# Evergreen International Holdings Limited
# 長興國際(集團)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 238

Annual Report **2013**

# Contents


V.E. DELURE
V.E. DELURE

# Corporate Information

## Directors

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

**Independent Non-Executive Directors**
Mr. Fong Wo, Felix
Mr. Kwok Chi Sun, Vincent
Mr. Cheng King Hoi, Andrew

## Company Secretary

Ms. Chan Sau Ling ACIS, ACS(PE)

## Authorised Representatives

Mr. Chan Yuk Ming
Ms. Chan Sau Ling

## Audit Committee

Mr. Kwok Chi Sun, Vincent *(Chairman)*
Mr. Fong Wo, Felix
Mr. Cheng King Hoi, Andrew

## Remuneration Committee

Mr. Cheng King Hoi, Andrew *(Chairman)*
Mr. Fong Wo, Felix
Mr. Kwok Chi Sun, Vincent

## Nomination Committee

Mr. Fong Wo, Felix *(Chairman)*
Mr. Kwok Chi Sun, Vincent
Mr. Cheng King Hoi, Andrew

## Share Award Plan Committee (Set up on 27 August 2013)

Mr. Chan Yuk Ming *(Chairman)*
Mr. Chen Yunan
Mr. Cheng King Hoi, Andrew

## Registered Office

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

## Principal Place of Business and Headquarters in the People's Republic of China

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

## Principal Place of Business in Hong Kong

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

## Cayman Islands Principal Share Registrar and Transfer Office

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

## Hong Kong Share Registrar

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

## Principal Bankers

Agricultural Bank of China
Bank of China
Bank of Communications
Chong Hing Bank Limited
Shanghai Commercial Bank Limited
Shanghai Pudong Development Bank
The Hongkong and Shanghai Banking Corporation Limited

## Auditors

Ernst & Young, Certified Public Accountants

## Legal Advisor

Minter Ellison

## Investor Relations

iPR Ogilvy Ltd.

## Stock Code

00238.HK

## Company's Website

www.evergreen-intl.com

# Financial Highlights

For the year ended 31 December

| | **2013** | 2012 | % Change |
|---|---|---|---|
| | **RMB'million** | RMB'million | |
| Revenue | **693.6** | 749.1 | -7.4% |
| Gross profit | **461.5** | 504.4 | -8.5% |
| Profit attributable to ordinary equity holders of the Company | **76.8** | 155.3 | -50.5% |
| Basic and diluted earnings per share (RMB cents) *(Note 1)* | **8.1** | 16.4 | -50.6% |
| Proposed final dividend per share (HK cents) | **1.2** | 6.2 | -80.6% |
| Gross profit margin | **66.5%** | 67.3% | |
| Net profit margin | **11.1%** | 20.7% | |
| Effective tax rate | **30.2%** | 27.2% | |
| Inventory turnover days *(Note 2)* | **497** | 431 | |
| Trade receivables turnover days *(Note 3)* | **81** | 71 | |
| Trade and bills payables turnover days *(Note 4)* | **76** | 123 | |

*Notes:*

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

**Chan Yuk Ming**
*Chairman*

# 'To be a World-Class brands operator in Mainland China'

I hereby present our shareholders with the annual results of Evergreen International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013.

In 2013, in view of the increasingly complicated and severe internal and external economic environment, the government of the People's Republic of China (the "PRC" or "China") implemented a series of macro-control policies and managed to maintain a steady and moderate growth in gross domestic product ("GDP") of 7.7%. As a result of the increase in disposable income of consumers and the pursuit for high quality products, the growth rate of the total retail sales of consumer goods realised in urban area and rural area in 2013 continued to increase and amounted to 12.9% and 14.6%, respectively, as compared to that of 2012.

Notwithstanding, the consumption market of China was challenging and sluggish during the year whilst the competition in the retail market in China remained intense. Under the current challenging environment, the industry was facing challenges of lack of sales momentum, increase of sales discounts and weak consumer sentiment because of the increasing concern and uncertainties over economic growth in China. In particular, the total sales of garments, footwear, hats and knitwear in China increased by 11.6% as compared to last year, the growth rate of which was 6.4 percentage points significantly lower than 18.0% in 2012.

The revenue of the Group for the year ended 31 December 2013 decreased by 7.4% to RMB693,617,000, which was mainly resulted from the decrease in sales to distributors and decrease in sales from licensed brands. The sales by self-operated stores managed to remain constant during the year. Profit attributable to ordinary equity holders of the Company

for the year ended 31 December 2013 amounted to RMB76,839,000, representing a decrease of 50.5%, which was mainly resulted from the decrease in gross profit and increase of selling and distribution expenses under the current challenging environment. The board of directors of the Company (the "Board") recommended the payment of a final dividend of HK1.2 cents (equivalent to approximately RMB0.9 cents) per ordinary share for the year ended 31 December 2013. Together with the interim dividend of HK4.5 cents (equivalent to approximately RMB3.6 cents) per share paid, the total dividend for the year ended 31 December 2013 amounted to HK5.7 cents (equivalent to approximately RMB4.5 cents) per share, representing a dividend payout ratio of 55%, to remunerate the shareholders of the Company for their support to the Group.

Notwithstanding the intense competition in the retail market and weak consumer sentiment, the business of self-operated stores managed to maintain stable operating results, which was attributable to the well recognised and clear market positioning of the two brands owned and managed by the Group, ***V.E. DELURE*** and ***TESTANTIN*** and the quality products provided by these two brands which covers the middle-upper to high-end segments of the menswear market. Supported by the strong VIP customer base, ***V.E. DELURE*** self-operated stores business grew steadily in 2013. The number of ***V.E. DELURE*** self-operated stores increased from 143 to 151 and its revenue remained constant at RMB382,678,000 for the year ended 31 December 2013. ***TESTANTIN*** also obtained its brand awareness and recognition from the market during the year. Although the number of ***TESTANTIN*** self-operated stores decreased from 61 to 54, its revenue increased by 6.3% to RMB91,024,000 for the year ended 31 December 2013 as compared to RMB85,666,000 for the year ended 31 December 2012.

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

Apart from routine advertising and promotion activities, the Group also organised various charitable events during the year, including corporate donation in building school and community recreational facilities in rural area in China. Corporate social responsibility is one of the key values of the Group and the Group will continue to organise and participate in various charitable and social activities in the future.

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

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

**Chan Yuk Ming**
*Chairman*

Hong Kong, 26 March 2014


Testantin
T S
Collection


V.E. DELURE

# Management Discussion and Analysis

**Market Review**

In 2013, the Chinese government continued to carry out various measures to restructure and reform its economy, amid the growing concern on the slowdown of economic growth in Mainland China. Although China managed to maintain a steady and moderate growth in GDP of 7.7% in 2013, the consumption market was seriously affected and there was no significant improvement in the retail sector in the second half of the year.

According to the National Bureau of Statistics of China, the GDP of China in 2013 increased at a rate of 7.7% on a year-on-year basis and reached RMB56.8 trillion. Notwithstanding that the total retail sales of consumer goods in China in 2013 amounted to RMB23.4 trillion, representing an increase of 13.1% compared to last year, the growth rate was 1.2 percentage points lower than that of last year. The total retail sales of consumer goods realised in urban area amounted to RMB20.2 trillion representing a year-on-year increase of 12.9%, which was 1.4 percentage points lower than that of last year. Moreover, the total sales of garments, footwear, hats and knitwear amounted to RMB1,141.4 billion, representing a year-on-year increase of 11.6%. However, the growth rate was 6.4 percentage points significantly lower than 18% in 2012. In particular, the consumer sentiment in high-end retail sector remained weak as a result of the unfavorable economic environment as well as government policies and measures.

Under the prevailing economic environment, the Group continued to adjust its strategies in response to the changes in the market in order to enhance the demand from customers who would purchase for their own-use. During the year, the Group continued to invest resources in strengthening brand equity, reinforcing customer loyalty and improving the network of self-operated retail stores, which are important to gain success in the long run. Furthermore, the Group flexibly adjusted its store-opening plan, improved efficiency of retail and distribution operation and improved marketing strategy for brand equity so as to maintain the Group at a financially healthy position with an aim to achieve a sustainable development of the Group in the long run.

**Financial Review**

During the year ended 31 December 2013, the Group recorded an aggregate turnover of approximately RMB693,617,000 (2012: RMB749,101,000), representing a decrease of approximately 7.4% compared to that of last year. Gross profit for the year decreased from RMB504,420,000 for the year ended 31 December 2012 to RMB461,487,000 for the year ended 31 December 2013, representing a year-on-year decrease of about 8.5%. Gross profit margin also reduced from 67.3% for the year ended 31 December 2012 to 66.5% for the year ended 31 December 2013. Profit attributable to ordinary equity holders of the Company for the year ended 31 December 2013 decreased by about 50.5% to approximately RMB76,839,000 (2012: RMB155,252,000) and net profit margin for the year ended 31 December 2013 decreased by 9.6 percentage points from 20.7% to 11.1%. The decrease in profit and net profit margin resulted mainly from the decrease in sales to distributors, the decrease in gross profit margin, the increase in selling and distribution expenses and the decrease in bank interest income.

### Turnover

| | 2013 | | 2012 | | Change |
|---|---|---|---|---|---|
| | RMB'000 | % of turnover | RMB'000 | % of turnover | (%) |
| ***V.E. DELURE*** | | | | | |
| Self-operated stores | **382,678** | **55.2%** | 382,136 | 51.0% | 0.1% |
| Distributors | **162,079** | **23.3%** | 199,862 | 26.7% | -18.9% |
| Corporate sales | **6,073** | **0.9%** | 12,517 | 1.7% | -51.5% |
| | **550,830** | **79.4%** | 594,515 | 79.4% | -7.3% |
| ***TESTANTIN*** | | | | | |
| Self-operated stores | **91,024** | **13.1%** | 85,666 | 11.4% | 6.3% |
| Distributors | **26,082** | **3.8%** | 39,157 | 5.2% | -33.4% |
| | **117,106** | **16.9%** | 124,823 | 16.6% | -6.2% |
| Licensed brands | **25,681** | **3.7%** | 29,763 | 4.0% | -13.7% |
| | **693,617** | | 749,101 | | -7.4% |

The total turnover of the Group for the year ended 31 December 2013 decreased by 7.4% to approximately RMB693,617,000 (2012: RMB749,101,000). The decrease in turnover resulted mainly from a slight increase in sales by self-operated stores, offsetted by the decrease in sales to distributors and decrease in sales from licensed brands.

Turnover of the Group for the year ended 31 December 2013 comprised sales from self-operated stores of about RMB473,702,000 (2012: RMB467,802,000), sales to distributors of RMB188,161,000 (2012: RMB239,019,000), corporate sales of RMB6,073,000 (2012: RMB12,517,000) and sales from the licensed brands business of RMB25,681,000 (2012: RMB29,763,000).

The aggregate sales from self-operated stores for the year ended 31 December 2013 recorded a slight increase of 1.3% as compared to that of last year, and accounted for 68.3% (2012: 62.4%) of the total turnover, which was mainly attributed to the tactical strategy shift to self-operated stores business in response to the recent challenging retail environment. On the other hand, the aggregate sales to distributors for the year ended 31 December 2013 recorded a decrease of 21.3% as compared to that of last year and accounted for about 27.1% (2012: 31.9%) of the total turnover, which mainly reflected that the distributors were resistant and vigilant towards the retail market in the PRC.

### Turnover by Region

| | 2013 | | 2012 | | Change |
|---|---|---|---|---|---|
| | RMB'000 | % of turnover | RMB'000 | % of turnover | (%) |
| ***V.E. DELURE*** | | | | | |
| Central China | **40,418** | **7.3%** | 48,734 | 8.2% | -17.1% |
| North Eastern China | **53,462** | **9.7%** | 53,874 | 9.1% | -0.8% |
| Eastern China | **70,881** | **12.9%** | 77,877 | 13.1% | -9.0% |
| North Western China | **59,262** | **10.8%** | 65,745 | 11.1% | -9.9% |
| Northern China | **106,832** | **19.4%** | 131,526 | 22.1% | -18.8% |
| South Western China | **71,688** | **13.0%** | 69,609 | 11.7% | 3.0% |
| Southern China | **128,483** | **23.3%** | 128,603 | 21.6% | -0.1% |
| Hong Kong and Macau | **19,804** | **3.6%** | 18,547 | 3.1% | 6.8% |
| Total | **550,830** | | 594,515 | | -7.3% |

### Turnover by Region (continued)

| | **2013** | | 2012 | | Change |
|---|---|---|---|---|---|
| | **RMB'000** | **% of turnover** | RMB'000 | % of turnover | (%) |
| ***TESTANTIN*** | | | | | |
| Central China | **4,077** | **3.5%** | 2,185 | 1.8% | 86.6% |
| North Eastern China | **12,561** | **10.7%** | 12,582 | 10.1% | -0.2% |
| Eastern China | **9,585** | **8.2%** | 14,111 | 11.3% | -32.1% |
| North Western China | **15,643** | **13.4%** | 19,481 | 15.6% | -19.7% |
| Northern China | **7,298** | **6.2%** | 8,792 | 7.0% | -17.0% |
| South Western China | **20,956** | **17.9%** | 20,569 | 16.4% | 1.9% |
| Southern China | **28,219** | **24.1%** | 30,282 | 24.3% | -6.8% |
| Hong Kong and Macau | **18,767** | **16.0%** | 16,821 | 13.5% | 11.6% |
| Total | **117,106** | | 124,823 | | -6.2% |

The sales from ***V.E. DELURE*** in the Eastern, Northern and Southern PRC for the year ended 31 December 2013 accounted for 55.6% (2012: 56.9%) of the total brand revenue, which was mainly attributable to the location of ***V.E. DELURE*** retail stores in major cities such as Shanghai, Beijing, Tianjin and Guangzhou, where targeted ***V.E. DELURE*** customers are relatively more affluent with strong purchasing power.

The sales from ***TESTANTIN*** in the South Western, Southern and North Western PRC for the year ended 31 December 2013 accounted for 55.3% (2012: 56.3%) of the total brand revenue, as most of the ***TESTANTIN*** retail stores are situated in the second-tier and third-tier cities of these regions.

### Turnover by Product (self-operated stores only)

| | **2013 RMB'000** | 2012 RMB'000 |
|---|---|---|
| ***V.E. DELURE*** | | |
| Apparel[1] | **360,438** | 356,639 |
| Accessories[2] | **22,240** | 25,497 |
| | **382,678** | 382,136 |
| ***TESTANTIN*** | | |
| Apparel[1] | **85,789** | 80,379 |
| Accessories[2] | **5,235** | 5,287 |
| | **91,024** | 85,666 |

| | **2013 Unit sold pcs** | 2012 Unit sold pcs |
|---|---|---|
| **Sales Volume** | | |
| ***V.E. DELURE*** | | |
| Apparel[1] | **209,105** | 174,465 |
| Accessories[2] | **113,621** | 106,234 |
| ***TESTANTIN*** | | |
| Apparel[1] | **105,329** | 73,815 |
| Accessories[2] | **29,239** | 18,895 |

| | **2013 RMB** | 2012 RMB |
|---|---|---|
| **Average Selling Price** | | |
| ***V.E. DELURE*** | | |
| Apparel[1] | **1,724** | 2,044 |
| Accessories[2] | **196** | 240 |
| ***TESTANTIN*** | | |
| Apparel[1] | **814** | 1,089 |
| Accessories[2] | **179** | 280 |

*Notes:*

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

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

### Cost of Sales

The cost of sales of the Group decreased by 5.1% for the year ended 31 December 2013 to approximately RMB232,130,000 (2012: RMB244,681,000). During the year, the Group continued to outsource the production process of most of the apparel and accessories products. The Group also purchased products under the licensed brand business, ***CARTIER***. The Group performed sampling, packaging and post-finish processing of the apparel products produced by outsourced manufacturers, and manufactured a small portion of the apparel products in its own plant.

### Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by RMB42,933,000 or 8.5%, from RMB504,420,000 to RMB461,487,000 for the year ended 31 December 2013.

During the year, the major raw material costs continued to soar and the increase in wages also intensified the production cost pressure. On the other hand, due to the weak consumer sentiment, more sales discount were granted during the year which resulted in a decrease of gross profit margin of 0.8 percentage points from 67.3% to 66.5% for the year ended 31 December 2013.

### Other Income and Gains

During the year, other income and gains mainly represented bank interest income of RMB18,172,000 (2012: RMB35,843,000).

### Selling and Distribution Expenses

Selling and distribution expenses primarily represented rental and concessionaire commission to shopping malls and department stores of self-operated stores of approximately RMB150,679,000 (2012: RMB143,369,000), advertising and promotion expenses of approximately RMB30,936,000 (2012: RMB21,809,000), and staff costs of approximately RMB68,467,000 (2012: RMB63,610,000). During the year, the total selling and distribution expenses represented about 44.4% (2012: 36.7%) and 64.5% (2012: 58.8%) of the total turnover and the turnover of sales from self-operated stores, respectively. The increase in selling and distribution expenses was due to the increase in rental and concessionaires commission to shopping malls and department stores and advertising and promotion expenses.

Rental and concessionaire commission to shopping malls and department stores of self-operated stores accounted for approximately 31.8% (2012: 30.6%) of sales from self-operated stores for the year ended 31 December 2013. The increase of 1.2 percentage points was mainly attributable to the additional commission charged by department stores and shopping malls for the promotion and advertising activities carried out during the year.

### Administrative Expenses

Administrative expenses increased from RMB44,953,000 for the year ended 31 December 2012 to RMB48,789,000 for the year ended 31 December 2013, representing an increase of 8.5%. During the year, administrative expenses accounted for 7.0% (2012: 6.0%) of turnover. The increase in administration expenses was mainly due to the increase in staff costs.

### Finance Costs

Finance costs for the year ended 31 December 2013 mainly consisted of interest expenses on interest-bearing bank borrowings.

### Effective Tax Rate

During the year, the effective tax rate of the Group increased from 27.2% to 30.2% which was mainly because of tax losses incurred in the Hong Kong operation.

### Profit Attributable to Ordinary Equity Holders of the Company

Profit attributable to ordinary equity holders of the Company decreased by about 50.5% from approximately RMB155,252,000 for the year ended 31 December 2012 to RMB76,839,000 for the year ended 31 December 2013. Basic earnings per share decreased from RMB16.4 cents for the year ended 31 December 2012 to RMB8.1 cents for the year ended 31 December 2013 and net profit margin decreased from 20.7% for the year ended 31 December 2012 to 11.1% for the year ended 31 December 2013. The decrease in profit attributable to ordinary equity holders of the Company and net profit margin was mainly because of the decrease in sales to distributors, the decrease in gross profit margin, the increase in selling and distribution expenses and the decrease in bank interest income.

## Business Review

### Proprietary Brands

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

The Group's two proprietary brands, ***V.E. DELURE*** and ***TESTANTIN***, recorded negative same store sales growth for the self-operated stores business of 9.0% and 5.0%, respectively, during the year.

### Retail and Distribution Network

**Number of stores of proprietary brands by region**

| | 2013 | 2012 |
|---|---|---|
| Central PRC | **36** | 29 |
| North Eastern PRC | **39** | 43 |
| Eastern PRC | **62** | 74 |
| North Western PRC | **48** | 47 |
| Northern PRC | **68** | 73 |
| South Western PRC | **77** | 71 |
| Southern PRC | **86** | 90 |
| Hong Kong and Macau | **4** | 5 |
| | **420** | 432 |

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

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

As at 31 December 2013, the Group had a total of 420 stores in 33 provinces and autonomous regions, covering 191 cities in China. There were 151 self-operated stores of ***V.E. DELURE*** in 57 cities in China whilst there were 54 self-operated stores of ***TESTANTIN*** in 26 cities in China.

In addition, the total number of distributors of the Group amounted to 99, which operated 170 franchised stores of ***V.E. DELURE*** in 123 cities and 45 franchised stores of ***TESTANTIN***, in 44 cities, respectively.

**Number of stores of proprietary brands by city tier**

| | 2013 | 2012 | Changes |
|---|---|---|---|
| ***V.E. DELURE*** | | | |
| **Self-operated stores** | | | |
| First-tier | **26** | 21 | +5 |
| Second-tier | **74** | 75 | -1 |
| Third-tier | **47** | 42 | +5 |
| Fourth-tier | **4** | 5 | -1 |
| | **151** | 143 | +8 |
| **Franchised stores** | | | |
| First-tier | **–** | – | – |
| Second-tier | **21** | 19 | +2 |
| Third-tier | **105** | 103 | +2 |
| Fourth-tier | **44** | 42 | +2 |
| | **170** | 164 | +6 |
| | **321** | 307 | +14 |
| ***TESTANTIN*** | | | |
| **Self-operated stores** | | | |
| First-tier | **10** | 12 | -2 |
| Second-tier | **30** | 34 | -4 |
| Third-tier | **14** | 15 | -1 |
| Fourth-tier | **–** | – | – |
| | **54** | 61 | -7 |
| **Franchised stores** | | | |
| First-tier | **–** | – | – |
| Second-tier | **1** | 4 | -3 |
| Third-tier | **25** | 41 | -16 |
| Fourth-tier | **19** | 19 | – |
| | **45** | 64 | -19 |
| | **99** | 125 | -26 |
| **TOTAL** | **420** | 432 | -12 |

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

In 2013, the number of ***V.E. DELURE*** self-operated stores increased from 143 to 151. The new self-operated stores are mainly located in first-tier and third-tier cities in China. Franchised stores operated by the distributors of the Group also increased from 164 to 170.

The total area of retail outlets of self-operated stores of ***V.E. DELURE*** as at 31 December 2013 was approximately 24,605 square meters (2012: 21,680 square meters), representing an increase of 13.5% as compared to that of last year.

In 2013, the number of ***TESTANTIN*** self-operated stores decreased from 61 to 54 whilst the number of franchised stores decreased from 64 to 45 in order to consolidate inefficient stores and thus facilitate long term healthy growth of ***TESTANTIN***.

The total area of retail outlets of self-operated stores of ***TESTANTIN*** as at 31 December 2013 was approximately 6,364 square meters (2012: 7,113 square meters), representing a decrease of 10.5% as compared to that of last year.

### Sales Fair

***V.E. DELURE*** and ***TESTANTIN*** 2014 Spring and Summer Collections Sales Fair was held in July 2013. The total order amount from franchised stores operated by the distributors of the Group decreased by 3% as compared to that of last year. Delivery of the orders has commenced in January 2014.

***V.E. DELURE*** 2014 Fall and Winter Collections Sales Fair was held in February 2014. The total order amount from franchised stores operated by the distributors of the Group decreased by 20% as compared to that of last year. Delivery of the orders will commence in August 2014.

### Inventory Management

The Group has an effective inventory management system. In particular, the Group has adopted a flat distributor model comprising only one layer of distributors without any sub-distributor, which enables the Group to closely monitor the business performance and inventory of each franchised store and distributor. Moreover, orders made by the distributors are distributed proportionally into the first batch of order placed at the sales fair and the supplemental order placed following the commencement of the season. During the year, the inventory turnover days of the Group increased from 431 days to 497 days, which was mainly due to the increase in number of self-operated stores from 204 to 205 and negative same store sales growth.

### Marketing and Promotion

The Group has a professional marketing team, which is responsible for the development and implementation of the marketing and promotional activities of ***V.E. DELURE*** and ***TESTANTIN***. The Group focuses on the long-term development of brand equity and customer loyalty. The marketing and promotion activities of the Group not only strengthen the brand recognition and value, but also publicise its brand theme.

In 2013, the total expenditure of the Group in marketing and promotion activities amounted to approximately RMB32,636,000 (2012: RMB21,809,000), accounting for approximately 4.7% (2012: 2.9%) of the total turnover of the Group. The Group budgeted to maintain the ratio of less than 5% whilst promoting the brands effectively.

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

The Group also regards self-operated stores as one of the key channels to promote and enhance brand image. During the year, ***V.E. DELURE*** and ***TESTANTIN*** continued to carry out store image upgrading work, broaden the display space, which further enhanced its brand equity in order to enhance the brand image.

Moreover, the Group is the exclusive sponsor of the formal attire of the China national table tennis team and badminton team until 2015. The Group has arranged charitable and promotion events participated by elite and well-known athletes. In March 2013, ***V.E. DELURE*** sponsored the ITTF World Team Classic table tennis competition, which was held in Guangzhou with top players over the world participated in this one of the top three international table tennis competition.

Apart from routine advertising and promotion activities, the Group also organised various charitable events during the year, including making corporate donations to building school and community recreational facilities in rural area of China. Corporate social responsibility is one of the key values of the Group and the Group will continue to organise and participate in various charitable and social activities in the future. Such charitable activities not only demonstrated the business philosophy of the Group but also promoted the corporate image of the Group as a socially responsible enterprise.

### Product Design and Development

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

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

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

### Working Capital Management

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

Inventory turnover days was 497 days for the year ended 31 December 2013, representing an increase of 66 days as compared to 431 days for the year ended 31 December 2012. The increase in inventory turnover days was mainly due to the increase in number of self-operated stores and negative same store sales growth.

Trade receivables represented the receivables for goods sold to the distributors for franchised stores and the receivables from department stores and shopping malls for self-operated stores. Trade receivables turnover days was 81 days (2012: 71 days) for the year ended 31 December 2013. The increase in trade receivables turnover days was mainly due to the extended period of payment by the distributors.

Trade and bills payables represented payables to suppliers and outsourced manufacturers. Trade and bills payables turnover days decreased from 123 days for the year ended 31 December 2012 to 76 days for the year ended 31 December 2013.

### Use of Proceeds

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 November 2010. Net proceeds from the global offering were approximately RMB1,017.4 million (equivalent to approximately HK$1,167.0 million), after deducting the underwriting commission and relevant expenses. As at 31 December 2013, the unused proceeds were deposited in licensed banks in Hong Kong and Mainland China.

**Use of funds raised**

| | Percentage to total amount | Net proceeds RMB'million | Utilised amount (as at 31 December 2013) RMB'million | Unutilised amount (as at 31 December 2013) RMB'million |
|---|---|---|---|---|
| Expansion and improvement of retail network | 45% | 457.8 | 456.2 | 1.6 |
| Developing independent lines of branded apparels and accessories under ***V.E. DELURE*** brand | 10% | 101.7 | 93.8 | 7.9 |
| Acquisitions or licensing of additional brands | 20% | 203.5 | – | 203.5 |
| Marketing and promotion activities | 7% | 71.2 | 53.0 | 18.2 |
| Upgrade of ERP system and database management system | 5% | 50.9 | 3.6 | 47.3 |
| Hiring international design talent and design consultant firms, expanding the Group's existing design team and establishing the Group's own research and design centre | 5% | 50.9 | 2.9 | 48.0 |
| General working capital | 8% | 81.4 | 63.5 | 17.9 |
| | 100% | 1017.4 | 673.0 | 344.4 |

### Liquidity and Financial Resources

As at 31 December 2013, the Group had cash and cash equivalents of RMB619,747,000 (2012: RMB592,693,000). In addition, the Group had pledged deposits and time deposits of RMB207,718,000 (2012: RMB138,096,000) and nil (2012: RMB100,000,000), respectively. As at 31 December 2013, the Group had interest-bearing bank borrowings of an aggregate amount of RMB365,560,000 (2012: RMB126,584,000), which were denominated in Hong Kong dollars and Renminbi, repayable within one year or on demand and interest-bearing at rates ranging from 1.68% to 6% per annum and variable rate. The gearing ratio, calculated as total bank borrowings divided by equity attributable to the ordinary equity holders of the Company, amounted to 26.7% (2012: 8.9%).

### Contingent Liabilities

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

### Pledge of Assets

As at 31 December 2013, time deposits of RMB207,718,000 (2012: RMB138,096,000) were pledged as securities for the bank borrowings and bank acceptance bills of the Group.

### Exchange Risk

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

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

### Significant Investment Held and Major Acquisition

On 19 February 2013, the Group entered into a series of agreements to purchase certain office properties (the "Property") in Guangzhou for a consideration of approximately RMB87,501,000. The Property will be used by the Group as its headquarters, design centre and showroom for the Group's products. For details, please refer to the announcement and the circular of the Company dated 19 February 2013 and 12 March 2013, respectively.

**Employee's Benefits**

The Group offered its staff competitive remuneration schemes and training and development opportunities. The Group also provided in-house sales and services coaching in order to develop human capital. In addition, discretionary bonuses and share options may be granted to eligible staff based on individual and the Group's performance as a means of rewarding and retaining high-calibre staff. Since the adoption of the share option scheme (the "Share Option Scheme") on 8 October 2010 and up to 31 December 2013, no option has been granted by the Company.

As at 31 December 2013, the total number of full-time employees of the Group was 1,305. The total staff costs (excluding directors' and chief executive's remuneration) for the year ended 31 December 2013 amounted to approximately RMB88,921,000 (2012: RMB80,407,000).

The Group has adopted a defined contribution retirement benefits scheme (MPF Scheme) for Hong Kong employees, and contributions were made based on a certain percentage of the employee's basic salary. The contributions were charged to the income statement when they became payable. In Mainland China, the Group made monthly contributions to the social security fund, including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance, for the employees of the Group according to the relevant laws in the PRC.

On 27 August 2013 (the "Effective Date"), the Board adopted the share award plan (the "Share Award Plan") in which any executive or employee of any member of the Group from time to time, but excluding a director of any member of the Group and any other connected person of the Company (the "Eligible Person") will be entitled to participate. The purpose of the Share Award Plan is to recognise and reward contributions made by, and to encourage and incentivise sustained contribution of, the Eligible Person to the growth and long term development of the Group. The Share Award Plan shall be valid and remain in force for a term of ten years commencing from the Effective Date.

Details of the Share Award Plan were set out in the announcement of the Company dated 27 August 2013.

Since the Effective Date and up to 31 December 2013, no awards have been granted pursuant to the Share Award Plan.

**Prospects**

Given the continuing restructure and reform of economy by the Chinese government, the outlook of retail sector in Mainland China remains tough and uncertain in the short run. The retail market and consumer sentiment is expected to remain weak and uncertain in the foreseeable future. Moreover, operating costs including material costs, labour costs and rental expenses are expected to keep increasing, which give additional pressure to retailers in the region under the prevailing tough environment. However, as the Chinese government continues to reform the economy and drive domestic consumption, it is expected that the retail industry will achieve healthy and steady growth in the long run.

In addition, as supported by the continual increase in people's income and the pursuit for high quality products by middle to upper class population, Mainland China will become the largest luxury and high-end retail market in the world in the future. The Group will continue to execute prudent and responsive business strategy to maintain the advantageous position in the high-end menswear market in Mainland China. Moreover, the Group will continue to enhance the brand equity ***V.E. DELURE*** and ***TESTANTIN*** by focusing on the long-term and sustainable development, increasing and retention of VIP customers and executing specific advertising and promotion activities.

Under the prevailing challenging economic environment, the Group will prudently enhance its retail network. The Group plans to increase approximately 30 new retail stores in 2014, of which approximately 20 are self-operated stores with the remaining 10 being franchised stores. In the long run, the Group is confident of the steady and healthy growth of menswear market in China, especially the mid to high-end segments. Amid the increase in domestic disposable income, pursuit for high quality products by consumers and the accelerating urbanisation, it is expected that the domestic consumption will continue to grow healthily in the long run. As a result, the Group is confident of the steady and sustainable development of menswear sector in the long term.

# Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2013 (the "Reporting Year").

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

## Corporate Governance Practices

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

During the Reporting Year, the Board has reviewed its corporate governance practices and ensures that the Company is in compliance with the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

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

## The Board

### Responsibilities

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

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

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

### Delegation of Management Functions

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

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

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

### Board Composition

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

**Executive Directors:**

Mr. Chan Yuk Ming *(Chairman of the Board and Share Award Plan Committee)*
Mr. Chen Yunan (*Member of Share Award Plan Committee)*
Mr. Chen Minwen

**Independent non-executive Directors:**

Mr. Fong Wo, Felix *(Chairman of the Nomination Committee and member of the Audit Committee and Remuneration Committee)*
Mr. Kwok Chi Sun, Vincent *(Chairman of the Audit Committee and member of the Remuneration Committee and Nomination Committee)*
Mr. Cheng King Hoi, Andrew *(Chairman of the Remuneration Committee and member of the Audit Committee, Nomination Committee and Share Award Plan Committee)*

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

The relationships among the members of the Board are disclosed under "Biographical Details of Directors and Senior Management" on pages 34 to 36.

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

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

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

**Appointment and Re-Election of Directors**

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

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from 4 November 2010, which was renewed for three years commencing from 28 November 2013 and is subject to retirement by rotation and re-election at the annual general meeting of the Company under the Articles of Association. Either party may terminate the service agreement by giving the other party not less than six months' notice in writing or by the payment of wages in lieu of the outstanding notice.

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

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

**Continuous Professional Development of Directors**

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

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

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

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

| Directors | Topics of training covered [Note] |
|---|---|
| **Executive Directors** | |
| Mr. Chan Yuk Ming | 1, 2 |
| Mr. Chen Yunan | 1, 2 |
| Mr. Chen Minwen | 1, 2 |
| **Independent non-executive Directors** | |
| Mr. Fong Wo, Felix | 1, 2, 3 |
| Mr. Kwok Chi Sun, Vincent | 1, 2, 3, 4, 5 |
| Mr. Cheng King Hoi, Andrew | 1, 2 |

*Note:*

1. Corporate governance
2. Regulatory updates
3. Finance and accounting
4. Industry updates
5. Risks and management of the role of independent non-executive directors

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

**Attendance Records of Directors and Committee Members**

**Number of Meetings and Directors' Attendance**

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

During the Reporting Year, two Audit Committee meetings, one Nomination Committee meeting, two Remuneration Committee meetings and one Share Award Plan Committee meeting were held.

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

| | Attendance/Number of Meetings | | | | | |
|---|---|---|---|---|---|---|
| Name of Director | Board | Nomination Committee | Remuneration Committee | Audit Committee | Share Award Plan Committee (set up on 27 August 2013) | Annual General Meeting |
| Chan Yuk Ming | 5/5 | - | - | - | 1/1 | 1/1 |
| Chen Yunan | 5/5 | - | - | - | 1/1 | 0/1 |
| Chen Minwen | 5/5 | - | - | - | - | 1/1 |
| Fong Wo, Felix | 5/5 | 1/1 | 2/2 | 2/2 | - | 1/1 |
| Kwok Chi Sun, Vincent | 5/5 | 1/1 | 2/2 | 2/2 | - | 1/1 |
| Cheng King Hoi, Andrew | 5/5 | 1/1 | 2/2 | 2/2 | 1/1 | 1/1 |

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

**Practices and Conduct of Meetings**

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

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

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

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

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

**Chairman and Chief Executive Officer**

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

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

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

**Board Committees**

The Board has established four committees, namely, the Nomination Committee, Remuneration Committee, Audit Committee and Share Award Plan Committee (which was set up on 27 August 2013), for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request. All members of Nomination Committee, Remuneration Committee and Audit Committee are independent non-executive Directors.

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

**Nomination Committee**

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

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

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the board diversity policy of the Company (the "Board Diversity Policy"), including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board and, where necessary, recommend them to the Board for adoption.

The Nomination Committee held one meeting during the Reporting Year to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the annual general meeting. The Nomination Committee also considered an appropriate balance of diversity perspectives of the Board is maintained. The attendance records of the Nomination Committee are set out under "Attendance Records of Directors and Committee Members".

Pursuant to Article 16.18 of the Articles of Association, Mr. Chan Yuk Ming and Mr. Fong Wo, Felix shall retire from the office by rotation at the forthcoming annual general meeting of the Company ("AGM"). Both the retiring Directors, being eligible, will offer themselves for re-election.

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

The Company's circular dated 28 April 2014 contains detailed information of the retiring Directors standing for re-election at the AGM.

During the Reporting Year, the Board approved to adopt the Board Diversity Policy.

**Remuneration Committee**

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

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management. The Remuneration Committee is also responsible for establishing formal and transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held two meetings during the Reporting Year to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters. The attendance records of the Remuneration Committee are set out under "Attendance Records of Directors and Committee Members".

There are 11 members of senior management in the Group whereas 9 members of senior management have remuneration of RMB1,000,000 or below, 1 member of senior management has remuneration between RMB1,000,001 to RMB1,500,000 and 1 member of senior management has remuneration between RMB1,500,001 to RMB2,000,000.

**Audit Committee**

The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Kwok Chi Sun, Vincent (Chairman), Mr. Fong Wo, Felix and Mr. Cheng King Hoi, Andrew (including one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held two meetings during the Reporting Year to review the interim and annual financial results and reports, and significant issues on the financial reporting and compliance procedures and the report of the internal auditor on the Company's internal control and risk management systems and processes, scope of work and appointment of external auditors and arrangements for employees to raise concerns about possible improprieties. The external auditors were invited to attend the meeting. The attendance records of the Audit Committee are set out under "Attendance Records of Directors and Committee Members".

The Company's annual results for the year ended 31 December 2013 have been reviewed by the Audit Committee.

**Share Award Plan Committee**

The Share Award Plan Committee which was set up on 27 August 2013 currently comprises three members, namely Mr. Chan Yuk Ming (Chairman), Mr. Chen Yunan and Mr. Cheng King Hoi, Andrew.

The Share Award Plan Committee is responsible for providing oversight and administration of the Share Award Plan and may during the period of the Share Award Plan and at its absolute discretion, make awards to any eligible persons and determine the number of shares of the Company (the "Shares") to be awarded to such eligible persons on such terms and subject to such vesting conditions, if any.

The Share Award Plan Committee held one meeting during the Reporting Year to discuss the Share Award Plan. The attendance records of the Share Award Plan Committee are set out under "Attendance Records of Directors and Committee Members".

**Corporate Governance Functions**

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

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

**Model Code for Securities Transactions**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by Directors.

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

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

**Directors' Responsibilities in respect of the Financial Statements**

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2013.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on page 37.

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

**Auditors' Remuneration**

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

| Service Category | Fees Paid/Payable (RMB) |
|---|---|
| Audit Services | 1,900,000 |
| Non-audit Services | |
| Taxation | 60,000 |
| Others | 16,000 |
| | 1,976,000 |

Other certified public accountants firm charged the Group RMB224,000 for the provision of audit services to the Company's subsidiaries in the PRC.

## Internal Controls

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

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

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

## Company Secretary

Ms. Kwok Yu Ching and Ms. Chan Sau Ling of Tricor Services Limited 卓佳專業商務有限公司, the external service provider, have been engaged by the Company as its Joint Company Secretaries during the Reporting Year. Their primary contact person at the Company is Mr. To Kwong Yeung, the Chief Financial Officer of the Company.

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

Ms. Chan has confirmed that she has taken no less than 15 hours of relevant professional trainings to update her skills and knowledge during the Reporting Year.

## Communication with Shareholders and Investors

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

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

The 2013 AGM was held on 6 June 2013. The notice of AGM was sent to shareholders at least 20 clear business days before the AGM.

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

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

### Shareholders' Rights

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

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

### Convening and putting forward proposals at Extraordinary General Meeting by Shareholders

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

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

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

### Putting Forward Enquiries to the Board

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

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

### Contact Details

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

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

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

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

### Deed of Non-competition

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

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

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

# Report of the Directors

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

### Principal Activities

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

### Results and Dividends

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Company and the Group are set out in the financial statements on pages 38 to 87 of this report.

An interim dividend of HK4.5 cents (equivalent to approximately RMB3.6 cents) per Share in respect of the six months ended 30 June 2013 was paid to the shareholders on 4 October 2013. The Board has recommended the payment of a final dividend of HK1.2 cents (equivalent to approximately RMB0.9 cents) per Share for the Reporting Year to shareholders whose names appear on the register of members of the Company on 20 June 2014.

### Summary Financial Information

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and the Company's prospectus dated 22 October 2010, is set out on page 88 of this report. This summary does not form part of the audited financial statements.

### Property, Plant and Equipment

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

### Share Capital

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

### Pre-Emptive Rights

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

### Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Reporting Year, except that the trustee of the Share Award Plan, pursuant to the terms of the trust deed of the Share Award Plan, purchased a total of 2,436,000 Shares on the Stock Exchange at a total consideration of approximately HK$3,773,000.

### Reserves

The movements in reserves of the Group and the Company during the Reporting Year are set out in the consolidated statement of changes in equity and notes 29(a) and 29(b) to the financial statements, respectively.

### Distributable Reserves

At 31 December 2013, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"), amounted to RMB635,987,000, of which RMB8,518,000 has been proposed as a final dividend for the Reporting Year. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances. Details of the reserves of the Company as at 31 December 2013 are set out in note 29(b) to the financial statements.

### Charitable Donations

During the Reporting Year, the Group made charitable donations of RMB1,700,000.

## Major Customers and Suppliers

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

| | **2013** | | 2012 | |
|---|---|---|---|---|
| | **Percentage of the Group's total** | | Percentage of the Group's total | |
| | **Sales** | **Purchases** | Sales | Purchases |
| The largest customer | **3.4%** | | 4.2% | |
| Five largest customers in aggregate | **10.5%** | | 13.1% | |
| The largest outsourcing supplier | | **8.8%** | | 8.4% |
| Five largest outsourcing suppliers in aggregate | | **31.8%** | | 27.3% |

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

## Directors

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

**Executive Directors:**
Chan Yuk Ming *(Chairman)*
Chen Yunan
Chen Minwen

**Independent non-executive Directors:**
Fong Wo, Felix
Kwok Chi Sun, Vincent
Cheng King Hoi, Andrew

Pursuant to Article 16.18 of the Articles of Association, Mr. Chan Yuk Ming and Mr. Fong Wo, Felix shall retire from the office by rotation at the forthcoming AGM. Both the retiring Directors, being eligible, will offer themselves for re-election.

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

## Directors' and Senior Managements' Biographies

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 34 to 36 of this report.

## Directors' Service Contracts

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from 4 November 2010, which was renewed for three years commencing from 28 November 2013 and is subject to retirement by rotation and re-election at the annual general meeting of the Company under the Articles of Association. Either party may terminate the service agreement by giving the other party not less than six months' notice in writing or by the payment of wages in lieu of the outstanding notice.

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

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

## Directors' Remuneration

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

## Directors' Interests in Contracts

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

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

As at 31 December 2013, the interests or short positions of the Directors, the chief executives of the Company (the "Chief Executives") and their associates in the Shares, underlying Shares and debentures of the Company or its associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

| Name of Director | Long/Short position | Type of interest | Number of Shares and underlying Shares held | Approximate percentage of shareholding in the Company |
|---|---|---|---|---|
| Chan Yuk Ming *(Note)* | Long position | Founder of a discretionary trust | 483,934,814 | 51.00% |
| Chen Yunan *(Note)* | Long position | Beneficiary of a trust | 483,934,814 | 51.00% |
| Chen Minwen *(Note)* | Long position | Beneficiary of a trust | 483,934,814 | 51.00% |

*Note:* The 483,934,814 Shares were held by Pacific Success Holdings Limited ("Pacific Success"), a company wholly-owned by Evisu (PTC) Limited ("Evisu"). Evisu is the trustee of a discretionary trust of which Mr. Chan Yuk Ming was the founder and each of Mr. Chen Yunan and Mr. Chen Minwen was a beneficiary. Each of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen was deemed to be interested in such Shares held by Pacific Success under the SFO.

Save as disclosed above, as at 31 December 2013, none of the Directors, the Chief Executives nor their associates had registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Share Option Scheme

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

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

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option scheme of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at 4 November 2010, the date on which the Shares were listed on the main board of the Stock Exchange (i.e. 94,669,576 Shares representing approximately 9.98% of the issued share capital of the Company as at the date of this report), unless the Company obtains an approval from its shareholders and must not exceed 30% of the total number of Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period shall not exceeds 1% of the total number of Shares in issue, unless an approval of the Company's shareholders is obtained. The amount payable by the grantee on application or acceptance of an option shall be HK$1.00. The period within which the Shares must be taken up under an option shall be determined by the Board at its absolute discretion and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the Share Option Scheme.

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

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

Subsequent to the Reporting Year, the Share Option Scheme was terminated and a new share option scheme (the "New Share Option Scheme") was adopted and approved by the shareholders at the extraordinary general meeting held on 6 January 2014 ("New Adoption Date"). The New Share Option Scheme shall be valid and effective for a period of 10 years commencing from the New Adoption Date up to 5 January 2024.

The Board may, at its absolute discretion, grant options to any full-time or part-time (with weekly working hours of 10 hours or above) employees of any member of the Group, any advisor or consultant, any providers of goods and/or services to the Group, director (whether executive, non-executive or independent non-executive director) of any member of the Group and any other persons that the Board may think fit upon the terms set out in the New Share Option Scheme. The purpose of the New Share Option Scheme is to attract, retain and motivate talented personnel to strive for future developments and expansion of the Group, and to provide the Company with a flexible means of giving incentive to, remunerating, compensating and/or providing benefits to them.

The total number of the Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any schemes of the Group shall not in aggregate exceed 10% of the total number of Shares in issue as at the New Adoption Date (i.e. 94,882,576 Shares representing approximately 10.00% of the issued share capital of the Company as at the date of this report), unless the Company obtains an approval from its shareholders and must not exceed 30% of the total number of Shares in issue from time to time.

The total number of Shares issued and to be issued upon the exercise of options granted to each grantee (including both exercised and outstanding options) in any period of 12 consecutive months up to and including the date of grant shall not exceed 1% of the Shares in issue as at the date of grant, unless an approval of its shareholders is obtained. The amount payable on application or acceptance of the option shall be HK$1.00 and shall be paid within a period of 28 days from the date of offer or such other period as the Board may specify. The period within which the Shares must be taken up under an option shall be determined by the Board at its absolute discretion and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the New Share Option Scheme.

The subscription price of a Share payable on the exercise of any particular option shall be such price as determined by the Board in its absolute discretion, save that such price shall not be less than the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of offer which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Shares. Unless otherwise determined by the Board and specified in the offer letter, there is no minimum period for which an option must be held before it can be exercised and no performance target needs to be achieved by the grantee before the options can be exercised.

Since the New Adoption Date, no options have been granted pursuant to the New Share Option Scheme.

Details of the said termination of Share Option Scheme and adoption of New Share Option Scheme were also set out in the Company's circular dated 17 December 2013.

## Share Award Plan

On 27 August 2013, the Board adopted the Share Award Plan in which the Eligible Person will be entitled to participate. The purpose of the Share Award Plan is to recognise and reward contributions made by, and to encourage and incentivise sustained contribution of, the Eligible Person to the growth and long term development of the Group. The Share Award Plan shall be valid and remain in force for a term of ten years commencing from the Effective Date.

The Share Award Plan committee (the "Committee") may, at any time and at its discretion, make an award to any Eligible Person ("Selected Person") and determine the number of Shares to be awarded to him on such terms and subject to such vesting conditions, if any, as the Committee thinks fit.

The Committee (or any Director so authorised by the Committee) may from time to time instruct SMP Trustees (Hong Kong) Limited (the "Trustee") to purchase Shares on the Stock Exchange at such prices as the Committee (or any Director so authorised by the Committee) considers appropriate subject to the terms and conditions of the Share Award Plan, and such Shares shall be held by the Trustee for the purposes of satisfying any future award(s) to be made by the Committee.

In any given financial year, the maximum number of Shares to be purchased by the Trustee for the purpose of the Share Award Plan shall not exceed 5% of the total number of issued Shares as at the beginning of such financial year.

The total number of Shares purchased for the award(s) made to each Selected Person in any 12-month period up to and including the date on which the award is made to a Selected Person (the "Award Date") shall not exceed 1% of the Shares in issue as at the Award Date.

The Board resolved to pay HK$10,000,000 to the Trustee of the Share Award Plan on 25 October 2013, so that the Trustee would then purchase and grant relevant Shares to certain grantees under the Share Award Plan.

During the year ended 31 December 2013, based on the Company's instructions, the Trustee of the Share Award Plan has purchased a total of 2,436,000 Shares on the Stock Exchange at a total consideration of approximately HK$3,773,000 (equivalent to RMB2,987,000).

Subsequent to the end of the Reporting Year, the Trustee has purchased a total number of 3,504,000 Shares at a total cash consideration of approximately HK$4,709,000 (equivalent to RMB3,703,000), including transaction costs. At the date of approval of these financial statements, 5,940,000 Shares were held by the Trustee and have yet to be awarded.

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

At 31 December 2013, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

| Name of Substantial Shareholder | Long/Short position | Type of interest | Number of Shares and underlying Shares held | Approximate percentage of shareholding in the Company |
|---|---|---|---|---|
| Chan Yuk Ming *(Note 1)* | Long position | Founder of a discretionary trust | 483,934,814 | 51.00% |
| Chen Yunan *(Note 1)* | Long position | Beneficiary of a trust | 483,934,814 | 51.00% |
| Chen Minwen *(Note 1)* | Long position | Beneficiary of a trust | 483,934,814 | 51.00% |
| Evisu *(Note 1)* | Long position | Trustee of a trust | 483,934,814 | 51.00% |
| Pacific Success *(Note 1)* | Long position | Beneficial owner | 483,934,814 | 51.00% |
| New Horizon Capital III, L.P. ("New Horizon") | Long position | Interest in a controlled corporation *(Note 2)* | 134,999,677 | 14.23% |
| Admiralfly Holdings Limited ("Admiralfly") *(Note 2)* | Long position | Beneficial owner | 134,999,677 | 14.23% |

*Notes:*

1. The 483,934,814 Shares were held by Pacific Success, a company wholly-owned by Evisu. Evisu is the trustee of a discretionary trust of which Mr. Chan Yuk Ming was the founder and each of Mr. Chen Yunan and Mr. Chen Minwen was a beneficiary.

   Each of Evisu, Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen was deemed to be interested in such Shares held by Pacific Success under the SFO.

2. The entire issued share capital of Admiralfly was owned by New Horizon. New Horizon was deemed to be interested in 134,999,677 Shares which were beneficially owned by Admiralfly.

Save as disclosed above, the Company had not been notified of any other notifiable interests or short positions in the Shares or underlying Shares as at 31 December 2013.

### Sufficiency of Public Float

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

### Directors' Interests in Competing Business

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

### Directors' Rights to Acquire Shares or Debentures

Apart from the Share Option Scheme of the Company as mentioned above, at no time during the Reporting Year was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company and any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company nor exercised any such right.

### Connected Transactions and Continuing Connected Transactions

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

### Subsequent Events

Subsequent to the year ended 31 December 2013, the Share Option Scheme was terminated and the New Share Option Scheme was adopted and approved by the shareholders of the Company at the extraordinary general meeting held on the New Adoption Date. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing from the New Adoption Date up to 5 January 2024. Details of the said termination of Share Option Scheme and adoption of New Share Option Scheme were also set out in the Company's circular dated 17 December 2013.

On 16 December 2013, the Group entered into a corporate investor agreement (the "Corporate Investor Agreement") with Fujian Nouqi Co., Ltd. ("Nouqi") in relation to the subscription by the Group as a cornerstone investor of Nouqi under its international offering. Pursuant to the Corporate Investor Agreement, the Group subscribed for a total of 29,400,000 ordinary shares of Nouqi at a total consideration of approximately HK$63,253,000. The shares of Nouqi were listed on the Main Board of the Stock Exchange on 9 January 2014.

### Auditors

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

On behalf of the Board
**Chan Yuk Ming**
*Chairman*

Hong Kong
26 March 2014

# Biographical Details of Directors and Senior Management

## Directors

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

| Name | Age | Position |
|---|---|---|
| Mr. CHAN Yuk Ming | 45 | Chairman and executive Director |
| Mr. CHEN Yunan | 45 | Executive Director |
| Mr. CHEN Minwen | 38 | Executive Director |
| Mr. FONG Wo, Felix | 63 | Independent non-executive Director |
| Mr. KWOK Chi Sun, Vincent | 51 | Independent non-executive Director |
| Mr. CHENG King Hoi, Andrew | 55 | Independent non-executive Director |

## Executive Directors

**Mr. CHAN Yuk Ming**, aged 45, is the chairman of the Board and one of the executive Directors. He is the brother of Mr. Chen Yunan, Mr. Chen Minwen and Ms. Chen Mianna and is also an uncle of Ms. Chen Yanxia. Mr. Chan was designated as an executive Director and the chairman of the Board on 18 July 2008 and is also a director of each of Sunsonic Holdings Limited, Richwood Management Limited, Evergreen International Group Limited, Evergreen (Asia) Trading Company Limited ("Evergreen Asia"), Master (Hong Kong) Marketing Limited, 長興(廣東)服飾有限公司 ("Evergreen Guangdong"), Joy Business Investments Limited (with effect from 2 December 2013) and general manager of VE Delure SARL. He is primarily responsible for the Group's overall strategies, planning and business development. Mr. Chan graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a Degree of Bachelor of Arts in Public and Social Administration in 1993. Mr. Chan acquired Evergreen Asia (which was formerly known as Hanbon (Hong Kong) Limited) in 1998 after he left his post of administration officer in Shun Hing Electronic Trading Co., Ltd. Mr. Chan will allocate substantially all of his time and resources to the Group's business.

**Mr. CHEN Yunan**, aged 45, is one of the executive Directors. He is the brother of Mr. Chan Yuk Ming, Mr. Chen Minwen and Ms. Chen Mianna and is also an uncle of Ms. Chen Yanxia. Mr. Chen was designated as an executive Director on 12 February 2010 and is also a director of each of Evergreen Guangdong, 廣州市長越貿易有限公司 ("Guangzhou Changyue") and 廣州市長珠興貿易有限公司 ("Guangzhou Changzhuxing"). He is primarily responsible for the Group's general management and production planning. Mr. Chen was involved in the business operations of Evergreen Guangdong of which he is currently the general manager. Mr. Chen will allocate substantially all of his time and resources to the Group's business.

**Mr. CHEN Minwen**, aged 38, is one of the executive Directors. He is the brother of Mr. Chan Yuk Ming, Mr. Chen Yunan and Ms. Chen Mianna and is also an uncle of Ms. Chen Yanxia. Mr. Chen was designated as an executive Director on 12 February 2010 and is also a director of each of Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing. He is primarily responsible for the Group's sales and marketing promotion and public relations and activities. Mr. Chen will allocate substantially all of his time and resources to the Group's business.

## Independent Non-Executive Directors

**Mr. FONG Wo, Felix**, BBS, JP, aged 63, was appointed as an independent non-executive Director on 8 October 2010. Mr. Fong was the founding partner of Arculli Fong & Ng (now renamed as King & Wood Mallesons) and is a consultant of King & Wood Mallesons. Mr. Fong received his engineering degree in Canada in 1974 and his Juris Doctor degree from Osgoode Hall Law School in Toronto in 1978.

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

Mr. Fong is currently one of the China-appointed Attesting Officers in Hong Kong appointed by the Ministry of Justice of China. Mr. Fong undertook a number of community and social roles, such as the former Chairman of the Chinese Canadian Association of Hong Kong, the Chairman of the Advisory Council on Food and Environmental Hygiene and a member of the Hong Kong Communications Authority (with effect from 5 July 2013). He is also a director of the Hong Kong Basic Law Institute Limited and China Overseas Friendship Association. In the area of education, Mr. Fong is a founding member and the first director of the Canadian International School of Hong Kong, and an advisor to the Faculty of Business of University of Victoria in Canada.

Currently, Mr. Fong is an independent non-executive director of a number of listed companies, namely Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) (stock code: 124), Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited) (stock code: 337), China Investment Development Limited (stock code: 204) and Sheen Tai Holdings Group Company Limited (stock code: 1335), whose stocks are listed on the Stock Exchange, and also China Oilfield Services Limited, whose shares are listed on the Stock Exchange (stock code: 2883) and the Shanghai Stock Exchange (stock code: 601808).

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

**Mr. KWOK Chi Sun, Vincent**, aged 51, was appointed as an independent non-executive Director on 8 October 2010. Mr. Kwok is the sole proprietor of Vincent Kwok & Co., Certified Public Accountants. He holds a Bachelor's Degree in Economics from University of Sydney. Mr. Kwok is a Certified Public Accountant (Practising) and a member of both the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in Australia. Mr. Kwok has more than 25 years of experience in auditing, due diligence review and being the tax representative for tax filing and investigation cases for numerous companies. Mr. Kwok was previously employed by Price Waterhouse (now known as PricewaterhouseCoopers) from 1989 to 1995 as its senior audit manager and was also employed by Hopewell Holdings Limited from 1995 to 1996 and Cathay Pacific Airways Limited from 1996 to 1997 as their internal audit manager.

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

Mr. Kwok ceased to be the independent non-executive director of Emperor Capital Group Limited with effect from 22 January 2014.

**Mr. CHENG King Hoi, Andrew**, aged 55, was appointed as an independent non-executive Director on 27 June 2012. He is the superintendent, China Division, of Kwoon Chung Bus Holdings Limited (stock code: 306), a company listed on the Main Board of the Stock Exchange after he resigned as its executive director in 2012. He is also the chairman of Overseas Teo Chew Entrepreneurs Association Limited. He is a member of the Australian Institute of Management NSW Ltd. and a committee member of the Chinese People's Political Consultative Conference of Sichuan Province of Mainland China. He had worked in the banking industry for over 9 years.

## Senior Management

**Ms. CHEN Mianna**, aged 43, is the purchasing director of the Group. She joined the Group in 2004 and was responsible for the Group's purchasing and ordering affairs. She was then promoted to the purchasing director of the Group in January 2012 and is also a director of Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing. She is the sister of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen.

**Mr. TO Kwong Yeung**, aged 35, is the chief financial officer of the Group. Mr. To joined the Group in December 2011 and is responsible for the Group's financial reporting, financial management and investor relations. He graduated from the University of Hong Kong in 2000 with a bachelor's degree of Business Administration in Accounting and Finance. Mr. To is a Fellow Member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants and has over 10 years of working experience in the finance and accounting profession. Prior to joining the Group, he was the chief financial officer and company secretary of Boer Power Holdings Limited ("Boer Power"), a company listed on the Main Board of the Stock Exchange. Prior to joining Boer Power, Mr. To worked as a senior manager in Ernst & Young.

**Ms. ZENG Shujuan**, aged 41, is the financial controller (PRC). She joined the Group in September 2008. Ms. Zeng graduated from Hunan College of Finance and Economics with a bachelor of finance degree in 1993 and a bachelor of accounting degree in 1995 and holds a master's degree in business administration awarded by the Open University of Hong Kong in 2005. She is a member of the Association of International Accountants and the Association of Registered Chartered Analysts. Ms. Zeng has experience in financial and accounting management, as well as ERP of private enterprises. She has about 19 years of experience in the financial affairs management and had worked in various private enterprises such as Foshan City Nanhai China Resources Ying Tu Arts & Crafts Ltd., Lange Science and Technology Company Limited, NanHai Wei Hong Model Produce Ltd., Modern Furniture Factory of Wugang City and Park Green Station of Wugang City before joining the Group.

**Mr. YANG Qing**, aged 44, is the deputy director of the finance department in the PRC. Mr. Yang joined the Group in April 2000 and was promoted to the position of deputy director of finance department in December 2010. He graduated from the College of Trade and Finance in Anhui after passing the relevant professional examinations in accounting in 1996 and was awarded a professional qualification in accounting by the Ministry of Finance of the PRC in 2004. He has over 21 years of experience in the field of accounting and finance with experience in handling finance, accounting and taxation matters and in operating the finance-related software products and computerised systems.

**Ms. CHEN Yanxia**, aged 33, is the operations director of TESTANTIN. She joined the Group in May 2000 and was the assistant to our general manager since 2006 and was then promoted to the position of deputy director of V.E. DELURE in February 2012. Ms. Chen was promoted to the operations director of TESTANTIN in June 2013 to manage the retail stores and distributors of TESTANTIN, which frequently involved in the liaison with department stores in the PRC. She has over 11 years of experience in terminal store sales and management. She is the daughter of a cousin of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen.

**Mr. LIN Youhai**, aged 42, is the deputy director of franchise department of the Group's brand V.E. DELURE. Mr. Lin joined the Group in May 2007 as the assistant to director and was transferred to the position of manager of franchise department for V.E. DELURE in March 2010 and promoted to the position of deputy director of franchise department for V.E. DELURE in February 2012. Mr. Lin graduated from the Guangzhou Workers University in 2000. He has over 14 years of experience in sales and operation management and market network development. Prior to joining the Group, he had worked in the sales department of various companies such as Guangzhou Klundear Clothing Co., Ltd., A. Jesdani Clothing (Guangzhou) Co., Ltd. and Guangzhou Mendum Garment Co., Ltd..

**Ms. ZHANG Qiaoling**, aged 39, is the senior manager of the audit department. Ms. Zhang joined the Group in March 2001 as the head of the development department and was formally transferred to the purchasing department and promoted to the position of purchasing manager in 2007. She was then transferred to the audit department and promoted to the position of senior manager of audit department in November 2011. Ms. Zhang graduated with fashion design qualifications from Jiangxi Garments Institute in 1997. She has over 8 years of experience in clothing design including the process of clothing production and management. She also has over 3 years of experience in the processing and manufacturing of clothing and garment as well as the purchasing of complementary materials, and was familiar with the workflow and processes of clothing manufacturing and purchasing.

**Mr. LIU Shaoqing**, aged 39, is the deputy director of the design department of the Group's brand V.E. DELURE. Mr. Liu joined the Group in February 2004 as a designer and was promoted to chief designer in 2006. He was further promoted to deputy director of the design department of V.E. DELURE in March 2011 and was primarily responsible for the research and development of product design for V.E. DELURE. He graduated with qualifications in fashion design in 2000, and has been engaging in the fashion industry for over 9 years. He has over 9 years of experience in the processes of design, pattern-making, garment production and has related working experience.

**Mr. YANG Hao**, aged 32, is the deputy director of the design department of the Group's brand TESTANTIN. Mr. Yang joined the Group in May 2006 as a fashion designer for TESTANTIN and was subsequently promoted to the head of design department for TESTANTIN in 2009. He was promoted to the position of deputy director of the design department of TESTANTIN in February 2012. He graduated in 2004 with fashion design qualifications and has worked in the fashion industry for over 10 years. He has over 10 years of experience in the processes of design, pattern-making and garment production and has related working experience.

**Ms. ZHANG Xingfang**, aged 45, is an assistant to the general manager of the Group's PRC division and is responsible for the operation of the Group's training centre. She joined the Group in July 2011. Ms. Zhang graduated with a qualification in English teaching in 1992. She is a human resources manager and corporate trainer by profession. For the 20 years prior to joining the Group, she worked for Guangzhou Mechanical Engineering Research Institute, a unit at departmental level, Hanview Amenities Manufacturing (Guangzhou) Ltd. (a Hong Kong company), Guangzhou Denso (a Japanese company), "Ayilian" and "ALT" branded apparel, as well as "Meters/bonwe" branded apparel, accumulating a wealth of hands-on experience in human resources management.

**Mr. DONG Jianxin**, aged 45, is the director of customised business department. Mr. Dong joined the Group in January 2013 as the director of customised business department. Mr. Dong has over 13 years of experience in the apparel industry. Prior to joining the Group, he worked in Shenzhen Manqi Clothing Co., Ltd., Youngor Group and Shenzhen Kaltendin Fashion Co., Ltd. and accumulated management experience in group buying and custom operations.

安永

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

We have audited the consolidated financial statements of Evergreen International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 87, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

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

## Auditors' Responsibility

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

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

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

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

## Opinion

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

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

26 March 2014

# Consolidated Statement of Profit or Loss

Year ended 31 December 2013

| | Notes | 2013<br>RMB'000 | 2012<br>RMB'000 |
|---|---|---|---|
| REVENUE | *5* | **693,617** | 749,101 |
| Cost of sales | | **(232,130)** | (244,681) |
| Gross profit | | **461,487** | 504,420 |
| Other income and gains | *5* | **20,151** | 37,376 |
| Selling and distribution expenses | | **(307,877)** | (275,129) |
| Administrative expenses | | **(48,789)** | (44,953) |
| Other expenses | | **(6,318)** | (6,226) |
| Finance costs | *7* | **(8,601)** | (2,196) |
| PROFIT BEFORE TAX | *6* | **110,053** | 213,292 |
| Income tax expense | *10* | **(33,214)** | (58,040) |
| PROFIT FOR THE YEAR | | **76,839** | 155,252 |
| Attributable to: | | | |
| Ordinary equity holders of the Company | *11* | **76,839** | 155,252 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | | | |
| Basic and diluted | *13* | **RMB8.1 cents** | RMB16.4 cents |

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

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

| | 2013<br>RMB'000 | 2012<br>RMB'000 |
|---|---|---|
| PROFIT FOR THE YEAR | **76,839** | 155,252 |
| OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS | | |
| Exchange differences on translation of operations outside Mainland China | **4,188** | 1,249 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | **81,027** | 156,501 |
| Attributable to: | | |
| Ordinary equity holders of the Company | **81,027** | 156,501 |

# Consolidated Statement of Financial Position

31 December 2013

| | Notes | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 14 | **364,113** | 36,508 |
| Prepayments for non-current assets | 20 | **68,000** | 251,935 |
| Goodwill | 15 | **1,880** | 1,880 |
| Other intangible assets | 16 | **3,592** | 3,698 |
| Deferred tax assets | 25 | **7,096** | 7,218 |
| Pledged deposits | 21 | **–** | 103,100 |
| Total non-current assets | | **444,681** | 404,339 |
| CURRENT ASSETS | | | |
| Inventories | 18 | **339,597** | 293,984 |
| Trade receivables | 19 | **159,606** | 148,138 |
| Prepayments, deposits and other receivables | 20 | **104,213** | 150,458 |
| Time deposits | 21 | **–** | 100,000 |
| Pledged deposits | 21 | **207,718** | 34,996 |
| Cash and cash equivalents | 21 | **619,747** | 592,693 |
| Total current assets | | **1,430,881** | 1,320,269 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 22 | **59,016** | 37,947 |
| Other payables and accruals | 23 | **40,527** | 70,389 |
| Interest-bearing bank borrowings | 24 | **365,560** | 28,941 |
| Tax payable | | **42,198** | 64,674 |
| Total current liabilities | | **507,301** | 201,951 |
| NET CURRENT ASSETS | | **923,580** | 1,118,318 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **1,368,261** | 1,522,657 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank borrowings | 24 | **–** | 97,643 |
| Deferred tax liabilities | 25 | **–** | 60 |
| Total non-current liabilities | | **–** | 97,703 |
| Net assets | | **1,368,261** | 1,424,954 |
| EQUITY | | | |
| Equity attributable to ordinary equity holders of the Company | | | |
| Issued capital | 26 | **829** | 829 |
| Reserves | 29(a) | **1,358,914** | 1,323,550 |
| Proposed final dividend | 12 | **8,518** | 100,575 |
| Total equity | | **1,368,261** | 1,424,954 |

**CHAN Yuk Ming**
*Director*

**CHEN Yunan**
*Director*

| | | Attributable to ordinary equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Issued capital | Share premium account | Acquisition reserve | Merger reserve | Statutory surplus reserve | Capital redemption reserve | Exchange fluctuation reserve | Retained profits | Proposed final dividend | Total |
| | *Notes* | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | *(note 26)* | *(note 29(b))* | *(note 29(a)(iii))* | *(note 29(a)(i))* | *(note 29(a)(ii))* | *(note 29(a)(iv))* | | | *(note 12)* | |
| At 1 January 2012 | | 829 | 853,765 | 2,639 | 1,072 | 46,152 | 28 | (23,945) | 426,815 | 132,836 | 1,440,191 |
| Profit for the year | | – | – | – | – | – | – | – | 155,252 | – | 155,252 |
| Other comprehensive income for the year: | | | | | | | | | | | |
| Exchange differences on translation of operations outside Mainland China | | – | – | – | – | – | – | 1,249 | – | – | 1,249 |
| Total comprehensive income for the year | | – | – | – | – | – | – | 1,249 | 155,252 | – | 156,501 |
| Final 2011 dividend declared | *12* | – | – | – | – | – | – | – | – | (132,836) | (132,836) |
| Interim 2012 dividend | *12* | – | (38,902) | – | – | – | – | – | – | – | (38,902) |
| Proposed final 2012 dividend | *12* | – | (47,441) | – | – | – | – | – | – | 47,441 | – |
| Proposed special final 2012 dividend | *12* | – | (53,134) | – | – | – | – | – | – | 53,134 | – |
| Transfer from retained profits | | – | – | – | – | 17,118 | – | – | (17,118) | – | – |
| At 31 December 2012 | | 829 | 714,288 | 2,639 | 1,072 | 63,270 | 28 | (22,696) | 564,949 | 100,575 | 1,424,954 |

| | | Attributable to ordinary equity holders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Issued capital** | **Share premium account** | **Shares held for the Share Award Plan** | **Acquisition reserve** | **Merger reserve** | **Statutory surplus reserve** | **Capital redemption reserve** | **Exchange fluctuation reserve** | **Retained profits** | **Proposed final dividend** | **Total** |
| | *Notes* | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| | | *(note 26)* | *(note 29(b))* | *(note 28)* | *(note 29(a)(iii))* | *(note 29(a)(i))* | *(note 29(a)(ii))* | *(note 29(a)(iv))* | | | *(note 12)* | |
| At 1 January 2013 | | **829** | **714,288** | **–** | **2,639** | **1,072** | **63,270** | **28** | **(22,696)** | **564,949** | **100,575** | **1,424,954** |
| Profit for the year | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **76,839** | **–** | **76,839** |
| Other comprehensive income for the year: | | | | | | | | | | | | |
| Exchange differences on translation of operations outside Mainland China | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **4,188** | **–** | **–** | **4,188** |
| Total comprehensive income for the year | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **4,188** | **76,839** | **–** | **81,027** |
| Shares purchased for the Share Award Plan | *28* | **–** | **–** | **(2,987)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(2,987)** |
| Final 2012 dividend declared | *12* | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(100,575)** | **(100,575)** |
| Interim 2013 dividend | *12* | **–** | **(34,158)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(34,158)** |
| Proposed final 2013 dividend | *12* | **–** | **(8,518)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **8,518** | **–** |
| Transfer from retained profits | | **–** | **–** | **–** | **–** | **–** | **9,686** | **–** | **–** | **(9,686)** | **–** | **–** |
| At 31 December 2013 | | **829** | **671,612*** | **(2,987)*** | **2,639*** | **1,072*** | **72,956*** | **28*** | **(18,508)*** | **632,102*** | **8,518** | **1,368,261** |

* These reserve accounts comprise the consolidated reserves of RMB1,358,914,000 (2012: RMB1,323,550,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 December 2013

| | Notes | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | **110,053** | 213,292 |
| Adjustments for: | | | |
| Finance costs | 7 | **8,601** | 2,196 |
| Foreign exchange gains | | **(1,464)** | (229) |
| Interest income | 5 | **(18,172)** | (35,843) |
| Loss on disposal of items of property, plant and equipment | 6 | **132** | – |
| Depreciation | 6 | **23,523** | 23,004 |
| Write-down of inventories to net realisable value | | **4,413** | 2,279 |
| | | **127,086** | 204,699 |
| Increase in inventories | | **(50,026)** | (11,692) |
| Increase in trade receivables | | **(11,468)** | (3,477) |
| Decrease/(increase) in prepayments, deposits and other receivables | | **32,448** | (39,336) |
| Increase/(decrease) in trade payables | | **27,219** | (59,651) |
| (Decrease)/increase in other payables and accruals | | **(29,781)** | 11,584 |
| Cash generated from operations | | **95,478** | 102,127 |
| Interest received | | **25,965** | 33,221 |
| Mainland China corporate income tax paid | | **(55,450)** | (41,442) |
| Hong Kong and Macau profits tax paid | | **(324)** | – |
| Net cash flows from operating activities | | **65,669** | 93,906 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of items of property, plant and equipment | | **(22,124)** | (22,374) |
| Proceeds from disposal of items of property, plant and equipment | | **–** | 44 |
| Additions to other intangible assets | 16 | **–** | (3,698) |
| Increase in other prepayments for non-current assets | 20 | **(58,000)** | – |
| Prepayments for property, plant and equipment | 20 | **(87,500)** | (241,935) |
| Decrease/(increase) in pledged deposits and time deposits | | **30,378** | (128,096) |
| Net cash flows used in investing activities | | **(137,246)** | (396,059) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| New bank loans | | **270,723** | 126,584 |
| Repayment of bank loan | | **(28,110)** | – |
| Purchase of shares held under the Share Award Plan | | **2,987** | – |
| Interest paid | | **(8,472)** | (2,196) |
| Dividends paid | | **(134,733)** | (171,738) |
| Net cash flows from/(used in) financing activities | | **102,395** | (47,350) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **30,818** | (349,503) |
| Cash and cash equivalents at beginning of year | | **592,693** | 940,698 |
| Effect of foreign exchange rate changes, net | | **(3,764)** | 1,498 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **619,747** | 592,693 |

| | Notes | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|---|
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances | *21* | **590,694** | 588,263 |
| Non-pledged time deposits with original maturity of less than three months when acquired | *21* | **29,053** | 4,430 |
| Cash and cash equivalents as stated in the statement of financial position and statement of cash flows | | **619,747** | 592,693 |

# Statement of Financial Position

31 December 2013

| | Notes | 2013<br>RMB'000 | 2012<br>RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Investments in subsidiaries | *17* | **–** | – |
| Total non-current assets | | **–** | – |
| **CURRENT ASSETS** | | | |
| Due from subsidiaries | *17* | **711,112** | 880,596 |
| Prepayments, deposits and other receivables | *20* | **–** | 56 |
| Cash and cash equivalents | *21* | **5,831** | 1,300 |
| Total current assets | | **716,943** | 881,952 |
| **CURRENT LIABILITIES** | | | |
| Other payables and accruals | *23* | **1,802** | 1,652 |
| Due to subsidiaries | *17* | **164,470** | 166,034 |
| Total current liabilities | | **166,272** | 167,686 |
| Net assets | | **550,671** | 714,266 |
| **EQUITY** | | | |
| Issued capital | *26* | **829** | 829 |
| Reserves | *29(b)* | **541,324** | 612,862 |
| Proposed final dividend | *12* | **8,518** | 100,575 |
| Total equity | | **550,671** | 714,266 |

**CHAN Yuk Ming**
*Director*

**CHEN Yunan**
*Director*

## 1. Corporate Information

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

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

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

## 2.1 Basis of Preparation

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

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

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

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

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

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

### 2.2 Changes in Accounting Policy and Disclosures

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

| | |
|---|---|
| IFRS 1 Amendments | Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans* |
| IFRS 7 Amendments | Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* |
| IFRS 10 | *Consolidated Financial Statements* |
| IFRS 11 | *Joint Arrangements* |
| IFRS 12 | *Disclosure of Interests in Other Entities* |
| IFRS 10, IFRS 11 and IFRS 12 Amendments | Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance* |
| IFRS 13 | *Fair Value Measurement* |
| IAS 1 Amendments | Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income* |
| IAS 19 (Amendments) | Amendments to IAS19 *Employee Benefits* |
| IAS 27 (Revised) | *Separate Financial Statements* |
| IAS 28 (Revised) | *Investments in Associates and Joint Ventures* |
| IAS 36 Amendments | Amendments to IAS 36 *Impairment of Assets — Amended by Recoverable Amount Disclosures for Non-Financial Assets* (early adopted) |
| IFRIC 20 | *Stripping Costs in the Production Phase of a Surface Mine* |
| Annual Improvements 2009–2011 Cycle | Amendments to a number of IFRSs issued in May 2012 |

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

### 2.3 Issued but not yet effective International Financial Reporting Standards

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

| | |
|---|---|
| IFRS 9 | *Financial Instruments*[4] |
| IFRS 9, IFRS 7 and IAS 39 Amendments | Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39[4] |
| IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments | Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — *Investment Entities*[1] |
| IFRS14 | *Regulatory Deferral Accounts*[3] |
| IAS 19 Amendments | Amendments to IAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2] |
| IAS 32 Amendments | Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1] |
| IAS 39 Amendments | Amendments to IAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1] |
| IFRIC 21 | *Levies*[1] |
| IFRSs Amendments | *Annual Improvements to IFRSs 2010–2012 Cycle*[2] |
| IFRSs Amendments | *Annual Improvements to IFRSs 2011–2013 Cycle*[2] |

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Effective for annual periods beginning on or after 1 January 2016
[4] No mandatory effective date yet determined but is available for adoption

The adoption of these new and revised IFRSs upon initial application is not expected to have a significant impact on the Group's results of operations and financial position.

## 2.3 Issued but not yet effective International Financial Reporting Standards (continued)

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

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

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

In November 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in December 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

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

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 July 2014. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

## 2.4 Summary of Significant Accounting Policies

**Subsidiaries**
A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

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

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

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

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

## 2.4 Summary of Significant Accounting Policies (continued)

**Business combinations and goodwill (continued)**

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

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

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

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

**Impairment of non-financial assets**

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

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

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

## 2.4 Summary of Significant Accounting Policies (continued)

**Related parties**
A party is considered to be related to the Group if:

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

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

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

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

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

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

## 2.4 Summary of Significant Accounting Policies (continued)

**Property, plant and equipment and depreciation (continued)**

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

**Intangible assets (other than goodwill)**

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

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

**Operating leases**

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

**Investments and other financial assets**

**Initial recognition and measurement**

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

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

The Group's financial assets include cash and bank balances, time deposits, pledged deposits, trade and other receivables, which are classified as loans and receivables.

## 2.4 Summary of Significant Accounting Policies (continued)

**Investments and other financial assets (continued)**

**Subsequent measurement**

*Loans and receivables*

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

**Derecognition of financial assets**

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

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

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

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

**Impairment of financial assets**

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

## 2.4 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

## 2.4 Summary of Significant Accounting Policies (continued)

**Derecognition of financial liabilities**
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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

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

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

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

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

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

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

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

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

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

## 2.4 Summary of Significant Accounting Policies (continued)

**Income tax (continued)**
Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

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

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

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

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

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

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

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. The adjustments on actual sales return made by customers is recognised against the sales revenue. The relevant cost of goods sold and closing inventories are also adjusted accordingly.

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

## 2.4 Summary of Significant Accounting Policies (continued)

**Revenue recognition (continued)**

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

**Share-based payments**

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. Further details of which are given in notes 27 and 28 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

## 2.4 Summary of Significant Accounting Policies (continued)

**Employee retirement benefits**

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

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

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

**Borrowing costs**

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

**Dividends**

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

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

**Foreign currencies**

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

## 2.4 Summary of Significant Accounting Policies (continued)

**Foreign currencies (continued)**

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain Hong Kong and overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Renminbi at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

## 3. Significant Accounting Judgements and Estimates

**Estimation uncertainty**

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

**Impairment of property, plant and equipment**

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

**Useful lives and residual values of property, plant and equipment**

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

## 3. Significant Accounting Judgements and Estimates (continued)

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

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

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

## 4. Operating Segment Information

The Group is principally engaged in the manufacturing and trading of clothing and clothing accessories. For management purposes, the Group operates in one business unit and has one reportable operating segment, which is the clothing segment that produces and trades menswear and other accessories.

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

As all of the Group's revenue is derived from customers based in the PRC and all of the Group's identifiable non-current assets are located in the PRC, no geographical information is presented in accordance with IFRS 8 *Operating Segments*.

## 5. Revenue, Other Income and Gains

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

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

| | 2013 | 2012 |
|---|---|---|
| | RMB'000 | RMB'000 |
| **Revenue** | | |
| Sale of goods | 693,617 | 749,101 |
| **Other income and gains** | | |
| Bank interest income | 18,172 | 35,843 |
| Gains on sale of raw materials | – | 101 |
| Compensation income | 4 | 771 |
| Foreign exchange gains, net | 1,350 | – |
| Others | 625 | 661 |
| | 20,151 | 37,376 |

## 6. Profit Before Tax

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

| | | 2013 | 2012 |
|---|---|---|---|
| | *Note* | RMB'000 | RMB'000 |
| Cost of inventories sold | | 232,130 | 244,681 |
| Depreciation | *14* | 23,523 | 23,004 |
| Operating lease rental expense: | | | |
| Minimum lease payments | | 21,121 | 16,478 |
| Contingent rents | | 150,679 | 143,369 |
| | | 171,800 | 159,847 |
| Auditors' remuneration | | 2,124 | 2,082 |
| Employee benefit expense (excluding directors' and chief executive's remuneration) | | | |
| Wages and salaries | | 79,651 | 72,432 |
| Pension scheme contributions | | 9,270 | 7,975 |
| | | 88,921 | 80,407 |
| Write-down of inventories to net realisable value* | | 4,413 | 2,279 |
| Donations* | | 1,700 | 3,180 |
| Foreign exchange losses, net* | | – | 696 |
| Loss on disposal of items of property, plant and equipment* | | 132 | – |

* These items are included in "Other expenses" in the consolidated statement of profit or loss.

## 7. Finance Costs

An analysis of finance costs is as follows:

| | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|
| Interest on bank borrowings wholly repayable within five years | **8,601** | 2,196 |

## 8. Directors' and Chief Executive's Remuneration

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

| | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|
| Fees | **570** | 579 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **4,815** | 4,722 |
| Pension scheme contributions | **70** | 63 |
| | **4,885** | 4,785 |
| | **5,455** | 5,364 |

### (a) Independent non-executive Directors

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

| | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|
| Mr. FONG Wo, Felix | **190** | 193 |
| Mr. KWOK Chi Sun, Vincent | **190** | 193 |
| Mr. CHENG King Hoi, Andrew (appointed on 27 June 2012) | **190** | 99 |
| Dr. KO Wing Man (resigned on 27 June 2012) | **–** | 94 |
| | **570** | 579 |

There were no other emoluments payable to the independent non-executive Directors during the year (2012: Nil).

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

### (b) Executive Directors and the chief executive

| | Fees | Salaries, allowances and benefits in kind | Pension scheme contributions | Total remuneration |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **2013** | | | | |
| *Executive Directors:* | | | | |
| CHEN Yunan (陳育南) | – | 1,621 | 29 | 1,650 |
| CHEN Minwen (陳敏文) | – | 1,621 | 29 | 1,650 |
| | – | 3,242 | 58 | 3,300 |
| *Executive Director and the chief executive:* | | | | |
| CHAN Yuk Ming (陳育明) | – | 1,573 | 12 | 1,585 |
| | – | 4,815 | 70 | 4,885 |
| **2012** | | | | |
| *Executive Directors:* | | | | |
| CHEN Yunan (陳育南) | – | 1,589 | 26 | 1,615 |
| CHEN Minwen (陳敏文) | – | 1,589 | 26 | 1,615 |
| | – | 3,178 | 52 | 3,230 |
| *Executive Director and the chief executive:* | | | | |
| CHAN Yuk Ming (陳育明) | – | 1,544 | 11 | 1,555 |
| | – | 4,722 | 63 | 4,785 |

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

## 9. Five Highest Paid Employees

The five highest paid employees during the year included two Directors and the chief executive (2012: two Directors and the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2012: two) highest paid employees who are neither a Director nor chief executive of the Company are as follows:

| | 2013 | 2012 |
|---|---|---|
| | RMB'000 | RMB'000 |
| Salaries, allowances and benefits in kind | **2,674** | 2,575 |
| Pension scheme contributions | **41** | 38 |
| | **2,715** | 2,613 |

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

| | Number of employees | |
|---|---|---|
| | 2013 | 2012 |
| Nil to RMB1,000,000 | **–** | 1 |
| RMB1,000,001 to RMB1,500,000 | **1** | – |
| RMB1,500,001 to RMB2,000,000 | **1** | 1 |
| | **2** | 2 |

## 10. Income Tax

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

No profits tax has been provided for profits derived from the Cayman Islands and the BVI in both 2013 and 2012 since the applicable profits tax rate is zero.

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2013.

Macau profits tax has been provided at the rates ranging from 0% to 12% (2012: 0% to 12%) depending on the extent of estimated assessable profits arising in Macau during the year ended 31 December 2013.

## 10. Income Tax (continued)

The income tax provision of the Group in respect of its operations in Mainland China has been provided at the rate of 25% (2012: 25%) on the taxable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

| | 2013 | 2012 |
|---|---|---|
| | RMB'000 | RMB'000 |
| Current | | |
| Charge for the year | | |
| — Hong Kong | 178 | 410 |
| — Macau | 547 | 316 |
| — Mainland China | 32,427 | 58,098 |
| Deferred (note 25) | 62 | (784) |
| Total tax charge for the year | 33,214 | 58,040 |

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

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | RMB'000 | % | RMB'000 | % |
| Profit before tax | 110,053 | | 213,292 | |
| Tax at the statutory tax rate | 27,513 | 25.00 | 53,323 | 25.00 |
| Lower tax rates enacted by local authorities | 2,603 | 2.37 | 2,939 | 1.38 |
| Effect of withholding tax at 10% on the bank interest income of the Group's Hong Kong subsidiaries | 178 | 0.16 | 409 | 0.19 |
| Income not subject to tax | (1,384) | (1.26) | (1,534) | (0.72) |
| Expenses not deductible for tax | 1,362 | 1.24 | 640 | 0.30 |
| Tax losses not recognised | 2,942 | 2.67 | 2,263 | 1.06 |
| Tax charge at the Group's effective rate | 33,214 | 30.18 | 58,040 | 27.21 |

## 11. Profit Attributable to Ordinary Equity Holders of the Company

The consolidated profit attributable to ordinary equity holders of the Company for the year ended 31 December 2013 includes a loss of RMB9,129,000 (2012: RMB8,909,000) which has been dealt with in the financial statements of the Company (note 29(b)).

## 12. Dividends

| | **2013** | 2012 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Interim — RMB3.6 cents (2012: RMB4.1 cents) per ordinary share | **34,158** | 38,902 |
| Proposed final — RMB0.9 cents (2012: RMB5.0 cents) per ordinary share | **8,518** | 47,441 |
| 2012 special final — RMB5.6 cents per ordinary share | – | 53,134 |
| | **42,676** | 139,477 |

The proposed final dividend for the year ended 31 December 2013 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

**Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company, and the adjusted weighted average number of shares of 948,485,426 (2012: 948,825,763) in issue during the year ended 31 December 2013, which reflects the shares held for the Share Award Plan during the year.

The calculation of basic earnings per share is based on:

| | **2013** | 2012 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation | **76,839** | 155,252 |

| | **2013** | 2012 |
|---|---|---|
| **Shares** | | |
| Weighted average number of ordinary shares in issue | **948,825,763** | 948,825,763 |
| Weighted average number of shares purchased for the Share Award Plan | **(340,337)** | – |
| Adjusted weighted average number of ordinary shares in issue, used in the basic earnings per share calculation | **948,485,426** | 948,825,763 |

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the years.

## 14. Property, Plant and Equipment

| | Construction in progress | Plant and machinery | Office and other equipment | Motor vehicles | Leasehold improvements | Total |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **31 December 2013** | | | | | | |
| 1 January 2013: | | | | | | |
| Cost | – | 1,461 | 6,169 | 9,772 | 49,631 | 67,033 |
| Accumulated depreciation | – | (1,330) | (3,706) | (4,876) | (20,613) | (30,525) |
| Net carrying amount | – | 131 | 2,463 | 4,896 | 29,018 | 36,508 |
| At 1 January 2013, net of accumulated depreciation | – | 131 | 2,463 | 4,896 | 29,018 | 36,508 |
| Additions | 329,435 | – | 668 | 3,620 | 17,626 | 351,349 |
| Disposals | – | – | (1) | – | (131) | (132) |
| Depreciation provided during the year | – | (25) | (922) | (2,060) | (20,516) | (23,523) |
| Exchange realignment | – | – | (2) | (21) | (66) | (89) |
| At 31 December 2013, net of accumulated depreciation | 329,435 | 106 | 2,206 | 6,435 | 25,931 | 364,113 |
| At 31 December 2013: | | | | | | |
| Cost | 329,435 | 1,461 | 6,673 | 13,320 | 47,534 | 398,423 |
| Accumulated depreciation | – | (1,355) | (4,467) | (6,885) | (21,603) | (34,310) |
| Net carrying amount | 329,435 | 106 | 2,206 | 6,435 | 25,931 | 364,113 |

## 14. Property, Plant and Equipment (continued)

| | Plant and machinery | Office and other equipment | Motor vehicles | Leasehold improvements | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **31 December 2012** | | | | | |
| 1 January 2012: | | | | | |
| Cost | 1,449 | 4,994 | 8,914 | 41,613 | 56,970 |
| Accumulated depreciation | (1,232) | (2,719) | (4,123) | (11,026) | (19,100) |
| Net carrying amount | 217 | 2,275 | 4,791 | 30,587 | 37,870 |
| At 1 January 2012, net of accumulated depreciation | 217 | 2,275 | 4,791 | 30,587 | 37,870 |
| Additions | 13 | 1,178 | 1,975 | 18,540 | 21,706 |
| Disposals | – | – | (44) | – | (44) |
| Depreciation provided during the year | (99) | (991) | (1,820) | (20,094) | (23,004) |
| Exchange realignment | – | 1 | (6) | (15) | (20) |
| At 31 December 2012, net of accumulated depreciation | 131 | 2,463 | 4,896 | 29,018 | 36,508 |
| At 31 December 2012: | | | | | |
| Cost | 1,461 | 6,169 | 9,772 | 49,631 | 67,033 |
| Accumulated depreciation | (1,330) | (3,706) | (4,876) | (20,613) | (30,525) |
| Net carrying amount | 131 | 2,463 | 4,896 | 29,018 | 36,508 |

## 15. Goodwill

| | RMB'000 |
|---|---|
| Cost and net carrying amount at 31 December 2013 and 2012 | **1,880** |

**Impairment testing of goodwill**

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

## 15. Goodwill (continued)

**Impairment testing of goodwill (continued)**

Assumptions were used in the value in use calculation of the product selling cash-generating unit for 31 December 2013 and 31 December 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

## 16. Other Intangible Assets

| | **2013** | 2012 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Golf club debenture | **3,592** | 3,698 |

The golf club debenture represents club membership in Hong Kong. The directors of the Company consider that no impairment of the balance of golf club debenture is required as its fair value was higher than its carrying value as at 31 December 2013.

## 17. Investments in Subsidiaries

**Company**

| | **2013** | 2012 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Investments in subsidiaries* | **–** | – |

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

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB711,112,000 (2012: RMB880,596,000) and RMB164,470,000 (2012: RMB166,034,000), respectively, are unsecured, interest-free and are repayable on demand.

## 17. Investments in Subsidiaries (continued)

Particulars of the subsidiaries are as follows:

| Company name | Note | Date of incorporation/ establishment | Place of incorporation/ registration and operations | Nominal value of issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | | | Direct % | Indirect % | |
| Sunsonic Holdings Limited | | 16 April 2008 | BVI | US$1/US$50,000 | 100 | – | Investment holding |
| Richwood Management Limited | | 1 July 2004 | BVI | US$1/US$50,000 | – | 100 | Holding of trademarks and investment holding |
| Evergreen (International) Group Limited (長興集團(國際)有限公司) | | 18 August 2004 | Hong Kong | HK$1,000,000/ HK$1,000,000 | – | 100 | Investment holding and trading of garment products |
| Evergreen (Asia) Trading Company Limited (長興(亞洲)貿易有限公司) | | 19 September 1997 | Hong Kong | HK$10,000/ HK$10,000 | – | 100 | Trading of garment products and accessories |
| Master (Hong Kong) Marketing Limited (萬事達(香港)市場策劃有限公司) | | 9 January 2004 | Hong Kong | HK$2/HK$10,000 | – | 100 | Retailing and trading of garment products |
| Guangdong Evergreen Garment Co., Ltd. (長興(廣東)服飾有限公司) | (i) | 12 May 2005 | PRC/Mainland China | HK$900,000,000/ HK$900,000,000 | – | 100 | Manufacturing and sale of clothing and clothing accessories |
| Guangzhou Changyue Trading Co., Ltd. (廣州市長越貿易有限公司) | (i) | 8 June 2005 | PRC/Mainland China | RMB30,000,000/ RMB30,000,000 | – | 100 | Sale of clothing and clothing accessories |
| Guangzhou Forever Green Trading Co., Ltd. (廣州市長珠興貿易有限公司) | (i) | 15 January 2004 | PRC/Mainland China | RMB20,000,000/ RMB20,000,000 | – | 100 | Sale of clothing and clothing accessories |
| VE Delure SARL | | 22 October 2001 | France | EUR8,000/ EUR8,000 | – | 100 | Holding of trademarks |
| Asia Effort Limited (Macau) (振亞一人有限公司) | | 24 March 2011 | Macau | MOP25,000/ MOP25,000 | – | 100 | Retailing and trading of garment products |
| Joy Business Investments Limited | | 29 July 2013 | BVI | US$1/US$50,000 | – | 100 | Investment holding |

*Note:*

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

## 18. Inventories

| | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|
| Raw materials | **11,558** | 9,064 |
| Work in progress | **3,108** | 5,299 |
| Finished goods | **324,931** | 279,621 |
| | **339,597** | 293,984 |

The amount of the write-down of inventories to net realisable value recognised for the year ended 31 December 2013 was RMB4,413,000 (2012: RMB2,279,000).

## 19. Trade Receivables

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | RMB'000 | RMB'000 |
| Trade receivables | **159,606** | 148,138 |

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

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

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

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | RMB'000 | RMB'000 |
| Within 1 month | **104,026** | 125,037 |
| 1 to 3 months | **21,534** | 11,847 |
| 3 to 6 months | **29,368** | 8,947 |
| 6 months to 1 year | **4,179** | 2,190 |
| Over 1 year | **499** | 117 |
| | **159,606** | 148,138 |

### 19. Trade Receivables (continued)

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

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **RMB'000** | RMB'000 |
| Neither past due nor impaired | **125,560** | 136,884 |
| Less than 3 months past due | **29,368** | 8,947 |
| 3 to 6 months past due | **3,922** | 2,167 |
| 6 months to 1 year past due | **322** | 111 |
| Over 1 year past due | **434** | 29 |
| | **159,606** | 148,138 |

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

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

### 20. Prepayments, Deposits and Other Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Non-current** | | | | |
| Prepayments for new offices | – | 241,935 | – | – |
| Other prepayments | **68,000** | 10,000 | – | – |
| | **68,000** | 251,935 | – | – |
| **Current** | | | | |
| Prepayments | **46,104** | 80,489 | – | – |
| Deposits and other receivables | **58,109** | 69,969 | – | 56 |
| | **104,213** | 150,458 | – | 56 |
| | **172,213** | 402,393 | – | 56 |

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

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

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| | *Notes* | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Cash and bank balances | | **590,694** | 588,263 | **5,831** | 1,300 |
| Time deposits with original maturity within three months when acquired | | **29,053** | 4,430 | **–** | – |
| Time deposits with original maturity of over three months when acquired | | **207,718** | 238,096 | **–** | – |
| | | **827,465** | 830,789 | **5,831** | 1,300 |
| Less: | | | | | |
| Pledged time deposits: | | | | | |
| Pledged for bank acceptance bills | *22* | **(4,618)** | (2,584) | **–** | – |
| Pledged for short term bank loans | *24* | **(203,100)** | (32,412) | **–** | – |
| Pledged for long term bank loans | *24* | **–** | (103,100) | **–** | – |
| Non-pledged time deposits with original maturity of over three months when acquired | | **–** | (100,000) | **–** | – |
| Cash and cash equivalents | | **619,747** | 592,693 | **5,831** | 1,300 |

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi amounted to RMB579,548,000 (2012: RMB707,156,000), which is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash in banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods between 7 days and one month depending on the cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

## 22. Trade and Bills Payables

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

| | 2013 | 2012 |
|---|---|---|
| | RMB'000 | RMB'000 |
| Within 1 month | 7,108 | 9,015 |
| 1 to 3 months | 16,605 | 14,065 |
| 3 to 6 months | 32,746 | 13,771 |
| 6 months to 1 year | 1,721 | 236 |
| Over 1 year | 836 | 860 |
| | 59,016 | 37,947 |

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

Included in trade and bills payables are bills payables of RMB13,872,000 (2012: RMB20,022,000), which are non-interest-bearing and settled on terms of six months. The bills payables are secured by the pledged deposits of RMB4,618,000 (2012: RMB2,584,000) (note 21).

## 23. Other Payables and Accruals

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Advances from customers | 5,789 | 16,964 | – | – |
| Other payables | 31,585 | 51,297 | 479 | 347 |
| Accruals | 3,153 | 2,128 | 1,323 | 1,305 |
| | 40,527 | 70,389 | 1,802 | 1,652 |

Other payables are non-interest-bearing.

### 24. Interest-Bearing Bank Borrowings

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | **Effective interest rate (%)** | **Maturity** | **RMB'000** | Effective interest rate (%) | Maturity | RMB'000 |
| **Current** | | | | | | |
| Bank loan — secured | **3.15** | **2014** | **94,837** | Variable rate of 2.3% below Hong Kong dollar Best Lending Rate | 2013 | 28,941 |
| Bank loan — secured | **1.68–2.60** | **On demand** | **170,723** | – | N/A | – |
| Bank loan — unsecured | **6.00** | **2014** | **100,000** | – | N/A | – |
| **Non-current** | | | | | | |
| Bank loan — secured | **–** | **N/A** | **–** | 3.15 | 2014 | 97,643 |
| | | | **365,560** | | | 126,584 |

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **RMB'000** | RMB'000 |
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year or on demand | **365,560** | 28,941 |
| In the second year | **–** | 97,643 |
| | **365,560** | 126,584 |

*Notes:*

(a) Certain of the Group's bank loans are secured by:

(i) the pledge of certain of the Group's time deposits amounting to RMB203,100,000 (2012: RMB135,512,000) as set out in note 21 above; and

(ii) a letter of guarantee issued by the bank amounting to RMB80,000,000 (2012: Nil).

(b) As at 31 December 2013, all the Group's borrowings were denominated in Hong Kong dollars and Renminbi at aggregate amounts of RMB265,560,000 (2012: RMB126,584,000) and RMB100,000,000 (2012: Nil), respectively.

## 25. Deferred Tax

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

**Deferred tax liabilities**

| | 2013 | |
|---|---|---|
| | Depreciation allowance in excess of related depreciation | Total |
| | RMB'000 | RMB'000 |
| At 1 January 2013 | 60 | 60 |
| Deferred tax credited to the statement of profit or loss during the year *(note 10)* | (60) | (60) |
| Gross deferred tax liabilities at 31 December 2013 | – | – |

**Deferred tax assets**

| | 2013 | | | | |
|---|---|---|---|---|---|
| | Impairment provision | Unrealised profit on inventories | Accrued expenses | Losses available for offsetting against future taxable profits | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2013 | 3,205 | 1,753 | 1,667 | 593 | 7,218 |
| Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)* | 1,083 | (603) | (9) | (593) | (122) |
| Gross deferred tax assets at 31 December 2013 | 4,288 | 1,150 | 1,658 | – | 7,096 |

## 25. Deferred Tax (continued)

**Deferred tax liabilities**

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

**Deferred tax assets**

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

The Group has accumulated tax losses arising in Hong Kong of RMB46,833,000 (2012: RMB32,909,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the Corporate Income Tax Law of the People's Republic of China, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007.

## 25. Deferred Tax (continued)

**Deferred tax assets (continued)**

At 31 December 2012 and 2013, no deferred tax liability has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB689 million at 31 December 2013 (2012: RMB598 million).

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

## 26. Share Capital

**Shares**

| | 2013 | 2012 |
|---|---|---|
| | HK$'000 | HK$'000 |
| **Authorised:** | | |
| 10,000,000,000 ordinary shares of HK$0.001 each | **10,000** | 10,000 |

| | 2013 | 2012 |
|---|---|---|
| | RMB'000 | RMB'000 |
| **Issued and fully paid:** | | |
| 948,825,763 (2012: 948,825,763) ordinary shares of HK$0.001 each | **829** | 829 |

## 27. Share Option Scheme

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

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

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

## 27. Share Option Scheme (continued)

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

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

## 28. Share Award Plan

On 27 August 2013 (the "Effective Date"), the board adopted a share award plan (the "Share Award Plan") in which any executive or employee of any member of the Group from time to time, but excluding a director of any member of the Group and any other connected person of the Company (the "Eligible Persons") will be entitled to participate. The purpose of the Share Award Plan is to recognise and reward contributions made by, and to encourage and incentivise sustained contribution of, the Eligible Persons to the growth and long term development of the Group. The Share Award Plan shall be valid and remain in force for a term of ten years commencing from the Effective Date.

The Share Award Plan committee (the "Committee") may, at any time and at its absolute discretion, make an award to any Eligible Person ("Selected Person") and determine the number of Shares to be awarded to him ("Awarded Shares") on such terms and subject to such vesting conditions, if any, as the Committee thinks fit.

The Committee (or any Director so authorised by the Committee) may from time to time instruct the independent trustee (the "Trustee") to purchase Shares on the Stock Exchange at such prices as the Committee (or any Director so authorised by the Committee) considers appropriate, and such Shares shall be held by the Trustee for the purposes of satisfying any future award(s) to be made by the Committee.

In any given financial year, the maximum number of Shares to be purchased by the Trustee for the purpose of the Share Award Plan shall not exceed 5% of the total number of issued shares as at the beginning of such financial year.

The total number of shares purchased for the award(s) made to each Selected Person in any 12-month period up to and including the date on which the award is made to a Selected Person (the "Award Date") shall not exceed 1% of the Shares in issue as at the Award Date.

The board resolved to pay HK$10,000,000 to the Trustee of the Share Award Plan on 25 October 2013, so that the Trustee would then purchase and grant relevant shares to certain grantees under the Share Award Plan.

During the year ended 31 December 2013, based on the Company's instructions, the Trustee of the Share Award Plan has purchased a total of 2,436,000 ordinary shares of the Company on the Stock Exchange at a total consideration of about HK$3,773,000 (equivalent to RMB2,987,000).

Subsequent to the end of the reporting period, the Trustee has purchased a total number of 3,504,000 ordinary shares of the Company at a total cash consideration of approximately HK$4,709,000 (equivalent to RMB3,703,000), including transaction costs. At the date of approval of these financial statements, 5,940,000 shares were held by the Trustee and have yet to be awarded.

## 29. Reserves

### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 41 of the financial statements.

#### (i) Merger reserve

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

#### (ii) Statutory surplus reserve

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

#### (iii) Acquisition reserve

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

#### (iv) Capital redemption reserve

The capital redemption reserve represents the nominal value of the shares of the Company which was transferred from the Company's retained earnings upon repurchase and cancellation of shares by the Company.

## 29. Reserves (continued)

### (b) Company

| | Notes | Share premium account RMB'000 | Shares held for the Share Award Plan RMB'000 | Exchange fluctuation reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| At 31 December 2011 and 1 January 2012 | | 853,765 | – | (61,683) | (26,105) | 765,977 |
| Total comprehensive loss for the year | | – | – | (4,729) | (8,909) | (13,638) |
| Interim 2012 dividend | *12* | (38,902) | – | – | – | (38,902) |
| Proposed final 2012 dividend | *12* | (47,441) | – | – | – | (47,441) |
| Proposed special final 2012 dividend | *12* | (53,134) | – | – | – | (53,134) |
| At 31 December 2012 | | 714,288 | – | (66,412) | (35,014) | 612,862 |
| At 31 December 2012 and 1 January 2013 | | 714,288 | – | (66,412) | (35,014) | 612,862 |
| Total comprehensive loss for the year | | – | – | (16,746) | (9,129) | (25,875) |
| Shares purchased for the Share Award Plan | *28* | – | (2,987) | – | – | (2,987) |
| Interim 2013 dividend | *12* | (34,158) | – | – | – | (34,158) |
| Proposed final 2013 dividend | *12* | (8,518) | – | – | – | (8,518) |
| At 31 December 2013 | | 671,612 | (2,987) | (83,158) | (44,143) | 541,324 |

## 30. Pledge of Assets

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

## 31. Operating Lease Arrangements

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

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **RMB'000** | RMB'000 |
| Within one year | **9,933** | 10,868 |
| In the second to fifth years, inclusive | **8,783** | 5,620 |
| After five years | **4,671** | – |
| | **23,387** | 16,488 |

## 32. Commitments

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitments at the end of the reporting period:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **RMB'000** | RMB'000 |
| Contracted, but not provided for: | | |
| Leasehold improvements | **488** | 392 |
| Capital contributions payable for an investment | **49,973** | – |
| Other non-current assets | **–** | 58,000 |
| | **50,461** | 58,392 |

## 33. Related Party Transactions

Compensation of key management personnel of the Group:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **RMB'000** | RMB'000 |
| Salaries, allowances and benefits in kind | **11,395** | 11,258 |
| Pension scheme contributions | **259** | 236 |
| Total compensation paid to key management personnel | **11,654** | 11,494 |

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

## 34. Financial Instruments by Category

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

**Financial assets**

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **Loans and receivables** | Loans and receivables |
| | **RMB'000** | RMB'000 |
| Trade receivables | **159,606** | 148,138 |
| Financial assets included in prepayments, deposits and other receivables | **28,518** | 33,466 |
| Pledged deposits | **207,718** | 138,096 |
| Time deposits | **–** | 100,000 |
| Cash and cash equivalents | **619,747** | 592,693 |
| | **1,015,589** | 1,012,393 |

**Financial liabilities**

| | **2013** | 2012 |
|---|---|---|
| | **Financial liabilities at amortised cost** | Financial liabilities at amortised cost |
| | **RMB'000** | RMB'000 |
| Trade and bills payables | **59,016** | 37,947 |
| Financial liabilities included in other payables and accruals | **2,901** | 4,582 |
| Interest-bearing bank borrowings | **365,560** | 126,584 |
| | **427,477** | 169,113 |

**Financial assets**

| | Company | |
|---|---|---|
| | **2013** | 2012 |
| | **Loans and receivables** | Loans and receivables |
| | **RMB'000** | RMB'000 |
| Financial assets included in prepayments, deposits and other receivables | **–** | 56 |
| Due from subsidiaries | **711,112** | 880,596 |
| Cash and cash equivalents | **5,831** | 1,300 |
| | **716,943** | 881,952 |

## 34. Financial Instruments by Category (continued)

**Financial liabilities**

| | Company | |
|---|---|---|
| | **2013** | 2012 |
| | **Financial liabilities at amortised cost** | Financial liabilities at amortised cost |
| | **RMB'000** | RMB'000 |
| Financial liabilities included in other payables and accruals | **1,802** | 1,652 |
| Due to subsidiaries | **164,470** | 166,034 |
| | **166,272** | 167,686 |

## 35. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade and bills payables, pledged deposits, time deposits, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

## 36. Financial Risk Management Objectives and Policies

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

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

**Foreign currency risk**

The Group has transactional currency exposures. Such exposures mainly arise from sales or purchases by operating units in currencies other than the units' functional currencies and cash in banks of operating units denominated in currencies other than the units' functional currencies. Approximately 6% (2012: 5%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 3% (2012: 6%) of purchases were denominated in currencies other than the functional currencies of the operating units making the purchase. Approximately 35% (2012: 25%) of the Group's cash in banks were denominated in currencies other than the functional currencies of the operating units. The Group is exposed to the foreign currency risk mainly arising from changes in the exchange rate of HK$ against RMB. The Group has not hedged its foreign exchange rate risk based on the consideration that the foreign currency transactions are not significant to the Group.

## 36. Financial Risk Management Objectives and Policies (continued)

**Foreign currency risk (continued)**

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

| | Increase/ (decrease) in foreign currency rate | Increase/ (decrease) in profit before tax | Increase/ (decrease) in equity* |
|---|---|---|---|
| | % | RMB'000 | RMB'000 |
| **2013** | | | |
| If RMB weakens against HK$ | **5** | **(2,598)** | **1,344** |
| If RMB strengthens against HK$ | **(5)** | **2,598** | **(1,344)** |
| **2012** | | | |
| If RMB weakens against HK$ | 5 | (3,880) | 389 |
| If RMB strengthens against HK$ | (5) | 3,880 | (389) |

* Excluding retained profits

**Credit risk**

There are no significant concentrations of credit risk within the Group as the Group's trade receivables are from diversified customers.

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

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

**Liquidity risk**

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

## 36. Financial Risk Management Objectives and Policies (continued)

**Liquidity risk (continued)**

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

**Group**

| | 2013 | | | |
|---|---|---|---|---|
| | **On demand** | **Less than 1 year** | **1 to 5 years** | **Total** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Trade and bills payables | **–** | **59,016** | **–** | **59,016** |
| Financial liabilities included in other payables and accruals | **2,901** | **–** | **–** | **2,901** |
| Interest-bearing bank borrowings | **170,723** | **198,646** | **–** | **369,369** |
| | **173,624** | **257,662** | **–** | **431,286** |

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

## 36. Financial Risk Management Objectives and Policies (continued)

**Liquidity risk (continued)**

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

**Company**

| | 2013 | | |
|---|---|---|---|
| | **On demand** | **Less than 1 year** | **Total** |
| | **RMB'000** | **RMB'000** | **RMB'000** |
| Financial liabilities included in other payables and accruals | **–** | **1,802** | **1,802** |
| Due to subsidiaries | **164,470** | **–** | **164,470** |
| | **164,470** | **1,802** | **166,272** |

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

**Capital management**

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

## 36. Financial Risk Management Objectives and Policies (continued)

**Capital management (continued)**

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

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **RMB'000** | RMB'000 |
| Interest-bearing bank borrowings | **365,560** | 126,584 |
| Trade and bills payables | **59,016** | 37,947 |
| Other payables and accruals *(note 23)* | **40,527** | 70,389 |
| Less: Cash and cash equivalents | **(619,747)** | (592,693) |
| Net debt | **(154,644)** | (357,773) |
| Equity attributable to ordinary equity holders of the Company | **1,368,261** | 1,424,954 |
| Capital and net debt | **1,213,617** | 1,067,181 |
| Gearing ratio | **N/A** | N/A |

## 37. Events after the Reporting Period

**(a) Cornerstone investment**

On 16 December 2013, the Group entered into a corporate investor agreement (the "Corporate Investor Agreement") with Fujian Nouqi Co., Ltd. ("Nouqi") in relation to the subscription by the Group as a cornerstone investor of Nouqi under its international offering. Pursuant to the Corporate Investor Agreement, the Group subscribed for a total of 29,400,000 ordinary shares of Nouqi at a total consideration of approximately HK$63,253,000. The shares of Nouqi were listed on the Main Board of the Stock Exchange on 9 January 2014.

**(b) Share Option Scheme**

Subsequent to the year ended 31 December 2013, the Share Option Scheme was terminated and a new share option scheme (the "New Share Option Scheme") was adopted and approved by the shareholders of the Company at the extraordinary general meeting held on 6 January 2014 ("New Adoption Date"). The New Share Option Scheme shall be valid and effective for a period of 10 years commencing from the New Adoption Date up to 5 January 2024. Details of the said termination of Share Option Scheme and adoption of New Share Option Scheme were also set out in the Company's circular dated 17 December 2013.

## 38. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board on 26 March 2014.

# Five Year Financial Summary

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

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 2010 | 2009 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **RESULTS** | | | | | |
| REVENUE | **693,617** | 749,101 | 757,411 | 600,131 | 409,013 |
| Cost of sales | **(232,130)** | (244,681) | (262,338) | (214,712) | (161,141) |
| Gross profit | **461,487** | 504,420 | 495,073 | 385,419 | 247,872 |
| Other income and gains | **20,151** | 37,376 | 47,984 | 7,098 | 2,067 |
| Selling and distribution expenses | **(307,877)** | (275,129) | (242,614) | (160,232) | (89,079) |
| Administrative expenses | **(48,789)** | (44,953) | (45,731) | (34,452) | (20,842) |
| Other expenses | **(6,318)** | (6,226) | (480) | (10,622) | (3,000) |
| Finance costs | **(8,601)** | (2,196) | – | (11,073) | (6,065) |
| PROFIT BEFORE TAX | **110,053** | 213,292 | 254,232 | 176,138 | 130,953 |
| Income tax expense | **(33,214)** | (58,040) | (64,161) | (23,137) | (26,035) |
| PROFIT FOR THE YEAR | **76,839** | 155,252 | 190,071 | 153,001 | 104,918 |
| Attribute to: | | | | | |
| Ordinary equity holders of the Company | **76,839** | 155,252 | 190,071 | 153,001 | 104,918 |

**Assets, Liabilities and Equity**

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 2010 | 2009 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| TOTAL ASSETS | **1,875,562** | 1,724,608 | 1,675,156 | 1,582,200 | 381,959 |
| TOTAL LIABILITIES | **(507,301)** | (299,654) | (234,965) | (115,559) | (208,034) |
| TOTAL EQUITY | **1,368,261** | 1,424,954 | 1,440,191 | 1,466,641 | 173,925 |