and to launch additional executive information system in order to enhance operation efficiency, which would expedite our effort in obtaining and processing market information, thus shorten the time-to-market of our new products.

Despite that China's apparel industry is now facing strenuous challenges in year 2014, our management remains prudently optimistic in implementing various business strategies, while the orders for our 2014 spring and summer collections are on a steady uptrend, up 17% and 29% respectively as compared to that of our 2013 spring and summer collections. We will continue to focus on China's fashion casual menswear industry, and to further expand our businesses to enhance shareholders' value.

To achieve today's successes, Cabbeen relies on the collaboration of all staff members, as well as the strong support from our shareholders, VIP members and business partners. In 2014, we endeavor to overcome any challenges to achieve an outstanding performance.

Mr. Ziming Yang
Chairman

20 February 2014

Management Discussion and Analysis

INDUSTRY OVERVIEW

The global economy during the year ended 31 December 2013 has experienced fluctuations. The US Federal Reserve announced its withdrawal from the quantitative easing program, resulting in uncertainties in the global economy. While US reduced her bond purchases, another major economy, the Euro Zone, showed no signs of recovery. Facing a rough path to recovery, the economy of the Euro Zone remained depressed in 2013. As the driver of global economic growth, China was also influenced by external challenges, and was expected to record a slower growth in GDP in 2013.

However, with the rapid urbanization in China driving up national income and consumer confidence, spending on menswear per capita has been gradually rising, along with increased purchasing power, fashion consciousness, brand awareness of China's urban middle-class consumers and increased demand for personalized apparel by them.

In 2013, the menswear industry in China focused on acquiring a deeper understanding of consumers demand, in order to deliver products that meet consumers' needs. As such, original and fashionable designer brands proved to be highly competitive in gaining a larger share within the competitive market. On the other hand, brands of mundane styles are seeing a decrease in their market share and are gradually driven out of the market.

FINANCIAL REVIEW

For the year ended 31 December 2013, profit attributable to equity shareholders was RMB195.4 million, representing an increase of 50.0% as compared to RMB130.2 million for the previous year.

Upon recognition of the changing market conditions in the third quarter of 2011, we proactively took swift actions and worked together with our distributors to reduce the inventory level in our distribution channel, including reducing the purchase orders accepted for 2013 spring/summer collections and postponing the introduction of our 2013 spring collection. Although these actions inevitably reduced our wholesales revenue for the first half of 2013, they enabled the Group to better position itself for future development, as cashflow, channel inventory ageing and profitability of our distributors have all been improved after these actions.

Turnover

The Group's revenue for the year ended 31 December 2013 amounted to RMB943.5 million, representing a slight increase of 0.4% as compared to RMB940.1 million recorded in 2012.

To mitigate the impact of the weakened consumer sentiment in the PRC market, we took initiatives to reduce distributors' orders and a series of other measures for product seasons from 2012 summer to 2013 summer, which alleviated inventory pressure in our distribution channel. In particular, we proactively reduced the purchase orders we accepted for our 2013 spring and summer collections and postponed the introduction of our 2013 spring collection in order to allow more time for our distributors and sub-distributors to sell their out-of-season products during the pre-Chinese new year peak sales season. These actions led to a decrease in our wholesale revenue for the first half of 2013 by approximately 20.7% as compared with the same period in 2012. On the other hand, as a result of those measures, we have seen significant reduction of out-of-season inventories in our distribution channel, restoration of our channel inventory ageing structure to a healthy level and an improving trend of profitability of our distributors since the second quarter of 2013. These positive developments let to a rebound of our wholesale orders growth. We recorded an increase of purchase orders for 2013 autumn collections and 2013 winter collections, as compared with the purchase orders placed for 2012 corresponding seasons. Accordingly, our wholesale revenue for the second half of 2013 increased by approximately 16.5% as compared with the same period in 2012. The Group's core brand, Cabbeen Lifestyle, continued to be the main revenue earner and contributed over 90% of the Group's revenue for the year ended 31 December 2013. Sales volume and average wholesale selling price for the year ended 31 December 2013 were 5.5 million units (2012: 5.8 million units) and RMB169 (2012: RMB162). The slight increase in average wholesale selling price in 2013 was mainly due to a decrease in provision of sales rebates to our distributors.

Cost of sales and gross profit

For the year ended 31 December 2013, cost of sales amounted to RMB553.8 million (2012: RMB560.0 million), and gross profit margin was 41.3% (2012: 40.5%). The average wholesale discount rate offered to our distributors and the weighted average retail selling price of our products remained fairly stable in 2013 as compared to 2012. The increase in gross profit margin in 2013 as compared to 2012 was mainly due to a decrease in provision of sales rebates to our distributors. We believe the wholesale discount rates we offered to distributors were still competitive in our industry after reduction in sales rebates.

Other revenue

Other revenue primarily consisted of interest income from bank deposits and government grants. The increase in other revenue from RMB4.6 million in 2012 to RMB38.3 million in 2013 was mainly due to an increase in government grant income by RMB29.2 million and an increase in interest income by RMB4.5 million. The increase in interest income was a result of increase in bank deposit balances.

Other net income

Other net income primarily consisted of net gain on sales of promotion and display materials, fair value gain on financial assets and loss on disposal of property, plant and equipment. Other net income increased from RMB2.0 million in 2012 to RMB5.9 million in 2013, which was attributable to the fair value gain and investment income from certain wealth management products of RMB4.3 million (2012: RMB1.2 million). All the wealth management products we purchased were principal protected investment products issued by major reputable banks in the PRC. For the year ended 31 December 2013, the wealth management products we acquired recorded annualized return ranging from 4.3% to 6.0%.

Selling and distribution expenses

For the year ended 31 December 2013, the Group's overall selling and distribution costs amounted to RMB45.1 million (2012: RMB48.3 million), accounting for 4.8% (2012: 5.1%) of the Group's total revenue. This was 0.3 percentage point lower than that recorded in 2012. The decrease primarily represented the expenses saved by the Group by not organizing fashion shows in 2013, whereas in 2012 the Group organized an annual fashion show and an additional fashion show in celebration of its 15th anniversary.

Administrative expenses

For the year ended 31 December 2013, the Group's administrative expenses amounted to RMB107.3 million (2012: RMB110.6 million), accounting for 11.4% (2012: 11.8%) of the Group's revenue. This was 0.4 percentage points lower than that recorded in 2012. These expenses mainly comprised of staff costs, design, research and development expenses, management consulting expenses, office rental, depreciation and amortization charges, listing expenses and other miscellaneous expenses. Excluding the listing expenses of RMB13.2 million charged for the year ended 31 December 2013, administrative expenses accounted for approximately 10.0% of the Group's revenue for the same period.

Finance costs

For the year ended 31 December 2013, the Group's finance costs amounted to RMB7.0 million (2012: RMB27.2 million), representing 0.7% of the Group's revenue (2012: 2.9%). The significant reduction in interest expenses for 2013 was because of the implementation of our policy to require our distributors to bear discount costs when we pledge bills at a discount since July 2012. Interest cost for discounting commercial bills from our distributors in 2012 amounted to RMB20.4 million.

Income tax

For the year ended 31 December 2013, income tax expenses of the Group amounted to RMB79.0 million (2012: RMB70.6 million) and the effective tax rate was 28.8% (2012: 35.1%). Income tax expenses included RMB6.4 million (2012: RMB13.4 million) withholding tax on dividends declared by our subsidiary in the PRC. The decrease in our effective tax rate was due to a decrease in the amount of withholding tax on dividends and reduction in tax non-deductible expenses in 2013 as compared to 2012.

Profit from operations

For the year ended 31 December 2013, the Group recorded net profit of RMB195.4 million (2012: RMB130.2 million), representing a year-on-year increase of 50.0%. The increase in net profit for the year was mainly attributable to government grant income received of RMB29.3 million and reduction of finance cost of RMB20.2 million. The increase was, on the other hand, partially offset by the listing expenses of RMB13.2 million. Excluding the effect of the one-off government grants received and the relevant income tax, our net profit would have been RMB173.4 million for the year ended 31 December 2013, representing an increase of RMB43.3 million, or 33.3%, as compared to the net profit for 2012.

Profit for the year

Profit for the year ended 31 December 2013 increased by 50.0% or RMB65.1 million to RMB195.4 million from RMB130.2 million for the year ended 31 December 2012. Net profit margin increased by 6.8 percentage points from 13.9% to 20.7%. Basic and diluted earnings per share increased to RMB0.35 (2012: RMB0.25) and RMB0.35 (2012: RMB0.25), respectively.

Final dividends

Before the listing of the Company's shares on the Stock Exchange, the Company declared a dividend of RMB120.0 million in December 2012 and a dividend of RMB55.0 million in August 2013. For the year ended 31 December 2013, the Directors have proposed a final dividend of HK$14.5 cents (equivalents to approximately RMB11.3 cents) per share, subject to approval by the Shareholders at the forthcoming annual general meeting of the Company (the "2014 AGM").

KEY FINANCIAL RATIOS

Working capital

Average inventory turnover days of the Group were 30 days for 2013, as compared to 55 days in 2012. The decrease of average inventory turnover days in 2013 was mainly attributable to the decrease in closing inventory at year end as a result of improved procurement planning, better logistic arrangement with implementation of our EWM (Extended Warehouse Management) inventory management system and the disposal of the Group's production operations in February 2012.

Average turnover days of trade and bills receivables for 2013 decreased to 34 days for the year ended 31 December 2013 as compared to 87 days for the year ended 31 December 2012. This was attributable to the relatively larger balance of trade and bills receivables as of 1 January 2012 which included discounted and not matured commercial acceptance bills of RMB286.6 million. Starting in July 2012, the Group has ceased to take commercial acceptance bills and has tightened its credit policy, which resulted in the significant decrease in the trade and bills receivables turnover days.

Average trade and bills payables turnover days were 253 days and 236 days for the year ended 31 December 2013 and 2012, respectively. This is consistent with the credit period granted by the Group's suppliers and the Group's practice of using 6-month bank bills to settle trade payables.

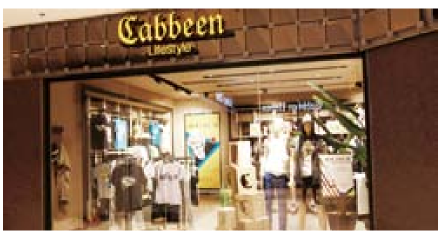
The Group's primary objectives when it is managing its capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the Shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing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

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

Liquidity, financial resources and capital structure

As at 31 December 2013, the Group had net current assets of RMB553.3 million (2012: RMB54.4 million) of which cash and cash equivalents were RMB531.8 million (2012: RMB186.0 million). Total bank borrowings as at 31 December 2013 were RMB90.5 million (2012: RMB137.0 million) while bills payables were RMB344.0 million (2012: RMB290.6 million). Bank borrowings and bills payable were mainly used for working capital management and/or financing the Group's purchases. The Group's gearing ratio as at 31 December 2013 (total bank borrowings divided by total equity) was 15.0% (2012: 108.2%).

The Group adopts centralized financing and treasury policies in order to ensure the Group's funding is utilized efficiently. The Group's liquidity position remains strong and the Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements. This strong cash position enables the Group to explore investment and business development opportunities when expanding its market share in China.




11 HEILONGJIANG
6 JILIN
13 INNER MONGOLIA
10 LIAONING
4 BEIJING
6 TIANJIN
12 HEBEI
25 SHANXI
1 QINGHAI
24 SHANDONG
7 GANSU
36 SHAANXI
16 HENAN
35 JIANGSU
16 ANHUI
9 SHANGHAI
114 HUBEI
97 SICHUAN
31 CHONGQING
68 ZHEJIANG
55 JIANGXI
86 HUNAN
41 GUIZHOU
100 FUJIAN
13 YUNNAN
28 GUANGXI
129 GUANGDONG
21 HAINAN

BUSINESS REVIEW

Distribution network

A breakdown of our branded retail outlets by province as of 31 December 2013 is set out below.

Below is a summary of the number of retail outlets by geographical region and by brand as of 31 December 2013 and 2012, respectively.

	As of 31 December 2012			**As of 31 December 2013**		
Region	Cabbeen Lifestyle	Cabbeen Urban	Total	**Cabbeen Lifestyle**	**Cabbeen Urban**	**Total**
Eastern China	128	15	143	**109**	**19**	**128**
Northern China	86	1	87	**98**	**2**	**100**
Northwestern China	47	–	47	**55**	**–**	**55**
Southwestern China	150	10	160	**168**	**16**	**184**
Southern China	228	27	255	**239**	**39**	**278**
Northeastern China	28	1	29	**27**	**–**	**27**
Central China	218	19	237	**235**	**20**	**255**
Total	885	73	958	**931**	**96**	**1,027**

Below is a summary of the changes in the numbers of retail outlets by brands during the year ended 31 December 2013.

	As of 31 December 2012	Opened	Closed	**As of 31 December 2013**
Cabbeen Lifestyle	885	203	157	**931**
Cabbeen Urban	73	36	13	**96**
Total	958	239	170	**1,027**

After a period of fast expansion of our distribution network in 2011, we have adopted a more conservative, yet active, approach in expanding our retail network and established more stringent store-opening requirements in 2013 to increase the success rate of newly opened retail outlets for our products. As of 31 December 2013, the Group had 1,027 retail outlets, representing a net increase of 69 retail outlets (including 6 self-operated retail stores) from 958 as at 31 December 2012. The retail outlets are situated in over 300 cities in mainland China. 43% of retail outlets were street shops while shopping mall shops and department store concessionaries accounted for 14% and 43%, respectively, of total retail outlets as of 31 December 2013. The increase in retail outlets was a strategy to further penetrate the markets in second and third tier cities in the PRC, in which we already had significant presence. We believe there is strong demand for quality branded products and potential for growth in the number of points of sales in second and third tier cities in the PRC due to the continued equalization of economic development in China and a higher rate of urbanization in these regions as compared to tier one cities.

As at 31 December 2013, we had 32 (2012: 37) distributors and 408 (2012: 391) sub-distributors operating 1,021 (2012: 958) retail outlets in the PRC.

Based on operation data generated from our ERP system for retail outlets operated by our distributors and sub-distributors and our own self-operated retail stores, we have seen encouraging retail performance at our distribution channel. The same store sales growth for retail outlets (which have been in operation during the entire 24-month period from 1 January 2012 to 31 December 2013) in terms of retail value in 2013 was 11.7%, which the Directors believe was attributable to our enhanced image and marketing efforts and was not driven by retail discount. Based on the data generated from our ERP system, we observed that the average retail discount of our products for the year ended 31 December 2013 was approximately 1.4 percentage point less than the average retail discount of our products for the year ended 31 December 2012. In addition, according to data generated from our ERP system, up to 31 January 2014, approximately 77% of our year 2013 product collections had been sold to retail customers.

Distribution channel management

Our centralized management control over our nationwide distribution network ensures that our brand concepts are fully reflected, our channel inventories are well managed and our sales and promotion strategies are executed at the retail sale level.

ERP system

We believe that our ERP system is one of the most advanced and well-implemented management information systems among Chinese apparel companies. Our advanced management information system allows us to effectively administer and operate our business. We require each retail outlet carrying our products to install the POS (point-of-sales) system upon establishment. Our ERP system manages information relating to our procurement, supply chain and distribution, tracks each of our products from delivery to and storage in our warehouse to its eventual sale and provides 100% coverage of our branded retail outlets. We are able to track and monitor purchases, sales and inventories of each distributor and sub-distributor on a real time basis and therefore monitor their inventory level. Such system provides us with useful information to make our sales forecasts, provide purchase guidance to distributors and manage inventories in our distribution network in a more reliable and efficient manner, provide guidance to distributors to reallocate inventories among distributors, lower the inventory level in our distribution network and improve the efficiency of our distribution network. In addition, we are able to convey our messages to and receive timely feedback from our end customers, which further enables us to anticipate shifts in fashion trends and adjust our product offerings accordingly.

Site selection

We work together with our distributors to select locations for our branded retail outlets and they require our prior approval before opening any retail outlets. In addition, we are closely involved in the design and decoration of each retail outlet to ensure that the layout and appearance reflect our brand culture and conform to our guidelines.

Training and incentive programs

The Group conducted training for the distributors, their management teams and shop managers. The training programs covered retail management, industrial knowledge, coaching and management skills. In addition, we provide general training at our sales fairs to our distributors and their sub-distributors regarding market development, customer preferences, our design theme and product displays techniques and also allowed them to share operating knowledge and provide feedback from their retail outlets. We also held award ceremonies for a variety of our incentive programs during our sales fairs to recognize the outstanding performance of our distributors and their sales personnel to motivate them and enhance their loyalty to us.

Marketing and promotion

During year 2013, the Group launched various promotional activities, with particular emphasis on new media, to strengthen its brand image. As to the television media, Cabbeen sponsored the CBA Sports in the name of its own brand, Cabbeen Lifestyle, and became the official supplier of CBA. The CBA Sports has been the most anticipated games nationwide in the last three years, its telecast ratings at CCTV has been gradually ascending. In addition, in the major documentary program《時尚圈》produced by CCTV Documentary which reported on the contemporary fashion world of China, Mr. Yang Ziming (Mr. Cabbeen) was one of the two symbolic fashion designers in the country being interviewed. The Group also sponsored celebrities who fit Cabbeen's brand image to wear Cabbeen apparel while attending various programs or during interviews by fashion magazines. The Group also engaged in product placement in hit TV dramas such as《風雲天地》and《@婦產科》through sponsorship of costumes for leading actors, as well as sponsoring well-known program hosts to wear Cabbeen apparel during broadcast. Cabbeen has made use of the two most popular internet social media in the PRC, Weixin and Weibo, by launching our official Weixin and Weibo integrated platform "Cabbeen Apparel" as the key communication channels, and made use of their interactive characteristic to complement the marketing efforts of our retail outlets, gathering VIP customers and loyal consumers of Cabbeen on these information platforms that serves as our brand club, in order to retain loyal fans and draw potential customers. The abovementioned sponsorships are expected to attract extensive media exposure through television channels, magazines, newspapers and the Internet, thus enhance our brand awareness and reputation as well as our unique characters, and at the same time boost consumer sentiment through celebrity effect, and ultimately drive up our sales volume.

Moreover, our self-edited and self-published fashion magazine "Cabbeen Vision" is circulated in-store and posted to our VIP customers. "Cabbeen Vision" has been established for ten years and serves as an outlet for our loyal customers to keep up with Cabbeen's latest development and fashion trend.

Since December 2012, we have started to establish a small number of self-operated retail outlets in selected regions primarily as model stores to enhance our brand recognition, demonstrate our standards for store appearance and provide guidance to distributors in brand promotion and retail management. We believe that these model stores, along with our other efforts, would help to further improve and unify our brand image at the retail level. As of 31 December 2013, we have six self-operated retail outlets in Guangdong province selling Cabbeen Urban products.

In addition, the Group is in the process of designing new store image and is planning to upgrade retail outlets. We believe comfortable shopping environments and improved shop image are crucial for achieving increase in same store sales and safeguarding sustainable growth.

Design and product development

Our strong in-house design and research and development capabilities have been critical to the establishment of our status as a leading Chinese designer brand. Our design team is led by our founder, chairman and chief designer, Mr. Yang Ziming, who won the "14th China Fashion Design Top Award"* (第14屆中國時裝設計金頂獎), which is recognized within the industry as the top honor in apparel design in China, in 2010.

In addition to Mr. Yang, as of 31 December 2013, our design and research and development team consisted of a total of 127 members. We also collaborated with several international design institutes on various aspects of apparel design. Our designers identify new fashion trends by visiting major fashion centers, attending fashion shows and drawing inspiration from daily life. Mr. Yang and our other designers work together to determine the main themes and color components for each season, and our design and research and development team then design and develop the patterns and fabrics for our apparel and determine the matching shoes and other accessories for each seasonal collection. We also gather information on market trends and consumer preferences through regular communications with designers based in other countries and our OEMs.

In addition to apparel design, our design and research and development center in Guangzhou conducts research and development work to transform concepts into commercially viable products and to enhance and upgrade our existing products based on market feedback. We work with raw material suppliers to research and develop production techniques and a portion of the fabrics used to manufacture our apparel in order to ensure that the fabrics support our designs, reflect our brand culture and are suitable for their intended styles. We usually designate fabric suppliers for our OEMs to engage for the manufacture of our products. Our design and research and development center is also responsible for researching and determining the cut for our apparel, which we then provide to our OEMs. In addition, our design and research and development center reviews each cost component in the bids submitted by our OEMs. Our relevant research and development personnel leverage their in-depth knowledge of fabrics and other raw materials to evaluate each bid so as to enhance our profit margin.

Our products are distinguished by their distinct and complex design styles as well as diversified fabrics and colors, which we believe make it difficult for others to imitate our products. Each month, we match our seasonal apparel designs with different accessories for sale at retail outlets to create a continuous flow of new products and attract recurring purchases from end customers. We believe that by leveraging our in-depth understanding of our target consumer groups and our close collaborative relationships with our OEMs and raw material suppliers, we have been able to transform our designs and product concepts into commercially viable, high-quality and popular products in an efficient and effective manner. We believe that our strong design and research and development capabilities enable us to maintain and further develop our brand culture, continue to expand our product portfolio and strengthen our competitiveness in the menswear industry.

We offered a total of approximately 3,200 new SKUs under our brands for 2013 collections.

Customer-oriented sales management

Our value-added after-sale customer services have contributed to our success in building and maintaining a loyal end customer base, an important part of which being our VIP members. As of 31 December 2013, we had over 99,000 and 110,000 active members in our Gold VIP program and Silver VIP program, respectively. According to operation data generated from our ERP system, in the year 2013, retail sales to the Group's VIP members contributed over 35% of the total retail revenue of the branded retail outlets operated by our distributors and sub-distributors and our self-operated retail outlets.

Through our advanced management information systems, we maintained centralized VIP database at our headquarters, and conducted surveys of our VIP end customers regularly and perform detailed analysis of their consumer behavior and spending habits. We communicated directly with VIP end customers through our Internet platform and VIP club to gather from them first-hand data on consumer preference. Consumer data generated from our VIP end customers provide important references in the promotion of our brand and the design and improvement of our products.

We kept direct communications with our VIP member; for example, we sent SMS notifications to our VIP end customers prior to releases of new products, product catalogs and our own magazine "Cabbeen Vision" are sent to our VIP customers regularly. We also encouraged distributors to create and provide their own value-added services to our VIP end customers. We believe that our customer-oriented sales management has helped us build a large and loyal end customer base, which has contributed and is expected to continue to contribute to the growth of our business.

Sales trade fairs

We generally hold sales fairs four times a year at our headquarters in Guangzhou for our distributors and their sub-distributors to present our new collections. We review our distributors' orders at our sales fairs to ensure that they are reasonable and in line with the relevant distributor's capacity and growth plans. Sales fairs for 2014 spring and summer collections were held in August 2013 and November 2013, respectively. Purchase orders for our 2014 spring and summer collections had increased by approximately 17% and 29%, respectively, as compared with the respective collections for 2013.

PROSPECTS

While China's economic growth rate in terms of gross domestic product has, as compared to the early 80's, slowed down to approximately 7%–8% in recent years, the Chinese economy is expected to stay ahead of emerging markets with a growth rate exceeding most developed countries'. In respect of the domestic retail market, aided by the China's economic growth as well as continuous urbanization and increasing disposable income among urban households, in the coming year, China's total retail sales of consumer goods is expected to remain on the raising trend as observed in recent years.

Looking forward, the Group will further strengthen the leading position of Cabbeen in China's fashion casual menswear market. In the long run, the Group aims to become a leading international designer brand with a portfolio of well-known brands. In the year ending 31 December 2014, the Group plans to establish ten self-operated retail stores in Guangdong Province so as to promote the brand of Cabbeen and demonstrate our retail management standards. The Group is of the view that these self-operated retail outlets can serve as model stores for our distributors and help to ensure that our brand concepts are well reflected, and that the Group's operational, sales and promotion strategies can be directly executed at the retail sale level. Meanwhile, the Group will continue the effort in Cabbeen's brand promotion and marketing, such as advertising through the Internet and other new media, and promoting our VIP program by offering additional value-added services to our VIP customers.

As a leading designer brand in China, our strong design and research and development capabilities are critical to the Group's future development and sustainable growth. As such, the Group will be investing more resources to further strengthen our design and research and development capabilities. On the other hand, the Group will continue to improve and enhance our ERP system, to further strengthen our management capabilities for our future development.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's net cash inflow from operating activities for the year ended 31 December 2013 amounted to RMB366.2 million (2012: RMB561.3 million). As at 31 December 2013, cash and cash equivalents (including cash at bank and in hand, and fixed deposits held at banks with original maturity of no more than three months) amounted to RMB531.8 million (2012: RMB186.0 million). This represented a net increase of RMB345.8 million as compared with the Group's position as at 31 December 2012. The increase was due to net cash generated from operating activities and net proceeds from the global offering of shares in October 2013 of RMB316.8 million.

As at 31 December 2013, the Group's available and unutilized banking facilities amounted to RMB262.2 million, with United States dollar bank borrowings bearing floating interest rate amounting to RMB90.5 million.

FOREIGN CURRENCY RISKS

The Group's operations are mainly carried out in the PRC, with most transactions settled in Renminbi. The reporting currency of the Group is Renminbi. A portion of the Group's cash and bank deposits are denominated in Hong Kong dollars and United States dollars. The Company also pays dividends in Hong Kong dollars. In addition, the Group repays some bank borrowings in United States dollars.

The Group did not hedge its foreign exchange exposure during the year ended 31 December 2013. Any significant exchange rate fluctuations of foreign currencies against Renminbi could have had financial impact on the Group.

PLEDGE OF ASSETS

As at 31 December 2013, deposits with certain banks totalling RMB199.3 million (2012: RMB97.7 million) were pledged as securities for bank loans and bills payable. The pledged bank deposits will be released upon the settlement of relevant bank loans and bills payable.

CAPITAL COMMITMENTS AND CONTINGENCIES

As at 31 December 2013, the Group had total capital commitments of RMB2.0 million, primarily related to the development of ERP system and acquisition of research and development equipment. As at 31 December 2013, the Group had no material contingent liabilities.

FINANCIAL MANAGEMENT POLICIES

The Group continues to control financial risks in a prudent manner. The functional currency of the Company is Hong Kong dollar and the Company's financial statements are translated into Renminbi for reporting and consolidation purposes. Foreign exchange differences arising from the translation of financial statements are directly recognized in equity as a separate reserve. As the Group conducts business transactions principally in Renminbi, the exchange rate risk at the Group's operational level is not significant. Accordingly, the Group does not employ any financial instruments for hedging purposes.

HUMAN RESOURCES

As at 31 December 2013, the Group had 392 staff. Total staff costs for the year amounted to approximately RMB55.6 million (2012: RMB65.3 million). The Group places great emphasis on recruiting and training quality personnel. We recruit talents from universities and technical schools and provide pre-employment and on-going training and development opportunities to our staff members. The training programs cover areas such as sales and production, customer services, quality control, sales fairs planning, workplace ethics and training of other areas relevant to the industry.

The Group offers competitive remuneration packages to our employees based on factors such as market rates, responsibility, job complexity as well as the Group's performance. The Group has also adopted a pre-IPO share option scheme and a share option scheme to recognize and reward the contribution of the employees to the growth and development of the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Thursday, 10 April 2014 to Monday, 14 April 2014 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the 2014 AGM. In order to qualify for attending and voting at the 2014 AGM, all transfers accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 9 April 2014.

In addition, subject to the approval of the proposed final dividend by the shareholders at the 2014 AGM, the register of members will be closed from Wednesday, 23 April 2014 to Friday, 25 April 2014 (both days inclusive) for the purpose of determining shareholders who qualify for the proposed final dividend. If the relevant resolution approving the declaration and payment of the said final dividend is approved at the 2014 AGM, in order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 22 April 2014.

USE OF PROCEEDS

The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited on 28 October 2013 by way of a global offering. The net proceeds from the global offering were approximately HK$390.7 million (after deducting underwriting commissions and related expenses). The net proceeds are expected to be used in the following manner:

Purpose of net proceeds	**Percentage**	**Amount of net proceeds** HK$'Million
Further enhance our design, research and development capabilities, including acquiring land and equipment, and construct a new building in Guangzhou for expansion of our design, research and development centre	40%	156.3
Brand promotion and marketing	20%	78.1
Establish self-operated retail outlets	20%	78.1
Enhance and upgrade our ERP system	10%	39.1
Working capital and other general corporate purposes	10%	39.1
		390.7

As of 31 December 2013, none of the net proceeds have been utilized and all the net proceeds were deposited into interest bearing bank accounts with licensed commercial banks and authorized financial institutions in Hong Kong. The Directors intend to apply the net proceeds in the manner as set out in the prospectus of the Company dated 16 October 2013.

Corporate Governance Report

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

After reviewing the Company's corporate governance practices and the relevant regulations of the Corporate Governance Code and Corporate Governance Report (the "CG code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), the Board is satisfied that the Company complied with the CG code provisions for the period from 28 October 2013 (the "Listing Date") to 31 December 2013.

BOARD OF DIRECTORS

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

The Board currently comprises five Executive Directors, namely Mr. Yang Ziming, Mr. Ng Siu Keung, Mr. Ke Rongqin, Mr. Tian Donglian and Mr. Wei Qiang and three independent non-executive Directors, namely, Mr. Tsui Yung Kwok, Mr. Chen Honghui and Mr. Leung Ming Shu.

Their biographical details and (where applicable) their family relationships are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 26 to 29 in the annual report. A list of the Directors identifying their role and function and whether they are independent non-executive Directors are available on the Company's website.

Mr. Yang Ziming, the Chairman and an executive Director of the Company, is the cousin of Mr. Tian Dongliang and brother-in-law of Mr. Ke Rongqin, both of whom are also executive Directors of the Company. Save as disclosed, there are no other financial, business, family or other material/relevant relationships among members of the Board.

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

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

All Board members have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request.

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

DIRECTORS' AND OFFICERS' INSURANCE

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

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

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

Since November 2013, all Directors are provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices. In February and June 2013, the Company, together with its legal adviser, organized two training sessions to provide each of the Directors with an update on the Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and Chief Executive Officer are separate and are not performed by the same individual as this ensures better checks and balances and hence better corporate governance. Mr. Yang Ziming holds the position of the Chairman, who is primarily responsible for strategic positioning. Mr. Ng Siu Keung serves as the Chief Executive Officer, who is primarily responsible for the operations and business development of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

BOARD COMMITTEES

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

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

(i) Audit Committee

The Audit Committee was established on 8 October 2013. The Audit Committee comprises three independent non-executive Directors, namely Mr. Tsui Yung Kwok, Mr. Chen Honghui, and Mr. Leung Ming Shu. Mr. Tsui Yung Kwok, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee.

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

Pursuant to a meeting of the Audit Committee on 10 January 2014, the Audit Committee has reviewed the 2013 annual audit plan submitted by our auditors, KPMG. In addition, pursuant to the meeting of the Audit Committee on 20 February 2014, the Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2013, including the accounting principles and practices adopted by the Group and report prepared by the external auditors covering major findings in the course of the audit. No meeting was held by the Audit Committee during the year ended 31 December 2013 because the Company only became listed in October 2013.

(ii) Remuneration Committee

The Remuneration Committee was established on 8 October 2013. The Remuneration Committee comprises two independent non-executive Directors and one executive Director, namely Mr. Tsui Yung Kwok, Mr. Leung Ming Shu and Mr. Ng Siu Keung. Mr. Tsui Yung Kwok is the chairman of the Remuneration Committee. The principal responsibilities of the Remuneration Committee are to review and make recommendations to the Board on the overall remuneration structure and policy for all Directors and senior management as well as the specific remuneration packages for the executive Directors and senior management and on the establishment of a formal and transparent process for developing such remuneration policy. No Director takes part in any discussion on his own remuneration. The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each director's workload, performance, responsibility, job complexity and the Group's performance are taken into account.

Pursuant to the first meeting of the Remuneration Committee on 20 February 2014, the Remuneration Committee has reviewed the remuneration policy and structure relating to the Directors and senior management of the Company. No meeting was held by the Remuneration Committee during the year ended 31 December 2013 because the Company only became listed in October 2013.

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

Remuneration bands (HK$)	**Number of persons**
Nil to 500,000	–
500,000 to 1,000,000	–
1,000,000 to 2,000,000	2

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 6 and 7 to the consolidated financial statements.

(iii) Nomination Committee

The Nomination Committee was established on 8 October 2013. It comprises one executive Director and two independent non-executive Directors, namely Mr. Yang Ziming, Mr. Chen Honghui and Mr. Leung Ming Shu. Mr. Yang Ziming is the Chairman of the Nomination Committee. The principal responsibilities of the Nomination Committee are to review the composition of the Board, including its structure, size and diversity at least annually to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group. It is also responsible to consider and recommend to the Board suitably qualified persons to become a member of the Board, monitor the succession planning of Directors and assess the independence of independent non-executive Directors. The Nomination Committee will also give consideration to the Board Diversity Policy (as defined below) when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy (as defined below), so as to develop and review measurable objectives for the implementing the Board Diversity Policy (as defined below) and to monitor the progress on achieving these objectives.

Pursuant to the first meeting of the Nomination Committee on 20 February 2014, the Nomination Committee has reviewed the structure, size and composition of the Board and assessed independence of the independent non-executive Directors. No meeting was held by the Nomination Committee during the year ended 31 December 2013 because the Company only became listed in October 2013.

(iv) Corporate Governance Committee

The Corporate Governance Committee was established on 8 October 2013. It comprises two executive Directors and two independent non-executive Directors, namely Mr. Ng Siu Keung, Mr. Wei Qiang, Mr. Tsui Yung Kwok and Mr. Leung Ming Shu. Mr. Ng Siu Keung is the Chairman of the Corporate Governance Committee. The principal responsibilities of the Corporate Governance Committee are review and monitor the Company's policies and practices on corporate governance, the training and continuous professional development of the Company's Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and review the Company's compliance with the CG Code set out in Appendix 14 to the Listing Rules.

Pursuant to the meeting on 20 February 2014, the Corporate Governance Committee has reviewed the Group's corporate governance policies and practices and sufficiency of training to the Company's Directors and senior management. No meeting was held by the Corporate Governance Committee during the year ended 31 December 2013 because the Company only became listed in October 2013.

BOARD PROCEEDINGS

Regular board meetings are held at quarterly intervals with additional meetings convened as and when necessary to discuss the overall strategic directions, the Group's operations, financial performance, and to approve interim and annual results and other significant matters. For regular meetings, Board members are given at least 14 days prior notice and agenda with supporting papers are sent to Directors not less than 3 days before the relevant meeting is held. Directors may propose to the Chairman or the Company Secretary to include matters in the agenda for regular board meetings.

Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at board meetings and abstain from voting in favour of the related board resolutions as appropriate.

Minutes of meetings of the Board and Board Committees are kept by the Company Secretary in sufficient details the matters considered and decisions reached, including dissenting views expressed, and are open for inspection on reasonable notice by any Director. Draft and final versions of minutes are sent to all Directors for their comments and records respectively within a reasonable time after the board meeting is held.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring the Board procedures are followed.

During the year ended 31 December 2013, there were two board meetings held and all Directors attended the meetings in person.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors and independent non-executive Directors of the Company has entered into a service contract with the Company for a term of three years commencing from Listing Date subject to his retirement and re-election at annual general meeting in accordance with the Company's articles of association.

In accordance with the Company's articles of association, a person may be appointed as a Director either by the shareholders in general meeting or by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following general meeting, and are eligible for re-election by the shareholders. In addition, all Directors are required to retire by rotation at least once every three years at the annual general meeting, and are eligible for re-election by the shareholders.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board adopted a board diversity policy (the "Board Diversity Policy") on 8 October 2013. The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

SECURITIES TRANSACTIONS BY DIRECTORS

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

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

COMPANY SECRETARY

Ms. Wong Lai Wah, the Company Secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. She also serves as the secretary of the Audit Committee, the Nomination Committee, the Remuneration Committee, the Corporate Governance Committee and other board committees as organised by the Board from time to time. Ms. Wong is responsible for advising the Board through the Chairman and/or the Chief Executive Officer on governance matters.

During the financial year, the Company Secretary has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the Company Secretary is set out in the section headed "Biographical Details of Directors and Senior Management" on pages 26 to 29 in the annual report.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

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

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

Internal controls

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

EXTERNAL AUDITOR

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

During the year, the fees payable to KPMG in respect of its audit services provided to the Group was RMB1.4 million. The total fees paid and payable to KPMG during the year for the reporting accountant service and internal control review services was approximately RMB3.8 million and RMB0.7 million, respectively.

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

NON-COMPETE UNDERTAKING BY CONTROLLING SHAREHOLDERS

Mr. Yang Ziming, Acute Result Holdings Limited, Ascend Fame Limited, Prime Ascend Limited are the controlling shareholders (within the meaning of the Listing Rules) of the Company ("Controlling Shareholders"). Each of the Controlling Shareholders has confirmed to the Company that none of them is engaged in, or interested in any business (other than the Group) which directly or indirectly competes or may compete with the business of the Group. To protect the Group from any potential competition, the Controlling Shareholders have given an irrevocable non-compete undertaking in the Group's favour on 8 October 2013 (the "Deed of Non-competition).

In order to properly manage any potential or actual conflict of interests between the Group and the Controlling Shareholders in relation to the compliance and enforcement of the non-compete undertaking, the Company has adopted the following corporate governance measures:

(a) the independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by the Controlling Shareholders under the Deed of Non-competition;

(b) the Controlling Shareholders undertake to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;

(c) the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-compete undertaking of the Controlling Shareholders under the Deed of Non-competition in the annual reports of the Company; and

(d) the Controlling Shareholders will make an annual declaration on compliance with their undertaking under the Deed of Non-competition in the annual report of the Company.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders and their respective associates and the Group and to protect the interests of the shareholders, in particular, the minority shareholders.

Each of the Controlling Shareholders has confirmed to the Company that he/it has complied with the Deed of Non-competition. The independent non-executive Directors of the Company have reviewed the status of compliance and enforcement of the Deed of non-competition and confirmed that all the undertakings thereunder have been complied with.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

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

(i) Participation at general meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the shareholders. The Company encourages the participation of the shareholders through annual general meetings and other general meetings where the shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the shareholders no less than 20 business days before the meeting. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual Directors.

(ii) Enquiries and proposals to the Board

The Company encourages shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board Committees at the general meetings or providing written notice of such proposals for the attention of the Company Secretary at the registered office of the Company in Hong Kong currently situated at 1603, 16 Floor, Billion Plaza, 8 Cheung Yue Street, Cheung Sha Wan, Kowloon or via email to ir@cabbeen.com.

(iii) Convening extraordinary general meetings

The Directors may, whenever they think fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary and deposited at the registered office of the Company in Hong Kong currently situated at Unit 1603, 16 Floor, Billion Plaza, 8 Cheung Yue Street, Cheung Sha Wan, Kowloon for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Company's articles of association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

The notice of annual general meeting together with the accompanying circular setting out the relevant information as required under the Listing Rules are sent to shareholders at least 20 clear business days prior to the meeting. Poll voting has been adopted for decision-making at Shareholders' meetings to ensure that each share is entitled to one vote. Details of the poll voting procedures are set out in the circular sent to Shareholders prior to the meeting and explained at the commencement of the meeting. Voting results are posted on the Company's website on the day of the annual general meeting.

(iv) Procedures for proposing a person for election as a Director

Pursuant to the Article 85 of the articles of associations of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice (as defined therein) signed by a Member (as defined therein) (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution of the Shareholders passed on 8 October 2013, the amended and restated memorandum and articles of association of the Company were adopted with effect from the Listing Date. Save as disclosed above, during the year ended 31 December 2013, there was no change in the memorandum and articles of association of the Company.

The amended and restated memorandum and articles of association of the Company are available on the websites of the Stock Exchange and the Company.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ziming Yang (楊紫明), aged 42, is the founder of our Group. He is also the chairman of the Board of our Company. He was appointed as an executive Director on 3 November 2011. Mr. Yang has over 20 years of experience in the fashion and retail industry and is primarily responsible for our overall corporate strategies, planning and business development. Mr. Yang first started his fashion and retail business when he established Zian Fashion Shop* (紫安時裝店) in April 1992 to engage in the retail and wholesale business of apparel. In October 1997, Mr. Yang formed Cabbeen Fashion Trading Co. (卡賓時裝貿易公司) ("Cabbeen Trading"), a partnership, and began to design and wholesale our Cabbeen branded apparel. Mr. Yang has over 20 year of experience in design and leads our design and research and development team. He has been one of the most famous designers in China, who won the award for "Best Menswear Designer"* (最佳男裝設計師) at the China International Fashion Week* (中國國際時裝週) in 2009 and "The 14th China Fashion Design Top Award"* (第14屆中國時裝設計金頂獎), which is the top honor in apparel design in China in 2010. Mr. Yang was accredited as "2010 Quanzhou Economic Figure" (2010年度泉州經濟人物) and was the member of the 10th China Young Entrepreneurs Association (第十屆中國青年企業家協會會員) in 2010. In 2011, he was the chairperson of Shishi Youth Chamber of Commerce's Council (石獅市青年商會理事會會長), honorable president of Shishi Textile & Garments Commerce Chamber's Council (石獅市紡織服裝商會理事會名譽會長) and committee member of the 11th Committee of All-China Youth Federation (中華全國青年聯合會第十一屆委員會委員). In 2012, Mr. Yang was the first president of the Fashion Designers' Association of Fujian Province* (福建省服裝設計師協會第一屆會長) and the honorable president of Quanzhou APEC Commerce Chamber's Council* (泉州APEC商務協會名譽會長). In March 2013, Mr. Yang became the consulting professor of Beijing Institute of Fashion Technology (北京服裝學院). In addition, Mr. Yang is currently the vice president and a member of the standing committee and the arts committee of the China Fashion Designers Association (中國服裝設計師協會). Mr. Yang received his EMBA in Sun Yat-Sen University (中山大學) in June 2011. Mr. Yang has been the vice president of the standing committee of the China Garment Association* since October 2013 (中國服裝協會). In April 2013, Mr. Yang was awarded as 2012 Innovative person of China textile industry* (2012中國紡織行業年度創新人物) by The Association of China Textile Industry* (中國紡織工業聯合會). Mr. Yang is the cousin of Mr. Dongliang Tian (田棟樑) and brother-in-law of Mr. Rongqin Ke (柯榕欽), both of whom are also our executive Directors.

Mr. Siu Keung Ng (吳少強), aged 43, is one of the founding members of our Group and has been appointed as an executive Director of our Company on 18 February 2013. Mr. Siu Keung Ng is primarily responsible for our overall corporate planning and strategy execution and is the chief executive officer of our Group since July 2010. He has also been the general manager of our Cabbeen Lifestyle business division since April 2013. Mr. Ng has over 15 years of experience in various aspects, including business operation, management, sales, procurement, financial and human resource. Being one of the management shareholders of the Group ("Management Shareholders"), Mr. Ng has been with our Group since 1997 when Mr. Yang incorporated Cabbeen Trading. Mr. Ng obtained his bachelor's degree in material engineering majoring in forge craft and equipment from Shanghai Jiao Tong University (上海交通大學) in July 1992.

Mr. Rongqin Ke (柯榕欽), aged 39, is one of the founding members of our Group and has been appointed as an executive Director of our Company on 18 February 2013. Mr. Rongqin Ke has been our vice president since July 2010 and is primarily responsible for the procurement and outsourcing production of our Group. He has also been the general manager of our Cabbeen Urban business division since April 2013. Mr. Ke has over 15 years of experience in various aspects, including manufacturing, product design and research and development and procurement. Being one of the Management Shareholders, Mr. Ke has been with our Group since 1997 when Mr. Yang incorporated Cabbeen Trading.

Mr. Ke obtained his diploma certificate in business administration from Hunan University of Technology (湖南工業大學) in January 2008 and his EMBA master degree at Lingnan College of Sun Yat-Sen University (中山大學嶺南學院) in June 2013. Mr. Ke was accredited as "2011–2012 Top Ten Professional Managers of Apparel Industry in Guangdong Province"* (2011–2012年度廣東省服裝行業十佳職業經理人) in August 2012. Mr. Rongqin Ke is the brother-in-law of Mr. Ziming Yang.

Mr. Dongliang Tian (田棟樑), aged 39, is one of the founding members of our Group and has been appointed as an executive Director of our Company on 18 February 2013. Mr. Dongliang Tian has been our vice president since July 2010 and is primarily responsible for the product branding and sales of our Group. Mr. Tian has over 15 years of experience in sales and marketing. Being one of the Management Shareholders, Mr. Tian has been with our Group since 1997 when Mr. Yang incorporated Cabbeen Trading.

Mr. Tian obtained his diploma certificate in business administration from Hunan University of Technology (湖南工業大學) in January 2008. He also completed the "Cabbeen Guangzhou Mini-EMBA" program* (廣州市卡賓服裝有限公司Mini-EMBA課程研修班) at Lingnan College of Sun Yat-Sen University (中山大學嶺南學院) in December 2007. Mr. Dongliang Tian is the cousin of Mr. Yang.

Mr. Qiang Wei (韋強), aged 39, has been the vice president of our Group since July 2010 and was appointed as an executive Director of our Company on 18 February 2013. Mr. Wei is primarily responsible for our finance, operation and legal affairs and human resource of our Group. Mr. Wei has over 15 years of experience in finance and accounting. Prior to joining us, Mr. Wei was an accountant in Guangxi Bobai County Foreign Trade and Economic Company* (廣西博白縣對外經濟貿易總公司) from January 1997 to October 1998. He was then worked in the finance department of Guangzhou Complacent Industrial Co., Ltd. (廣州永益有限公司) from November 1998 to October 2002. From April 2003 to March 2004 and from March 2004 to September 2008, Mr. Wei had been the finance manager and finance director, respectively, in Guangzhou Sai De Electrical Equipment Co., Ltd.* (廣州賽德機電設備有限公司) and Foshan U Right Garment Co., Ltd. (佛山佑威服裝有限公司). Mr. Wei joined our Group in December 2008 as the financial director of Cabbeen China and took in charge of the company's finance.

Mr. Wei completed a self-taught accounting diploma course in April 1999 held by the Commission of Self-taught Higher Education Examination of Guangxi Zhaung Autonomous Region (廣西壯族自治區高等教育自學考試委員會), and subsequently obtained the Medium Level Accountant title granted by Ministry of Finance of the PRC in May 2002. Mr. Wei obtained his diploma certificate in accounting through online courses from China University of Geosciences (中國地質大學) in July 2007. Mr. Wei also completed the "Cabbeen China-EMBA" program* (卡賓服飾 (中國) 有限公司EMBA高級課程研修班) in November 2009 at Lingnan College of Sun Yat-Sen University (中山大學嶺南學院).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yung Kwok Tsui (徐容國), aged 45, is our independent non-executive Director and was appointed to our Board on 18 February 2013. Mr. Tsui has over 20 years of extensive experience in auditing and accounting, including experience from corporations and an international accounting firm. Mr. Tsui joined Ju Teng International Holdings Limited (巨騰國際控股有限公司) (stock code: 3336) in August 2004 and has been the company's executive director, chief financial officer and company secretary since its listing in the Stock Exchange. He has also respectively been an independent non-executive director of Shenguan Holdings (Group) Limited (神冠控股 (集團) 有限公司) (stock code: 829) since September 2009, SITC International Holdings Company Limited (海豐國際控股有限公司) (stock code: 1308) since September 2010 and 361 Degrees International Limited (361度國際有限公司) (stock code: 1361) since September 2012, all of which are listed on the Stock Exchange.

Mr. Tsui obtained his bachelor's degree of business in accounting from Curtin University of Technology in August 1992 and his master's degree of corporate governance from The Hong Kong Polytechnic University in December 2007. Mr. Tsui has been a member of Hong Kong Institute of Certified Public Accountants since February 1997, a member of The Institute of Chartered Accountants in Australia since June 2000, and a member of CPA Australia since September 1996. He has also been a member of The Hong Kong Institute of Chartered Secretaries since December 2007.

Mr. Honghui Chen (陳宏輝), aged 42, is our independent non-executive Director and was appointed to our Board on 18 February 2013. Mr. Chen has over 20 years of extensive experience teaching universities in the fields of management, economics and corporate social responsibility. From July 1993 to June 2003, Mr. Chen worked in Wuhan University of Science and Technology, primarily teaching management and economics. From July 2003 till now, Mr. Chen has worked in Sun Yat-Sen University, primarily teaching courses including strategic management and corporate social responsibility. Mr. Chen had been granted the title of deputy professor from April 2004 to July 2008 and has been subsequently granted the title of professor since July 2008. Mr. Chen had also been the deputy dean of Lingnan College in Sun Yat-Sen University from November 2007 to March 2012 and has been the director of the Research Center for Corporate Social Responsibility at Lingnan College of Sun Yat-Sen University* (中山大學嶺南學院企業社會責任研究中心主任) from July 2009 and the chair of the Department of Business Management at Lingnan College of Sun Yat-Sen University* (中山大學嶺南學院經濟管理系主任), respectively. From 2004 till now, Mr. Chen has done various researches on the topics of corporate social responsibility and strategic management and economics efficiency, which were subsidies by the PRC or local government. The essay written by Mr. Chen in 2007 was accredited as the Second Prize of The Philosophy and Society Science Outstanding Achievement in Guangdong Province* (廣東省哲學社會科學優秀成果二等獎). Mr. Chen has also been the independent director of Guangdong Telepower Communication Co., Ltd.* (廣東天波資訊技術股份有限公司) since January 2012. Mr. Chen obtained the Qualification of Teacher of the PRC in 1996. He also obtained his doctoral degree in enterprise management from Zhejiang University in June 2003.

Mr. Ming Shu Leung (梁銘樞), aged 38, was appointed as an independent non-executive Director on 18 February 2013. Mr. Leung has been the chief financial officer and company secretary of China ITS (Holdings) Co., Ltd. (中國智能交通系統 (控股) 有限公司), a company listed on the Stock Exchange (stock code: 1900), since January 2008. He has also been an independent non-executive director of Comtec Solar Systems Group Limited (卡姆丹克太陽系統集團有限公司) (stock code: 712), a company listed on the Stock Exchange, since June 2008, and was an independent non-executive director of Shengli Oil & Gas Pipe Holdings Limited (勝利油氣管道控股有限公司) (stock code: 1080), a company listed on the Stock Exchange, from January 2011 to April 2013. Mr. Leung has 15 years of experience in the areas of corporate finance and accounting. Mr. Leung started his professional career at PricewaterhouseCoopers in Hong Kong as an auditor in 1998. He then worked at the global corporate finance division of Arthur Andersen & Co. in Hong Kong, which subsequently merged with PricewaterhouseCoopers, until December 2000.

From July 2001 to February 2003, Mr. Leung also worked as a business consultant in Market Catalyst International (Hong Kong) Limited, where he advised companies on issues of strategy, organization and operations. Mr. Leung then spent approximately three years from February 2003 to January 2006 at CDC Corporation, a NASDAQ-listed company, as a senior manager in the mergers and acquisitions department, and as the chief financial officer of China.com Inc., a subsidiary of CDC Corporation and a company listed on the Stock Exchange. From February 2006 to October 2006, Mr. Leung served as the chief financial officer of Beijing Xinwei Telecom Technology Co., Ltd., a related party of 大唐電信科技股份有限公司 (Datang Telecom Technology Co., Ltd., a company listed on The Shanghai Stock Exchange) which is engaged in the development of telecommunication standard and manufacture of telecommunication equipment. From November 2006 to January 2008, he served as the chief financial officer of Beijing Lingtu Spacecom Technology Co., Ltd (北京靈圖星訊科技有限公司), a subsidiary of Beijing Lingtu Software Co., Ltd (北京靈圖軟件技術有限公司), a PRC digital mapping and navigation software company.

Mr. Leung obtained his bachelor's degree in arts with honor in accountancy from The City University of Hong Kong in June 1998 and a master's degree in accountancy from The Chinese University of Hong Kong in November 2001. He is a fellow member of the Association of Chartered Certified Accountants (FCCA) and a fellow member of The Hong Kong Institute of Certified Public Accountants (FCPA).

SENIOR MANAGEMENT

Ms. Lai Wah Wong (黃麗華), aged 39, is the chief financial officer of our Group. Ms. Wong is also our company secretary and one of the authorized representatives of our Company. Ms. Wong joined our Group in April 2012 and is primarily responsible for our overall financial management and company secretarial affairs and coordination of investor relations. Ms. Wong has over 15 years of experience in auditing, tax and accounting. Prior to joining us, she had worked in international accounting firms and other companies listed on the main board of the Stock Exchange. Ms. Wong obtained her bachelor's degree of arts in accounting at The Hong Kong Polytechnic University in November 1997. She is also a fellow member of The Hong Kong Institute of Certified Public Accountants.

Ms. Tsang Jioe (游崢), aged 43, is the vice president of our Group. Ms. Jioe joined our Group in July 2011 and primarily responsible for the supply chain and retail management of our Cabbeen Lifestyle brand. Ms. Jioe has over five years experience in retail industry and over 13 years of experience in human resource. Prior to joining us, Ms. Jioe had worked in Fila Sport (HK) Ltd for 15 years from May 1991 to December 2006 and held various positions, including administration officer, human resource and administration manager and the regional human resource and administration manager. From January 2007 to May 2007, Ms. Jioe was the corporate human resource manager in Pacific Coffee Company Ltd. From June 2007 to February 2011, Ms. Jioe worked at Fila Marketing (Hong Kong) Limited as the general manager. She also took up the role as the PRC vice president of product and retail marketing of Fila Marketing (Hong Kong) Limited from November 2009 to September 2010. Ms. Jioe obtained her bachelor's degree in business administration from The Open University of Hong Kong in June 2003. She also completed the "First Semester of Shenzhen Executive Certificate Program in Human Resource Management"* (人力資源管理高級經理研究課程專案深圳第一期) in January 2006 held by The School of Economics and Management of Tsinghua University (清華大學經濟管理學院).

Report of the Directors

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

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands and is domiciled in Hong Kong and has its registered office at Unit 1603, 16/F, Billion Plaza, 8 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong. The Group's principal place of business is in the PRC.

PRINCIPAL ACTIVITIES

The principal activities of the Group are wholesaling and retailing of branded menswear and related accessories in the PRC. The principal activities and other particulars of the subsidiaries are set out in note 12 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2013, aggregate sales to the Group's largest and five largest customers accounted for 11.4% (2012: 10.1%) and 42.6% (2012: 35.9%), respectively, of the Group's total turnover for the year.

Aggregate purchases from the Group's largest and five largest suppliers of OEM products accounted for 22.8% (2012: 22.3%) and 53.3% (2012: 51.8%), respectively, of the Group's total purchases from suppliers for the year ended 31 December 2013.

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

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the latest four financial years is set out on page 88 of the annual report. This summary does not form part of the audited consolidated financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2013 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 42 to 87 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2013 are set out in note 10 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company and the Group are set out in note 23 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Group's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB300.9 million.

DIVIDEND

On 9 August 2013, the Company declared a dividend of RMB55.0 million which was fully paid on 13 August 2013. The Directors now recommend the payment of a final dividend of HK$14.5 cents per ordinary share in respect of the year ended 31 December 2013.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB1,780,000 (2012: RMB30,000).

NON-CURRENT ASSETS

Details of acquisitions and other movements of non-current assets (including plant and equipment and intangible assets) are set out in notes 10 and 11 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 23 to the consolidated financial statements. Shares of the Company were issued during the year in relation to the global offering of the Company and the capitalisation issue.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules from 28 October 2013 to 31 December 2013 and at any time up to the date of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands where the Company is incorporated.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

DIRECTORS

The Directors during the financial year were:

Executive Directors

Mr. Yang Ziming *(Chairman)*
Mr. Ng Siu Keung *(Chief Executive Officer)*
Mr. Ke Rongqin
Mr. Tian Dongliang
Mr. Wei Qiang

Independent non-executive Directors

Mr. Tsui Yung Kwok
Mr. Chen Honghui
Mr. Leung Ming Shu

Each of the executive Directors and independent non-executive Directors of the Company has entered into a service contract with the Company for a term of three years commencing from Listing Date subject to his retirement and re-election at annual general meeting in accordance with the Company's articles of association. The details of the remuneration of each of the Directors are revealed on note 6 to the consolidated financial statements.

Details of the Directors' biographies have been set out on pages 26 to 28 of the annual report. In accordance with article 84 of the Company's articles of association, Mr. Yang Ziming, Mr. Wei Qiang and Mr. Leung Ming Shu will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Group which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

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

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

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

Interests and short positions in the shares, underlying shares and debentures and associated corporations:

Long positions in the Company

Name of director	Number of shares held	Number of underlying shares comprised in options[4]	Total	Approximate percentage of shares in issue
Mr. Yang Ziming[1][2][3]	525,000,000	Nil	525,000,000	73.84%
Mr. Ng Siu Keung[3]	Nil	900,000	900,000	0.1266%
Mr. Ke Rongqin[3]	Nil	700,000	700,000	0.0985%
Mr. Tian Dongliang[3]	Nil	700,000	700,000	0.0985%
Mr. Wei Qiang	Nil	700,000	700,000	0.0985%

Notes:

(1) Acute Result Holdings Limited ("Acute Result"), Ascend Fame Limited ("Ascend Fame") and Prime Ascend Limited ("Prime Ascend") are wholly-owned and controlled by Mr. Yang Ziming and Mr. Yang Ziming is therefore deemed to be interested in all the shares in which Acute Result, Ascend Fame and Prime Ascend are interested.

(2) Multiplus International Limited ("Multiplus") is owned as to 99% by Ms. Ke Liting and 1% by Mr. Yang Ziming. By virtue of a shareholders' agreement dated 31 July 2012 by and between Ms. Ke Liting and Mr. Yang Ziming, in addition to the voting right attached to the share Mr. Yang Ziming holds in Multiplus, he also has the right to control the exercise of the voting rights attached to all the shares in Multiplus held by Ms. Ke Liting. Accordingly, Mr. Yang Ziming is deemed to be interested in all the shares in which Multiplus is interested.

(3) Mr. Yang Ziming is the spouse of Ms. Ke Liting. Accordingly, Mr. Yang is deemed to be interested in all the shares in which Ms. Ke Liting is interested.

(4) Keen Network Holdings Limited ("Keen Network") is owned as to 25% by Prime Ascend , 25% by Dominant Success Holdings Limited ("Dominant Success"), 25% by Rosy Connect Investments Limited ("Rosy Connect") and 25% by Zhang Hong Limited ("Zhang Hong"). Prime Ascend is directly and wholly-owned by Mr. Yang Ziming. Dominant Success is directly and wholly by Mr. Ng Siu Keung. Rosy Connect is directly and wholly-owned by Mr. Ke Rongqin. Zhang Hong is directly and wholly-owned by Mr. Tian Dongliang. All of Mr. Yang Ziming, Mr. Ng Siu Keung, Mr. Ke Rongqin and Mr. Tian Dongliang are executive Directors.

By virtue of a shareholders' agreement dated 31 July 2012 by and among the shareholders of Keen Network, in addition to the voting rights attached to the shares in Keen Network that it holds, Prime Ascend also has the right to control the exercise of the voting rights attached to all the shares in Keen Network held by other shareholders. Accordingly, Prime Ascend is deemed to be interested in all the shares in which Keen Network is interested.

(5) These represent interest in underlying shares of the Pre-IPO Share Option Scheme (as defined below) granted by the Company. For details of the Pre-IPO Share Option Scheme (as defined below), please refer to the section "Equity-settled Share Based Payments — Pre-IPO Share Option Scheme" below.

(6) It was based on 710,950,000 issued shares of the Company as at 31 December 2013.

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

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the persons or corporations (not being a Director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	**Capacity/ Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding interest**
Ms. Ke Liting(1)(2)(3)	Interest in a controlled corporation/ Interest of spouse	525,000,000	73.84%
Acute Result(2)(4)	Beneficial owner	351,750,000	49.48%
Ascend Fame(2)(4)	Beneficial owner	52,500,000	7.38%
Keen Network(2)(4)	Beneficial owner	42,000,000	5.91%
Prime Ascend(2)(4)	Interest in a controlled corporation	42,000,000	5.91%
Multiplus(3)	Beneficial owner	78,750,000	11.08%
Milestone Fashion II Limited(5)	Beneficial owner	55,171,000	7.76%
Milestone China Opportunities Fund III, L.P.(5)	Interest in controlled corporation	55,171,000	7.76%
Milestone Capital Partners III Limited(5)	Interest in controlled corporation	55,171,000	7.76%
Milestone Capital Investment Holdings Limited(5)	Interest in controlled corporation	55,171,000	7.76%
MCP China Investment Holdings Limited(5)	Interest in controlled corporation	55,171,000	7.76%
Linden Street Capital Limited(5)	Interest in controlled corporation	55,171,000	7.76%
Mr. Kralik James Christopher(5)	Interest in controlled corporation	55,171,000	7.76%
Ms. Lou Yunli(5)	Interest of spouse	55,171,000	7.76%

Notes:

(1) Ms. Ke Liting is the spouse of Mr. Yang Ziming. Accordingly, Ms. Ke Liting is deemed to be interested in all the shares in which Mr. Yang Ziming is interested.

(2) Acute Result, Ascend Fame and Prime Ascend are wholly-owned and controlled by Mr. Yang Ziming and Mr. Yang Ziming is therefore deemed to be interested in all the shares in which Acute Result, Ascend Fame and Prime Ascend are interested.

(3) Multiplus is owned as to 99% by Ms. Ke Liting and 1% by Mr. Yang Ziming. By virtue of a shareholders' agreement dated 31 July 2012 by and between Ms. Ke Liting and Mr. Yang Ziming, in addition to the voting right attached to the share Mr. Yang Ziming holds in Multiplus, he also has the right to control the exercise of the voting rights attached to all the shares in Multiplus held by Ms. Ke Liting. Accordingly, Mr. Yang Ziming is deemed to be interested in all the shares in which Multiplus is interested.

(4) Keen Network is owned as to 25% by Prime Ascend , 25% by Dominant Success, 25% by Rosy Connect and 25% by Zhang Hong. Prime Ascend is directly and wholly-owned by Mr. Yang Ziming. Dominant Success is directly and wholly by Mr. Ng Siu Keung. Rosy Connect is directly and wholly-owned by Mr. Ke Rongqin. Zhang Hong is directly and wholly-owned by Mr. Tian Dongliang. All of Mr. Yang Ziming, Mr. Ng Siu Keung, Mr. Ke Rongqin and Mr. Tian Dongliang are executive Directors.

By virtue of a shareholders' agreement dated 31 July 2012 by and among the shareholders of Keen Network, in addition to the voting rights attached to the shares in Keen Network that it holds, Prime Ascend also has the right to control the exercise of the voting rights attached to all the shares in Keen Network held by other shareholders. Accordingly, Prime Ascend is deemed to be interested in all the shares in which Keen Network is interested.

(5) Each of Milestone Fashion II Limited, Milestone China Opportunities Fund III, L.P. (as the controlling shareholder of Milestone Fashion II Limited), Milestone Capital Partners III Limited (as the general partner of Milestone China Opportunities Fund III, L.P.), Milestone Capital Investment Holdings Limited (as the controlling shareholder of Milestone Capital Partners III Limited), MCP China Investment Holdings Limited (as the controlling shareholder of Milestone Capital Investment Holdings Limited), Linden Street Capital Limited (as the controlling shareholder of MCP China Investment Holdings Limited), and Mr. James Christopher Kralik and Ms. Lou Yunli (as joint trustee of Linden Street Capital Limited) be deemed to be interested in the shares of the Company under the SFO.

(6) It was based on 710,950,000 issued shares of the Company as at 31 December 2013.

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

CONTINUING CONNECTED TRANSACTIONS

The related party transaction for the year as disclosed in note 26 to the consolidated financial statements also constituted continuing connected transaction under the Listing Rules, which is required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. Details of such continuing connected transaction (as defined under the Listing Rules) are set out below in accordance with the requirements of the Listing Rules:

Tenancy Agreement with Shishi City Junyuan Development Company Limited (石獅市駿源發展有限公司) ("Junyuan Development")

Junyuan Development is wholly owned by Mr. Yang Ziming, the Chairman and executive Director and Controlling Shareholder (within the meaning of the Listing Rules) of the Company. Junyuan Development is therefore a connected person of the Company under the Listing Rules.

Certain members of our Group have entered into the following leases (the "Leases") with Junyuan Development for a term commencing from 28 October 2013 to 31 December 2015.

(i) Lease of warehouse between Cabbeen Clothing (China) Co., Ltd.* 卡賓服飾 (中國) 有限公司 ("Cabbeen China") and Junyuan Development

On 8 October 2013, Cabbeen China, an indirect wholly-owned subsidiary of the Company, entered into a lease agreement with Junyuan Development, pursuant to which, Cabbeen China leased part of the first, second and third floors of a building located at Block 3, Industry Park, Baogai town, Shishi city, Fujian province, PRC, with a total floor area of approximately 5,403.7 sq.m.), from Junyuan Development for storage purpose at RMB48,633.30 per month.

(ii) Lease of office between Cabbeen China and Junyuan Development

On 8 October 2013, Cabbeen China also entered into another lease agreement with Junyuan Development, pursuant to which, Cabbeen China leased an office building located at Industry Park, Baogai town, Shishi city, Fujian province, PRC, with a total floor area of approximately 2,070.3 sq.m. from Junyuan Development for office use at RMB22,772.86 per month.

(iii) Lease of storage area between Guangzhou Cabbeen Clothing Co., Ltd.* (廣州市卡賓服飾有限公司) and Junyuan Development

On 8 October 2013, Cabbeen Guangzhou, an indirect wholly-owned subsidiary of the Company, entered into a lease agreement with Junyuan Development pursuant to which, Cabbeen Guangzhou leased part of the first and second floors of a building located at Block 3, Industry Park, Baogai town, Shishi city, Fujian province, PRC, with a total floor area of approximately 929.0 sq.m., from Junyuan Development for storage purpose at RMB8,361.00 per month.

During the year ended 31 December 2013, total rental paid or payable by the Group under the Leases amounted to RMB957,206 which did not exceed the annual caps for these transactions.

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

The Directors (including all independent non-executive Directors) have reviewed the continuing connected transaction and confirmed that this transaction was entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreement governing it and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the paragraph headed "Continuing connected transaction" above and in note 26 to the consolidated financial statements, no contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

CONTRACTS OF SIGNIFICANCE

During the year, save as disclosed in note 26 to the consolidated financial statements and in the paragraph headed "Continuing Connected Transactions" in this report, there had been no contract of significance between the Company or any of its subsidiaries and controlling shareholders (as defined in the Listing Rules) of the Company or any of its subsidiaries.

COMPETING BUSINESS

None of the Directors of the Company had any interest in any competing business with the Company or any of its subsidiaries during the year. Each of Mr. Yang Ziming, Acute Result, Ascend Fame and Prime Ascend (the controlling shareholders (within the meaning of the Listing Rules) of the Company) has confirmed to the Company that he/it has complied with the non-compete undertaking given by them to the Company on 8 October 2013. The independent non-executive Directors of the Company have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with throughout the period from 8 October 2013 to 31 December 2013.

EQUITY-SETTLED SHARE BASED PAYMENTS

The Company adopted a pre-initial public offering share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme") on 8 October 2013 for the purpose of providing incentives and rewards to eligible participants who contribute to the Group.

Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme on 8 October 2013 for the purpose of rewarding certain eligible persons for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with, such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Options to subscribe for an aggregate of 8,520,000 Shares (the "Pre-IPO Share Options") were granted on 28 October 2013. The exercise price per Share is HK$2.024, being 80% of the initial public offering price. No further option could be granted under the Pre-IPO Share Option Scheme after 28 October 2013. All Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme may be exercised during the option period commencing from the first anniversary of the Listing Date to the date falling 10 years from the grant date of the Pre-IPO Share Options and can only be exercised in the following manner:

(i) 30% of each Pre-IPO Share Options may be exercised from the first anniversary of the Listing Date;

(ii) 60% of each Pre-IPO Share Options may be exercised from the second anniversary of the Listing Date; and

(iii) 100% of each Pre-IPO Share Options may be exercised from the third anniversary of the Listing Date.

Accordingly, there was no exercise of Pre-IPO Share Options for the year ended 31 December 2013. A summary of grantees whom have been granted Pre-IPO Share Options is set out below:

Name	Number of shares to be issued upon full exercise of the Pre-IPO Share Options	Percentage of enlarged issued share capital of the Company
Directors		
Mr. Ng Siu Keung	900,000	0.1266%
Mr. Tian Dongliang	700,000	0.0985%
Mr. Ke Rongqin	700,000	0.0985%
Mr. Wei Qiang	700,000	0.0985%
Others		
In aggregate	5,520,000	0.7764%
Total	8,520,000	1.1985%

No Pre-IPO Share Option was lapsed or cancelled during the year ended 31 December 2013.

Share Option Scheme

The Company adopted the Share Option Scheme on 8 October 2013 for the purpose of rewarding certain eligible persons for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with, such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to the earlier termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on 28 October 2013.

Eligible participants of the Scheme include any proposed, full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors or proposed director (including non-executive director and independent non-executive directors) of the Company or any of its subsidiaries; any direct or indirect shareholder of the Company or any of its subsidiaries; and any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the shares in issue as at the Listing Date, i.e. 70,000,000 shares of the Company. Subject to the issue of a circular by the Company and the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the shares in issue as at the date of the approval by the shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to eligible participants specifically identified by the Board.

Notwithstanding the foregoing, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the shares of the Company in issue from time to time.

The maximum number of shares issuable upon the exercise of options granted under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised or outstanding options) to each grantee within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company; and (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The exercise period of the share options granted is determinable by the directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before 28 days after the offer date.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a share.

As at 31 December 2013, no option had been granted under the Share Option Scheme.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in "Equity-settled share based payments" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

RETIREMENT SCHEMES

The Group participates in defined contribution retirement benefit schemes organized by the PRC municipal and provincial government authorities for the Group's eligible employees in the PRC, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 21 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

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

AUDITOR

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

By order of the Board

Yang Ziming
Chairman

Hong Kong, 20 February 2014

Independent auditor's report to the shareholders of Cabbeen Fashion Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Cabbeen Fashion Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 42 to 87, which comprise the consolidated and company statements of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

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

20 February 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Turnover	2	**943,492**	940,057
Cost of sales		**(553,757)**	(559,757)
Gross profit		**389,735**	380,300
Other revenue	3	**38,291**	4,588
Other net income	3	**5,880**	2,019
Selling and distribution expenses		**(45,143)**	(48,288)
Administrative and other operating expenses		**(107,324)**	(110,595)
Profit from operations		**281,439**	228,024
Finance costs	4(a)	**(7,045)**	(27,249)
Profit before taxation	4	**274,394**	200,775
Income tax expense	5(a)	**(79,039)**	(70,558)
Profit for the year		**195,355**	130,217
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of the financial statements of operations outside the mainland China		**3,903**	392
Total comprehensive income for the year		**199,258**	130,609
Earnings per share (RMB)	9		
Basic and diluted		**0.35**	0.25

The notes on pages 48 to 87 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in Note 23(b).

Consolidated Statement of Financial Position

(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	*10*	**13,892**	18,044
Intangible assets	*11*	**24,462**	27,453
Other receivables	*15*	**–**	15,261
Deferred tax assets	*13(b)*	**10,897**	11,485
		49,251	72,243
Current assets			
Inventories	*14*	**50,367**	41,025
Trade and other receivables	*15*	**162,648**	337,282
Financial assets at fair value through profit or loss	*16*	**60,000**	131,205
Deposits with banks with original maturity date over three months		**165,960**	–
Pledged bank deposits	*17*	**199,330**	97,660
Cash and cash equivalents	*18*	**531,786**	186,044
		1,170,091	793,216
Current liabilities			
Bank borrowings	*19*	**90,450**	136,961
Trade and other payables	*20*	**497,273**	569,150
Current tax payable	*13(a)*	**29,031**	32,740
		616,754	738,851
Net current assets		**553,337**	54,365
Total assets less current liabilities		**602,588**	126,608
NET ASSETS		**602,588**	126,608

The notes on pages 48 to 87 form part of these financial statements.

Consolidated Statement of Financial Position (continued)

(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
CAPITAL AND RESERVES	*23*		
Capital		**5,578**	–
Reserves		**597,010**	126,608
TOTAL EQUITY		**602,588**	126,608

Approved and authorised for issue by the board of directors on 20 February 2014.

Mr. Ng Siu Keung
Chief Executive Officer and Executive Director

Mr. Wei Qiang
Executive Director

The notes on pages 48 to 87 form part of these financial statements.

Statement of Financial Position

At 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Investments in subsidiaries	12	**486**	486
Current assets			
Trade and other receivables	15	**204,946**	120,200
Deposits with banks with original maturity date over three months		**101,960**	–
Cash and cash equivalents	18	**16,626**	–
		323,532	120,200
Current liabilities			
Trade and other payables	20	**17,570**	120,443
Net current assets/(liabilities)		**305,962**	(243)
NET ASSETS		**306,448**	243
CAPITAL AND RESERVES	23		
Capital		**5,578**	–
Reserves		**300,870**	243
TOTAL EQUITY		**306,448**	243

Approved and authorised for issue by the board of directors on 20 February 2014.

Mr. Ng Siu Keung
Chief Executive Officer and Executive Director

Mr. Wei Qiang
Executive Director

The notes on pages 48 to 87 form part of these financial statements.

Consolidated Statement of Changes in Equity

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

	Note	Share capital RMB'000 (Note 23)	Share premium RMB'000 (Note 23 (d)(i))	Capital reserves RMB'000 (Note 23(d)(ii))	Statutory reserve RMB'000 (Note 23(d)(iii))	Exchange reserve RMB'000 (Note 23(d)(iv))	Retained profits RMB'000	Total RMB'000
As at 1 January 2012		139	–	37,354	11,132	2,929	64,445	115,999
Changes in equity for 2012:								
Profit for the year		–	–	–	–	–	130,217	130,217
Other comprehensive income for the year		–	–	–	–	392	–	392
Total comprehensive income for the year		–	–	–	–	392	130,217	130,609
Dividend declared	*23(b)*	–	–	–	–	–	(120,000)	(120,000)
Appropriation to statutory reserves	*23(d)(iii)*	–	–	–	18,730	–	(18,730)	–
Elimination of capital on reorganisation	*23(d)(ii)*	(139)	–	139	–	–	–	–
As at 31 December 2012 and 1 January 2013		**–**	**–**	**37,493**	**29,862**	**3,321**	**55,932**	**126,608**
Changes in equity for 2013:								
Profit for the year		**–**	**–**	**–**	**–**	**–**	**195,355**	**195,355**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**3,903**	**–**	**3,903**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**3,903**	**195,355**	**199,258**
Dividend declared	*23(b)*	**–**	**–**	**–**	**–**	**–**	**(55,000)**	**(55,000)**
Shares issued by share offer	*23(c)(iv)*	**1,459**	**329,705**	**–**	**–**	**–**	**–**	**331,164**
Capitalisation issue	*23(c)(v)*	**4,119**	**(4,119)**	**–**	**–**	**–**	**–**	**–**
Equity settled share-based transactions	*4(b)*	**–**	**–**	**558**	**–**	**–**	**–**	**558**
Appropriation to statutory reserves	*23(d)(iii)*	**–**	**–**	**–**	**274**	**–**	**(274)**	**–**
As at 31 December 2013		**5,578**	**325,586**	**38,051**	**30,136**	**7,224**	**196,013**	**602,588**

The notes on pages 48 to 87 form part of these financial statements.

Consolidated Cash Flow Statement

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

	Note	2013 RMB'000	2012 RMB'000
Operating activities			
Cash generated from operations	*18(b)*	**448,375**	613,725
Income tax paid		**(82,160)**	(52,428)
Net cash generated from operating activities		**366,215**	561,297
Investing activities			
Payment for the purchase of property, plant and equipment		**(4,921)**	(2,213)
Payment for the purchase of intangible assets		**(4,332)**	(11,044)
Proceeds from disposal of property, plant and equipment		**45,297**	7,258
Proceeds from disposal of intangible assets		**–**	455
Placement of deposits with banks with original maturity date over three months		**(165,960)**	–
Net (increase)/decrease in pledged bank deposits		**(101,670)**	34,924
Net decrease/(increase) in financial assets at fair value through profit or loss		**71,205**	(130,000)
Gain on financial assets at fair value through profit or loss		**3,677**	–
Investment income on available-for-sales financial assets		**639**	–
Interest received	*3*	**8,962**	4,425
Net cash used in investing activities		**(147,103)**	(96,195)
Financing activities			
Gross proceeds from initial public offering ("IPO")	*23(c)(iv)*	**369,118**	–
Payment of listing related expenses		**(52,333)**	–
Proceeds from bank loans		**117,281**	192,961
Repayment of bank loans		**(163,792)**	(165,500)
Proceeds from discounting of commercial acceptance bills receivable		**–**	216,610
Repayment of other bank borrowings obtained by bills discounting		**–**	(503,225)
Decrease/(increase) in amount due from the controlling shareholder (net)		**39,564**	(65,078)
Dividends paid	*23(b)*	**(175,000)**	–
Interest paid		**(7,409)**	(16,625)
Net cash generated from/(used in) financing activities		**127,429**	(340,857)
Net increase in cash and cash equivalents		**346,541**	124,245
Cash and cash equivalents at 1 January		**186,044**	61,817
Effect of foreign exchange rate changes		**(799)**	(18)
Cash and cash equivalents at 31 December	*18(a)*	**531,786**	186,044

The notes on pages 48 to 87 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period. Note 1(c) provides information on the new and revised IFRSs that are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

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

The Company was incorporated as an exempted company under the laws of Cayman Islands with limited liability on 3 November 2011. The Company became the holding company of the Group upon completion of the reorganisation on 31 July 2012. Prior to the completion of the reorganisation, these financial statements have been prepared by applying the principles of merger accounting as if the subsidiaries of the Company have been combined.

The financial statements is presented in Renminbi ("RMB"), rounded to the nearest thousand, as the Group's principal activities were carried out in the PRC. RMB is the functional currency for the Company's subsidiaries established in the mainland China. The functional currency of the Company and the Company's subsidiaries outside the mainland China are Hong Kong dollars.

The financial statements is prepared on the historical cost basis except that financial assets at fair value through profit or loss and available-for-sale financial assets which are stated at their fair value as explained in the accounting policies (see note 1(e) set out below).

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 27.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) New and revised IFRSs that are first effective for the current accounting period

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Of these, the following new and revised IFRSs are relevant to and have been adopted in the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- Amendments to IFRS 7 — *Disclosures — Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

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

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

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

(e) Financial assets at fair value through profit or loss and available-for-sale financial assets

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction cost.

Financial assets at fair value through profit or loss are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any interest earned on these financial assets as these are recognised in accordance with the policies set out in note i(r)(ii).

(ii) Available-for-sale financial assets

Available-for-sale financial assets are initially stated at fair value plus any directly attributable transaction costs. Interest income from these financial assets is recognised using the effective interest method in profit or loss in accordance with the policy set out in note i(r)(ii). When these financial assets are derecognised or impaired (see note 1(i)), the cumulative gain or loss is reclassified from equity to profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment

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

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

No depreciation is provided in respect of construction in progress.

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

— Leasehold improvements	Shorter of 3 – 5 years or remaining term of the lease.
— Plant and machinery	5 – 10 years
— Motor vehicles	4 – 5 years
— Furniture, fixtures and equipment	3 – 5 years

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

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

(g) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(i)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Computer software with finite useful lives is amortised from the date it is available for use and its estimated useful live is 5 to 10 years.

Both the useful life and method of amortisation are reviewed annually.

(h) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets

(i) Impairment of current and non-current receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed annually to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(ii) Impairment of other assets

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

— property, plant and equipment;

— construction in progress;

— intangible assets; and

— investments in subsidiaries in the Company's statement of financial position.

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Inventories

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

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

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

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

(k) Trade and other receivables

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

Trade and other receivables are derecognised if substantially all the risks and rewards of ownership of the trade and other receivables are transferred. If substantially all the risks and rewards of ownership of trade and other receivables are retained, the trade and other receivables are continued to recognise in the consolidated statement of financial position. For discounted commercial acceptance bills to banks with recourse, the bills receivable are not derecognised until the customer settled the respective bills with the banks.

(l) Interest-bearing borrowings

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

(m) Trade and other payables

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

(n) Cash and cash equivalents

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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

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

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(p) Income tax

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income tax *(Continued)*

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

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

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

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

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

  — the same taxable entity; or

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

(q) Provisions and contingent liabilities

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

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

(r) Revenue recognition

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

(i) Sale of goods

Revenue is recognised when the customer has accepted the related risks and rewards of ownership. Revenue represented the sales value of goods sold less returns, discounts, rebates and value added tax (“VAT”).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Revenue recognition *(Continued)*

(ii) Interest income

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

(iii) Government grants

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

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

(s) Translation of foreign currencies

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

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

The results of operations outside mainland China are translated into Renminbi at the average exchange rates for the year which approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates ruling at the end of reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation outside mainland China, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) Borrowing costs

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

(u) Research and development

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

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

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(w) Segment reporting

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

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

The Group operates in a single segment of wholesaling and retailing of menswear in the PRC. Accordingly, no segmental analysis is presented.

2 TURNOVER

The principal activities of the Group are wholesaling and retailing of menswear in the mainland China. Turnover represents the sales value of goods sold less returns, discounts, rebates and VAT.

The Group had one (2012: one) customer with whom transactions have exceeded 10% of the Group's turnover. The amount of sales to this customer amounted to approximately RMB109,305,000 (2012: RMB94,593,000). Details of concentrations of credit risk arising from customers are set out in note 24(a).

3 OTHER REVENUE AND OTHER NET INCOME

	2013 RMB'000	2012 RMB'000
Other revenue		
Interest income	**8,962**	4,425
Government grants *(note)*	**29,329**	163
	38,291	4,588
Other net income		
Net gain on sale of promotion and display materials	**930**	723
Net foreign exchange (loss)/gain	**(26)**	8
Loss on disposal of property, plant and equipment	**(168)**	(187)
Net fair value gain on financial assets at fair value through profit or loss	**3,677**	1,205
Investment income on available-for sales financial assets	**639**	–
Others	**828**	270
	5,880	2,019

Note: Government grants in the year ended 31 December 2013 represented unconditional cash awards granted by Shishi Finance Bureau.

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2013 RMB'000	2012 RMB'000
(a)	**Finance costs**		
	Interest on bank borrowings	**7,045**	27,249
(b)	**Staff costs**		
	Contributions to defined contribution retirement plans *(note 21)*	**3,177**	3,990
	Salaries, wages and other benefits	**51,914**	61,290
	Equity-settled share-based payment expenses *(note 22)*	**558**	–
		55,649	65,280
(c)	**Other items**		
	Amortisation of intangible assets	**3,263**	2,972
	Depreciation	**8,500**	9,894
	Auditor's remuneration	**1,678**	125
	Operating lease charges in respect of properties: minimum lease payments	**12,715**	9,013
	Research and development cost *(note (i))*	**23,565**	25,125
	Cost of inventories *(note (ii))*	**553,757**	559,757

Notes:

(i) For the year ended 31 December 2013, research and development costs include staff costs of employees in the design, research and development department of RMB13,718,000 (2012: RMB10,725,000) which are included in the staff costs as disclosed in note 4(b).

(ii) For the year ended 31 December 2013, cost of inventories includes RMB3,146,000 (2012: RMB6,283,000) relating to staff costs, which amount is also included in note 4(b) for each of these types of expenses.

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2013 **RMB'000**	2012 RMB'000
Current tax		
PRC corporate income tax	**72,996**	62,912
Over-provision in respect of prior years	**(945)**	–
PRC dividend withholding tax *(note (iv))*	**6,400**	13,420
	78,451	76,332
Deferred tax		
Origination and reversal of temporary differences *(note 13(b))*	**588**	(5,774)
	79,039	70,558

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI") the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2013 and 2012.

(iii) The Company's subsidiaries in the PRC are subject to income tax at the statutory rate of 25%.

(iv) Pursuant to the PRC Corporate Income Tax Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. The Group has adopted the 10% withholding tax rate for PRC withholding tax purposes during the years ended 31 December 2013 and 2012.

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

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

	2013 RMB'000	2012 RMB'000
Profit before taxation	**274,394**	200,775
Notional tax on profit before taxation, calculated at the standard tax rates applicable to the respective tax jurisdictions	**70,110**	51,501
Effect of non-deductible expenses	**3,393**	5,702
Effect of tax losses not recognised	**112**	–
Utilisation of previously unrecognised tax losses	**(31)**	(65)
Over-provision in prior years	**(945)**	–
PRC dividend withholding tax	**6,400**	13,420
Actual tax expense	**79,039**	70,558

6 DIRECTORS' REMUNERATION

The details of directors' remuneration are disclosed as follows:

	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Equity settled share-based payments *(note)* RMB'000	2013 total RMB'000
Executive directors							
Mr. Yang Ziming	77	827	–	62	966	–	966
Mr. Ng Siu Keung	77	1,150	–	43	1,270	58	1,328
Mr. Tian Dongliang	77	1,077	–	46	1,200	45	1,245
Mr. Ke Rongqin	77	1,026	–	46	1,149	45	1,194
Mr. Wei Qiang	77	737	–	46	860	45	905
Independent non-executive directors							
Mr. Tsui Yung Kwok	50	–	–	–	50	–	50
Mr. Chen Honghui	50	–	–	–	50	–	50
Mr. Leung Ming Shu	50	–	–	–	50	–	50
Total	535	4,817	–	243	5,595	193	5,788

6 DIRECTORS' REMUNERATION *(Continued)*

	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Equity settled share-based payments *(note)* RMB'000	2012 total RMB'000
Executive directors							
Mr. Yang Ziming	–	895	–	38	933	–	933
Mr. Ng Siu Keung	–	1,143	–	11	1,154	–	1,154
Mr. Tian Dongliang	–	930	–	36	966	–	966
Mr. Ke Rongqin	–	903	–	12	915	–	915
Mr. Wei Qiang	–	477	–	36	513	–	513
Independent non-executive directors							
Mr. Tsui Yung Kwok	–	–	–	–	–	–	–
Mr. Chen Honghui	–	–	–	–	–	–	–
Mr. Leung Ming Shu	–	–	–	–	–	–	–
Total	–	4,348	–	133	4,481	–	4,481

Note:

These represent the estimated value of share options granted to the directors under the Company's pre-IPO share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(o)(ii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Equity settled share based payments" in the directors' report and note 22.

7 INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2012: one) are directors whose emoluments are disclosed in note 6 above. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other emoluments	**2,646**	4,407
Contributions to retirement benefit scheme	**58**	58
Equity settled share-based payments	**73**	–
	2,777	4,465

7 INDIVIDUAL WITH HIGHEST EMOLUMENTS *(Continued)*

The emoluments of the two (2012: four) individuals with the highest emoluments are within the following bands:

	2013 Number of individuals	2012 Number of individuals
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	4
HK$1,500,001 to HK$2,000,000	2	–

8 RESULT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated result attributable to equity shareholders of the Company includes a loss of RMB26,920,000 (2012: RMB67,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2013 RMB'000	2012 RMB'000
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	(26,920)	(67)
Dividends from a subsidiary attributable to the profits of the previous financial years, approved and paid during the year	57,720	120,200
Company's profit for the year *(Note 23(a))*	30,800	120,133

Details of dividends paid and payable to equity shareholders of the Company are set out in Note 23(b).

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB195,355,000 (2012: RMB130,217,000) and the weighted average number of 557,274,000 ordinary shares (2012: 525,000,000 shares after adjusting for the capitalisation issue in 2013) in issue during the year, calculated as follows:

	2013 **'000**	2012 '000
Issued ordinary shares at 1 January	**525,000**	–
Effect of capitalisation issue *(Note 23(c)(v))*	**–**	525,000
Effect of issuance of shares by share offer *(Note 23(c)(iv))*	**32,274**	–
Weighted average number of ordinary shares at 31 December	**557,274**	525,000

(b) Diluted earnings per share

The effect of the Company's share options was anti-dilutive for the year ended 31 December 2013. During the year ended 31 December 2012, there were no dilutive potential ordinary shares issued.

10 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2012	10,029	13,366	11,301	22,555	–	57,251
Additions	625	73	229	1,223	–	2,150
Disposals	(377)	(12,561)	(1,480)	(6,531)	–	(20,949)
Exchange adjustment	–	–	(5)	–	–	(5)
At 31 December 2012 and 1 January 2013	10,277	878	10,045	17,247	–	38,447
Additions	928	76	137	2,073	1,707	4,921
Disposals	–	–	–	(1,128)	–	(1,128)
Exchange adjustment	–	–	(17)	–	–	(17)
At 31 December 2013	11,205	954	10,165	18,192	1,707	42,223
Accumulated depreciation:						
At 1 January 2012	2,122	3,512	5,833	6,918	–	18,385
Charge for the year	2,253	331	2,504	4,806	–	9,894
Written back on disposals	(219)	(3,593)	(1,273)	(2,786)	–	(7,871)
Exchange adjustment	–	–	(5)	–	–	(5)
At 31 December 2012 and 1 January 2013	4,156	250	7,059	8,938	–	20,403
Charge for the year	2,452	147	1,836	4,065	–	8,500
Written back on disposals	–	–	–	(555)	–	(555)
Exchange adjustment	–	–	(17)	–	–	(17)
At 31 December 2013	6,608	397	8,878	12,448	–	28,331
Net book value:						
At 31 December 2013	4,597	557	1,287	5,744	1,707	13,892
At 31 December 2012	6,121	628	2,986	8,309	–	18,044

11 INTANGIBLE ASSETS

	Computer software RMB'000
Cost:	
At 1 January 2012	26,673
Additions	6,346
At 31 December 2012 and 1 January 2013	33,019
Additions	272
At 31 December 2013	33,291
Accumulated amortisation:	
At 1 January 2012	2,594
Charge for the year	2,972
At 31 December 2012 and 1 January 2013	5,566
Charge for the year	3,263
At 31 December 2013	8,829
Net book value:	
At 31 December 2013	24,462
At 31 December 2012	27,453

The amortisation charge of intangible assets for the year is included in "administrative and other operating expenses" in the consolidated statement of profit or loss.

12 INVESTMENTS IN SUBSIDIARIES

	The Company 2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	**486**	486

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the subsidiaries	Principal activities
Cabbeen Clothing China Co., Ltd.* *(note)* ("Cabbeen China") (卡賓服飾(中國)有限公司)	PRC	HK$50,000,000	100%	100%	Wholesale of menswear
Guangzhou Cabbeen Clothing Co., Ltd.* *(note)* (廣州市卡賓服飾有限公司)	PRC	HK$20,000,000	100%	100%	Wholesale of menswear
Guangzhou Zixi Enterprise Management Co., Ltd.* *(note)* ("Guangzhou Zixi") (廣州市紫曦企業管理有限公司)	PRC	HK$2,000,000	100%	100%	Trademark holding and retail of menswear

Note: These are wholly foreign owned enterprises in the PRC.

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

13 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2013 RMB'000	2012 RMB'000
PRC Corporate Income Tax	**29,031**	19,320
Withholding tax on dividends	–	13,420
	29,031	32,740

13 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets recognised:

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Depreciation charges in excess of depreciation allowance RMB'000	Accrued expenses RMB'000	Unrealised profits RMB'000	Total RMB'000
At 1 January 2012	58	4,450	1,203	5,711
(Charged)/credited to consolidated statement of profit or loss *(note 5(a))*	(45)	7,022	(1,203)	5,774
At 31 December 2012 and 1 January 2013	13	11,472	–	11,485
(Charged)/credited to consolidated statement of profit or loss *(note 5(a))*	(13)	(849)	274	(588)
At 31 December 2013	–	10,623	274	10,897

(c) Deferred tax assets not recognised

The Group did not recognise deferred tax assets in respect of tax losses of subsidiaries of RMB447,000 (2012: RMB121,000), which will be expired by the end of 2018, if unused. The tax effect on such tax losses has not been recognised as the amount is insignificant.

(d) Deferred tax liabilities not recognised

Deferred tax liabilities in respect of the PRC dividend withholding tax relating to the undistributed profits of the Company's PRC subsidiaries of RMB251,017,000 (2012: RMB84,287,000) were not recognised as the Company controls the dividend policy of these subsidiaries. Based on the assessment made by management as at the end of each reporting period, it was determined that the undistributed profits of the Company's PRC subsidiaries would not be distributed in the foreseeable future.

14 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2013 RMB'000	2012 RMB'000
Raw materials	**2,171**	2,103
Finished goods	**48,196**	38,922
	50,367	41,025

15 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables				
— third parties	**125,217**	78,092	**–**	–
Bills receivable				
— third parties	**4,000**	–	**–**	–
Trade and bills receivables	**129,217**	78,092	**–**	–
Prepayments to suppliers	**3,793**	3,698	**–**	–
Amount due from the controlling shareholder	**–**	39,564	**–**	–
Amounts due from related parties	**–**	189,637	**–**	–
Other deposits, prepayments and receivables	**29,638**	41,552	**415**	–
Amount due from a subsidiary	**–**	–	**204,531**	120,200
	162,648	352,543	**204,946**	120,200
Less: non-current portion of other receivables	**–**	(15,261)	**–**	–
	162,648	337,282	**204,946**	120,200

All of the current trade and other receivables are expected to be recovered or recognised as expense within one year, except for the Group's deposits which are expected to be recovered after more than one year. Such deposits amounted to RMB1,149,000 as at 31 December 2013 (2012: RMB1,009,000).

Non-current portion of other receivables as at 31 December 2012 represented a portion of the consideration for the Group's disposal of production facilities and inventories to an independent third party, Shishi Haoyu Clothing Co., Ltd. ("Shishi Haoyu") (石獅市豪宇服飾有限公司). The directors considered that the amount due from Shishi Haoyu of RMB15,261,000 being recorded under current assets as at 31 December 2013, which is scheduled to be settled in 2014, is fully recoverable given the creditworthiness, financial resources and past payment record.

The Group accepts bank acceptance bills from major banks in the PRC for settlement of trade debts. The management considered that the risk of these bills relates substantially to interest rate risk. Accordingly, when these bills were transferred by either discounting or endorsement, they were derecognised as a financial asset. At 31 December 2013, the Group transferred bank acceptance bills totalling RMB269,309,000 (2012: RMB245,194,000), and derecognised them as financial assets. These bank acceptance bills mature between six to twelve months from the date of issue.

15 TRADE AND OTHER RECEIVABLES *(Continued)*

At 31 December 2012, the amount due from the controlling shareholder and amounts due from related parties were unsecured, interest-free and had no fixed repayment terms.

At 31 December 2013 and 2012, the amount due from a subsidiary is unsecured, interest-free and has no fixed repayment terms.

(a) Ageing analysis

Included in trade and other receivables are trade and bills receivables with the following ageing analysis based on invoice date as at 31 December 2013 and 2012 are as follows:

	2013 RMB'000	2012 RMB'000
Within 3 months	**125,674**	72,885
More than 3 months but within 6 months	**1,956**	5,207
More than 6 months but within 1 year	**1,587**	–
	129,217	78,092

Trade and bills receivables are due within 90–180 days from the date of billing. Further details on the Group's credit policy are set out in note 24(a).

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly (see note 1(i)(i)). For the year ended 31 December 2013, the Group did not record any impairment losses in respect of trade and bills receivables (2012: Nil).

(c) Trade and bills receivables that are not impaired

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

	2013 RMB'000	2012 RMB'000
Neither past due nor impaired	**127,630**	76,687
Less than 3 months past due	**1,587**	1,405
	129,217	78,092

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

Receivables that were past due but not impaired relate to an independent customer (2012: two) that has a good track record with the Group. Based on experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 RMB'000	2012 RMB'000
Financial assets at fair value through profit or loss *(note)*	**60,000**	131,205
	60,000	131,205

Note:

As at 31 December 2013, the Group held investment in a wealth management product issued by a bank with principal amount of RMB60,000,000. The maximum expected yield is 6.00% per annum for this product. The product matured on 29 January 2014 and an investment income of RMB300,000 was recorded in the financial statements subsequent to 31 December 2013.

The Group is not entitled to early termination or redemption on these financial assets. In addition, in accordance with the principles of securing gain and minimising loss for the Group, the bank shall have the right but not the obligation to early terminate these financial assets based on market conditions, the balance of these financial assets after settlement to be distributed to the Group shall be based on the Group's pro rata share of the underlying assets of these financial assets as at the date of the early termination.

The fair values of these financial assets were measured at the end of the reporting period on a recurring basis, categorised as Level 2 valuation under the three-level fair value hierarchy as defined in IFRS 13, Financial value instrument. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique. The fair values are estimated using discounted cash flow analysis by taking into account the nature, terms, conditions and the contractual period.

17 PLEDGED BANK DEPOSITS

Bank deposits have been pledged as security for bills payable (see note 20) and bank borrowings (see note 19). The pledged bank deposits will be released upon the settlement of relevant bills payable and bank borrowings.

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Cash at bank and in hand	**531,786**	186,044	**16,626**	–

At 31 December 2013, cash and cash equivalents placed with banks in the mainland China amounted to RMB344,754,000 (2012: RMB183,638,000). Remittance of funds out of mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

18 CASH AND CASH EQUIVALENTS *(Continued)*

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

	Note	**2013 RMB'000**	2012 RMB'000
Profit before taxation		**274,394**	200,775
Adjustments for:			
Depreciation	*4(c)*	**8,500**	9,894
Amortisation of intangible assets	*4(c)*	**3,263**	2,972
Interest expense	*4(a)*	**7,045**	27,249
Net foreign exchange loss		**4,702**	410
Interest income	*3*	**(8,962)**	(4,425)
Loss on disposal of property, plant and equipment	*3*	**168**	187
Net fair value gain on financial assets at fair value through profit or loss	*3*	**(3,677)**	(1,205)
Investment income on available-for-sales financial assets	*3*	**(639)**	–
Changes in working capital:			
(Increase)/decrease in inventories		**(9,342)**	86,600
(Increase)/decrease in trade and other receivables		**(38,942)**	350,534
Increase/(decrease) in trade and other payables		**67,120**	(64,761)
Decrease/(increase) in amounts due from related parties		**144,745**	(97,527)
Decrease in advances to third parties		**–**	124,580
Decrease in amounts due to related parties		**–**	(110)
Decrease in advances from third parties		**–**	(21,448)
Cash generated from operations		**448,375**	613,725

19 BANK BORROWINGS

At 31 December 2013 and 2012, the bank borrowings were repayable within one year or on demand as follows:

	2013 RMB'000	2012 RMB'000
Bank loans		
— secured	**90,450**	76,961
— unsecured	**–**	60,000
	90,450	136,961

Certain bank borrowings were secured by assets of the Group, the carrying amounts of these assets are as follows:

	2013 RMB'000	2012 RMB'000
Financial assets at fair value through profit or loss *(note 16)*	**–**	60,580
Pledged bank deposits *(note 17)*	**30,000**	–
	30,000	60,580

20 TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Trade payables				
— third parties	**64,585**	67,017	**–**	–
Bills payable *(note (a))*	**344,023**	290,631	**–**	–
Trade and bills payables *(note (b))*	**408,608**	357,648	**–**	–
Receipts in advance				
— third parties	**32,025**	27,243	**–**	–
Dividend payable	**–**	120,000	**–**	120,000
Other payables and accruals	**56,640**	64,259	**2,022**	–
Amounts due to subsidiaries	**–**	–	**15,548**	443
	497,273	569,150	**17,570**	120,443

20 TRADE AND OTHER PAYABLES *(Continued)*

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

(a) Bills payable as at 31 December 2013 were secured by pledged bank deposits of RMB169,330,000 (2012: RMB Nil) and financial assets at fair value through profit or loss with carrying amount of RMB Nil (2012: RMB70,625,000) (see notes 17 and 16).

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

	2013 RMB'000	2012 RMB'000
Within 3 months	**188,254**	245,578
More than 3 months but within 6 months	**219,146**	112,021
More than 6 months but within 1 year	**29**	49
More than 1 year	**1,179**	–
	408,608	357,648

21 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions at the rate of 12% to 18% of the eligible employees' salaries to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

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

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

22 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted a pre-IPO share option scheme on 28 October 2013. On 28 October 2013, 8,520,000 share options were granted under the share option scheme whereby the directors of the Company invited a distributor and certain employees of the Group, including certain directors of the Group, to take up share options at consideration of HK$1 (equivalent to RMB0.792 at the date of grant). Each option entitles the option holders to subscribe one ordinary share of the Company.

(a) The terms and conditions of the grants are as follows:

			Options granted		
Date granted	Vesting period	Exercise period	Directors	Employees and a distributor	Total
			'000	'000	'000
28 October 2013	28 October 2013 to 27 October 2014	28 October 2014 to 8 October 2023	900	1,656	2,556
	28 October 2013 to 27 October 2015	28 October 2015 to 8 October 2023	900	1,656	2,556
	28 October 2013 to 27 October 2016	28 October 2016 to 8 October 2023	1,200	2,208	3,408
			3,000	5,520	8,520

Pursuant to the rules of the share option scheme, options will lapse when the grantee ceases to be an employee of the Group for reasons other than death, permanent disability, retirement and transfer of employment to related parties, or terminates the business with the Group.

(b) The number and weighted average exercise prices of share options are as follows:

During the year ended 31 December 2013, 8,520,000 share options with exercise price of HK$2.024 were granted and none of these share options became exercisable as at 31 December 2013.

The shares options outstanding as at 31 December 2013 had an exercise price of HK$2.024 and a weighted average remaining contractual life of 9.8 years.

22 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The fair value of the share options granted is measured by an independent valuer engaged by the Group, namely BMI Appraisals Limited, based on binomial option pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option pricing model.

Fair value at measurement date	RMB5,683,000
Grant date share price	HK$2.530
Exercise price	HK$2.024
Expected volatility	40.8%
Option life	10 years
Expected dividends	6.28%
Risk-free interest rate	1.85%

The expected volatility was based on the historical volatilities of the share prices of the comparable companies. The expected dividends were based on the historical dividend payment record of the comparable companies. Changes in the subjective input assumptions could materially affect the fair value estimate.

There were no market conditions associated with the share option grants.

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Exchange reserve RMB'000	Retained profits/ (Accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2012		139	–	–	–	(63)	76
Changes in equity for 2012:							
Arising from reorganisation	*23(d)(ii)*	(139)	–	139	–	–	–
Total comprehensive income for the year		–	–	–	34	120,133	120,167
Dividends declared	*23(b)*	–	–	–	–	(120,000)	(120,000)
Balance at 31 December 2012 and 1 January 2013		–	–	139	34	70	243
Changes in equity for 2013:							
Total comprehensive income for the year		–	–	–	(1,317)	30,800	29,483
Shares issued by share offer	*23(c)(iv)*	1,459	329,705	–	–	–	331,164
Capitalisation issue	*23(c)(v)*	4,119	(4,119)	–	–	–	–
Equity settled share-based transactions		–	–	558	–	–	558
Dividends declared	*23(b)*	–	–	–	–	(55,000)	(55,000)
Balance at 31 December 2013		5,578	325,586	697	(1,283)	(24,130)	306,448

(b) Dividends

Subsequent to 31 December 2013, the directors proposed a final dividend of HK$0.145 per ordinary share, amounting to RMB80,408,000. The final dividend proposed after the end of the reporting period has not been recognised as a liability as at 31 December 2013.

Prior to the completion of the IPO, the Company declared a dividend of RMB120,000,000 on 3 December 2012. On 9 August 2013, the Company declared a dividend of RMB55,000,000. The amount was fully paid on 13 August 2013.

23 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

(i) Authorised and issued share capital

	2013			2012		
	No. of shares	**HK$'000**	**RMB'000**	No. of shares	HK$'000	RMB'000
Authorised:						
Ordinary shares of HK$0.01 each	**10,000,000,000**	**100,000**	**79,208**	38,000,000	380	309
Ordinary shares, issued and fully paid:						
At 1 January	**200**	**–**	**–**	1	–	–
Reorganisation *(Note 23(c)(iii))*	**–**	**–**	**–**	199	–	–
Shares issued by share offer *(Note 23(c)(iv))*	**185,950,000**	**1,860**	**1,459**	–	–	–
Capitalisation issue *(Note23(c)(v))*	**524,999,800**	**5,250**	**4,119**	–	–	
At 31 December	**710,950,000**	**7,110**	**5,578**	200	–	–

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

(ii) Increase in authorised share capital

By an ordinary resolution passed at the shareholders' meeting held on 8 October 2013, the Company's authorised ordinary share capital was increased to HK$100,000,000 by the creation of an additional 9,962,000,000 ordinary shares of HK$0.01 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

(iii) Reorganisation

On 31 July 2012, in connection with the reorganisation, the Company issued and allotted 99 shares with par value of HK$0.01 each. On the same day, the Company issued and allotted 100 shares with par value of HK$0.01 each as a consideration to purchase the entire issued share capital of Grandfull International Holdings Limited ("Grandfull International") and Cabbeen International Holdings Limited ("Cabbeen International Holdings") from the controlling shareholder.

(iv) Shares issued by share offer

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited on 28 October 2013, with a total number of 700,000,000 shares, among which 175,000,000 (25% of the total number of shares of the Company) were issued to the public. The gross proceeds received by the Company from the global offering were approximately HK$442,750,000 (equivalent to RMB347,382,000).

On 25 November 2013, a total number of 10,950,000 shares were issued by the Company at HK$2.53 per share upon the exercise of over-allotment shares option. The additional gross proceeds received by the Company in connection with the over-allotment shares issue was approximately HK$27,704,000 (equivalent to RMB21,736,000).

23 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital *(Continued)*

(v) Capitalisation issue

On 28 October 2013, 524,999,800 ordinary shares of HK$0.01 each were issued at par value to the shareholders of the Company by way of capitalisation of HK$5,249,998 (equivalent to RMB 4,119,148) from the Company's share premium account.

(vi) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price	2013 Number
28 October 2014 to 8 October 2023	HK$2.024	**2,556,000**
28 October 2015 to 8 October 2023	HK$2.024	**2,556,000**
28 October 2016 to 8 October 2023	HK$2.024	**3,408,000**
		8,520,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 22 to the financial statements.

(d) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the Company's share premium account are distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital reserves

Capital reserves comprise the followings:

	2013 RMB'000	2012 RMB'000
The Group		
Equity settled share-based transactions *(Note 22)*	**558**	–
Arising from reorganisation *(note (i), (ii))*	**37,493**	37,493
	38,051	37,493
The Company		
Equity settled share-based transactions *(Note 22)*	**558**	–
Arising from reorganisation *(note (ii))*	**139**	139
	697	139

23 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(ii) Capital reserves *(Continued)*

Notes:

(i) On 18 May 2009, the controlling shareholder sold his entire equity interest in Cabbeen China to Cabbeen Investments, so that Cabbeen Investments became the holding company of Cabbeen China. The consideration for the transaction was RMB11,200,000. The difference of RMB37,354,000 between the initial cash consideration and the capital of Cabbeen China was recorded as a capital reserve.

(ii) On 31 July 2012, the Company issued and allotted 100 shares with par value of HK$0.01 each as a consideration to purchase the entire issued share capital of Grandfull International and Cabbeen International Holdings from the controlling shareholder. The difference of RMB139,000 between the purchase consideration and the share capital of Grandfull International and Cabbeen International Holdings was recorded as an increase of shareholder's contribution in capital reserve.

(iii) Statutory reserve

As stipulated by regulations in the PRC, the Company's subsidiaries established and operated in the mainland China are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of profits to parent companies.

The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(iv) Exchange reserve

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

(v) Distributability of reserves

At 31 December 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB300,870,000 (2012: RMB243,000). After the end of the reporting period the directors proposed a final dividend of HK$0.145 per ordinary share (note 23(b)).

(e) Capital management

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

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

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, at 31 December 2013 was 51% (2012: 85%).

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

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, deposits with banks and financial assets at fair value through profit or loss. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(i) Trade and other receivables

Credit evaluations are performed on customers requiring credit terms. These evaluations focus on the customer's history of making payments and current abilities to pay and take into account information specific to the customer as well as to the economic environment. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2013, 17% (2012: 1%) of the total trade and bills receivables were due from the Group's largest customer, and 39% (2012: 19%), of the total trade and bills receivables were due from the Group's five largest customers.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 15.

As at 31 December 2013, the Group had transferred bank acceptance bills totalling RMB269,309,000 (2012: RMB245,194,000), which were derecognised as financial assets. The transferees have recourse right to the Group in case of default by the issuing banks. In such cases, the Group would have to repurchase these bank acceptance bills at face value. Because these bank acceptance bills mature between six to twelve months from issue, the Group's maximum loss in case of default are RMB269,309,000 (2012: RMB245,194,000) as at 31 December 2013 before these bills mature.

The Group only accepts bank acceptance bills issued by major banks in the PRC and considers that the credit risk associated with such bank acceptance bills to be insignificant.

(ii) Deposits with banks

The Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit rating. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

(iii) Financial assets at fair value through profit or loss

The Group entered into wealth management products with banks. The management considers the counterparties are banks with high credit rating and the default risk is remote.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the management and directors when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

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

The contractual undiscounted cash flow and carrying amount of the short-term bank borrowings as at 31 December 2013 were RMB90,775,000 (2012: RMB141,234,000) and RMB90,450,000 (2012: RMB136,961,000) respectively.

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profiles as monitored by management is set out in (i) below.

(i) Interest rate profile

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

	2013		2012	
	Effective interest rate	**Amount RMB'000**	Effective interest rate	Amount RMB'000
Fixed rate borrowings:				
Bank borrowings	**N/A**	**–**	7.25%	80,000
Variable rate borrowings:				
Bank borrowings	**1.38%**	**90,450**	1.71%	56,961
Total borrowings		**90,450**		136,961

(ii) Sensitivity analysis

At 31 December 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax for the year and retained profits by approximately RMB905,000 (2012: RMB569,000). Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the impact on the Group's profit for the year and retained profits that would arise assuming that there is an annualised impact on interest income and expense by a change in interest rates. The analysis has been performed on the same basis for 2012.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk

The transactions of the Company and its subsidiaries are principally conducted in their respective functional currencies. Accordingly, the management consider the Group's exposure to currency risk is insignificant.

(e) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments are carried at amounts not materially different from their fair values as at 31 December 2013 and 2012.

25 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 December 2013 not provided for in the financial statements were as follows:

	2013 **RMB'000**	2012 RMB'000
Contracted for	**1,130**	–
Authorised but not contracted for	**886**	5,000
	2,016	5,000

(b) Operating leases commitments

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

	2013 **RMB'000**	2012 RMB'000
Within 1 year	**13,322**	11,654
After 1 year but within 5 years	**25,263**	28,524
After 5 years	**4,886**	11,168
	43,471	51,346

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

26 MATERIAL RELATED PARTY TRANSACTIONS

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

The directors are of the view that the following are related parties of the Group:

Name of party	Relationships
Mr. Yang Ziming	Controlling shareholder
Shishi City Junyuan Development Co., Ltd.* ("Junyuan Development") (石獅市駿源發展有限公司)	100% indirectly owned by Mr. Yang Ziming
Quanzhou Cabbeen Enterprise Co., Ltd.* ("Quanzhou Cabbeen") (泉州市卡賓實業有限公司)	100% indirectly owned by Mr. Yang Ziming

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

(a) Transactions with related parties

The operating lease charges in respect of properties paid and payable to Junyuan Development amounted to RMB957,000 (2012: RMB1,200,000) for the year ended 31 December 2013.

The above related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the paragraph headed "Continuing connected transactions" of the section headed "Report of the Directors" of this annual report.

(b) Balances with related parties

At 31 December 2013, the Group had the following balances with related parties:

(i) Due from related parties

	2013 RMB'000	2012 RMB'000
Non-trade-related		
Other receivables		
— Quanzhou Cabbeen	–	55,803
— Junyuan Development	–	133,834
	–	189,637
Amount due from the controlling shareholder		
— Mr. Yang Ziming	–	39,564
	–	229,201

26 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Operating leases commitments

The total future minimum lease payments under non-cancellable operating leases are payable to Junyuan Development as follows:

	2013 RMB'000	2012 RMB'000
Within 1 year	**957**	957
After 1 year but within 5 years	**–**	957
	957	1,914

(d) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	2013 RMB'000	2012 RMB'000
Short-term employee benefits	**10,233**	8,404
Contributions to retirement benefit scheme	**357**	261
Discretionary bonus	**21**	–
Equity settled share-based payment expenses	**318**	–
	10,929	8,665

Total remuneration is included in "staff costs" (note 4(b)).

27 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Net realisable value of inventories

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

27 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Impairment of trade and other receivables

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

(c) Depreciation and amortisation

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

(d) Bank acceptance bills

As set out in note 24(a)(i), the Group considers that the credit risk associated with bank acceptance bills issued by major banks in the PRC to be insignificant. The Group monitors the credit risk of issuing banks. The judgement to derecognise bank acceptance bills upon discounting or endorsement is reviewed when the credit risk of issuing banks deteriorates significantly.

28 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

As at 31 December 2013, the directors consider the immediate controlling party of the Company to be Acute Result Holdings Limited, which is incorporated in the BVI, and the ultimate controlling party of the Company to be Mr. Yang Ziming.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Effective for accounting periods beginning on or after
Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*	1 January 2014
Amendments to IAS 32, *Financial instruments: Presentation — Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*	1 January 2014
IFRIC 21, *Levies*	1 January 2014
Annual improvements to IFRSs 2010–2012 cycle	1 July 2014
Annual improvements to IFRSs 2011–2013 cycle	1 July 2014
IFRS 9, *Financial instruments*	1 January 2015

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

Four Years Summary

The Company was incorporated on 3 November 2011 and became the holding company of the subsidiaries through a reorganisation in preparation of the listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited on 31 July 2012. The consolidated financial statements of the Group for the year ended 31 December 2010 to 2012 had been prepared as if the Group had been in existence throughout the years presented, or since the respective dates of incorporation or establishment of the group companies.

	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013** **RMB'000**
Revenue	292,429	890,190	940,057	**943,492**
Gross profit	62,112	283,700	380,300	**389,735**
(Loss)/profit before interest and tax	(1,441)	131,058	228,024	**281,439**
Finance cost	2,694	21,962	27,249	**7,045**
Income tax	2,856	31,124	70,558	**79,039**
(Loss)/profit for the year	(6,991)	77,972	130,217	**195,355**
(Loss)/earnings per share				
Basic (RMB cents)	(0.01)	0.15	0.25	**0.35**
Diluted (RMB cents)	(0.01)	0.15	0.25	**0.35**
Assets and liabilities				
Non-current assets	96,316	68,656	72,243	**49,251**
Current assets	273,801	1,031,614	793,216	**1,170,091**
Current liabilities	333,930	984,271	738,851	**616,754**
Net assets	36,187	115,999	126,608	**602,588**
Capital and reserves				
Share capital	139	139	–	**5,578**
Reserves	36,048	115,860	126,608	**597,010**
Total equity	36,187	115,999	126,608	**602,588**