CHINA LILANG LIMITED
中國利郎有限公司

(Incorporated in the Cayman Islands with limited liability) (Stock Code: 1234)

LILANZ 利郎

ANNUAL REPORT 2014

About China Lilang

China Lilang is one of the leading PRC menswear enterprises. As an integrated fashion enterprise, the Group designs, sources, manufactures and sells high-quality business and casual apparel for men under its core brand "LILANZ" and sub-brand "L2". Its products are sold across an extensive distribution network, covering 31 provinces, autonomous regions and municipalities in the PRC.

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Corporate Information

Board

Executive Directors

Mr. Wang Dong Xing *(Chairman)*
Mr. Wang Liang Xing
Mr. Wang Cong Xing
Mr. Cai Rong Hua
Mr. Hu Cheng Chu
Mr. Wang Ru Ping
Mr. Pan Rong Bin

Independent Non-Executive Directors

Dr. Lu Hong Te
Mr. Chen Tien Tui
Mr. Nie Xing
Mr. Lai Shixian

Board committees

Audit Committee

Mr. Nie Xing *(Chairman)*
Dr. Lu Hong Te
Mr. Lai Shixian

Remuneration Committee

Mr. Chen Tien Tui *(Chairman)*
Mr. Wang Cong Xing
Mr. Nie Xing

Nomination Committee

Mr. Wang Dong Xing *(Chairman)*
Dr. Lu Hong Te
Mr. Chen Tien Tui

Company secretary

Ms. Ko Yuk Lan

Authorised representatives

Mr. Wang Dong Xing
Ms. Ko Yuk Lan

Registered office

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

Principal place of business in Hong Kong

Suite 3402
34th Floor Lippo Centre
Tower One
No. 89 Queensway
Hong Kong

Head office in the PRC

Lilang Industrial Park
200 Chang Xing Road
Jinjiang City
Fujian Province
The PRC

Share registrars and transfer offices

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Share Registrar

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

Auditor

KPMG, *Certified Public Accountants*

Principal bankers

Industrial Bank Co. Ltd.
Bank of China Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
The Hong Kong and Shanghai Banking Corporation Limited

Financial Highlights

	Year ended 31 December		
	2014 (RMB million)	2013 (RMB million)	Changes (%)
Turnover	**2,433.0**	2,298.6	+5.8
Gross profit	**1,035.7**	979.8	+5.7
Profit from operations	**680.8**	582.0	+17.0
Profit for the year	**554.9**	516.1	+7.5

	(RMB cents)	(RMB cents)	(%)
Earnings per share			
— Basic	**46.17**	42.97	+7.4
— Diluted	**46.06**	42.88	+7.4
Shareholders' equity per share	**224.1**	209.3	+7.1
Interim dividend per share	**HK12 cents**	HK12 cents	–
Special interim dividend per share	**HK5 cents**	HK5 cents	–
Final dividend per share	**HK17 cents**	HK16 cents	+6.3
Special final dividend per share	**HK6 cents**	HK5 cents	+20.0

	(%)	(%)	(% points)
Gross profit margin	**42.6**	42.6	–
Operating profit margin	**28.0**	25.3	+2.7
Net profit margin	**22.8**	22.5	+0.3
Return on average shareholders' equity(1)	**21.3**	21.1	+0.2
Effective tax rate	**27.6**	20.1	+7.5
Advertising and promotional expenses and renovation subsidies (as a percentage of turnover)	**9.7**	9.8	–0.1

	Year ended 31 December		Six months ended
	2014	2013	30 June 2014
Average inventory turnover days(2)	**68**	76	70
Average trade receivables turnover days(3)	**70**	80	76
Average trade payables turnover days(4)	**59**	54	53

Notes:

(1) Return on average shareholders' equity is equal to the profit for the year divided by the average of the beginning and closing balance of total shareholders' equity.

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

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

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

Chairman's Statement

"These measures enabled the Group to lead the industry in resuming sales growth in the second half of the year. The average same-store sales growth also continued to accelerate and the channel inventory was brought back to a healthy level."

To all shareholders,

2014 was a meaningful year as we celebrated the fifth anniversary of the listing of China Lilang Limited (the "Company" or "China Lilang", which together with its subsidiaries, known as the "Group") on the stock exchange of Hong Kong. This was also a year that our brands gave full play to its creativity, vigor and perseverance to overcome adversities in economy and the menswear industry.

During the year, global economy tended to be complicated and ever-changing. The economy of developed countries lacked significant growth momentum. China's economic growth decelerated against the backdrop of economic restructuring. Owing to the advocacy of frugality as well as anti-extravagance policies by the government, the consumer sentiment was affected generally and the expansion of the consumer market was slowing down. The menswear industry in China continued to close down stores and offered promotional discounts, with a view to disposing of excess inventory and addressing the issue of low efficiency at the stores which was resulted from the economic slowdown and the indiscriminate and excessive business expansion in the past. The measures bore fruit by the end of the year. The operating conditions of the industry started to show signs of improvement and the overall business environment is becoming more stable.

During the industry downturn, China Lilang adhered to its flexible yet prudent approach to business and adopted the strategy of "improving product quality without raising the price". The Group also strived for business transformation as well as innovation and further increased the proportion of original design products and products that offer value for money, which successfully enhanced its brand image and core competitiveness. In the meantime, the Group took decisive action on adjusting its sales channels and improved the efficiency of the sales network. These measures enabled the Group to lead the industry in resuming sales growth in the second half of the year. The average same-store sales growth also continued to accelerate and the channel inventory was brought back to a healthy level.

For 2014, turnover of the Group increased by 5.8% to RMB2,433.0 million, and profit for the year increased by 7.5% to RMB554.9 million. For the year, the overall financial position of the Group was sound and its cash flow was maintained at a healthy level. The Board recommended payment of a final dividend of HK17 cents per share and a special final dividend of HK6 cents per share, which will bring the total dividends for the year to HK40 cents per share, representing a dividend payout ratio of approximately 69.3%.

We recognize that the long-term development of a brand has to be sustained by quality products. To fortify its leading position in the industry, China Lilang will continue to proactively improve the strength of its brands, enhance the originality and comfort of its products and achieve business transformation. The design teams of the Group also continued to devote themselves to innovating and improving products in terms of design and quality. The international design team of "LILANZ" which was set up in 2013 demonstrated its innovative and international designs in the 2014 collections. This injected new life into the brand's fashionable yet simple product style, bringing more alternatives to customers. Furthermore, the Group paid close attention to customer preferences and endeavored to satisfy customers' needs for comfort and individualism which showcase in product designs and choice of materials. In 2015, we will continue to enhance the competitiveness of the products and the brands by improving the designs, workmanship and materials.

The Group assisted its distributors in realigning the sales network, and the exercise was drawing to a close. The waves of closure of underperforming stores also came to a halt by the end of 2014. Moreover, the store renovation program of "LILANZ", which has been carrying out for over three years, will soon be completed in the first half of 2015. It is expected that the overall efficiency of the stores will be increased.

The Group will also continue to step up the promotion of its brands. To celebrate the fifth anniversary of its listing in Hong Kong, China Lilang hosted its first fashion show in Hong Kong since its listing, which had attracted attention from media across the nation. Mr. Chen Dao Ming (陳道明), a famous actor in China and the spokesperson for "LILANZ", wore a new product from the Group's 2015 spring/summer collections at the celebration ceremony.

Looking ahead to 2015, the economic prospects still remain uncertain and affect the consumer sentiment in the short term. Having undergone significant adjustments over the past few years, China's menswear industry has been ushered into an era of rational consumption with great emphasis on products and retail management. As a pioneer of the industry, China Lilang will continue to focus on building up its core competitiveness, which can be manifested in its products. In the meantime, the Group will adhere to the strategy of "improving product quality without raising the price" and will strengthen the management of its nationwide retail channels. The 2015 autumn trade fair will be held in mid- and late March, and we are confident about maintaining a satisfactory growth in the value of orders to be received at the trade fair.

In the long run, China's moderate and consistent economic growth and ongoing urbanization will be the key drivers of the growth of its consumer market. China Lilang will continue to pursue its multi-brand strategy, and make every effort to enhance the competitiveness and value for money of its products, with a view to consolidating its leading position in the menswear industry. This will enable the Group to gear up for business opportunities and challenges in the future with the aim of bringing consistent and fruitful rewards to the shareholders.

Last but not least, I would like to express my gratitude to our shareholders, staff and business partners for their unwavering support. We will continue to give full play to China Lilang's competitive advantages with the aim of delivering satisfactory performance in 2015.

Wang Dong Xing
Chairman
9 March 2015

Management Discussion and Analysis

Industry Overview

The global economy remained complicated in 2014. The economy of the United States grew slowly with employment improving, but the recession in Europe and Japan showed no signs of noticeable amelioration. China's economy has shifted to moderate growth, the so-called "new normal" of economic growth, after a long period of consistently rapid expansion. The austerity policy that discourages conspicuous consumption affected the consumer sentiment to a certain extent. According to the National Bureau of Statistics of China, the PRC's GDP grew by 7.4% in 2014. The employment market and price level remained stable, but the growth in the retail sector was slackening.

Sales of menswear industry in the PRC remained weak in 2014 as evidenced by the statistics of the China National Commercial Information Center which showed that the retail sales of apparel products of the top 100 major domestic retailing enterprises increased by only 1.0% in value but decreased in volume. In addition to the slowdown in retail consumption, the indiscriminate and extensive expansion of the menswear industry under the strategy of "brand wholesaling" rather than "brand retailing" in the past has led to excess inventory and the winding-up of retail stores. Nevertheless, the Group believes that the channel inventory clearance was drawing to a close in the country's menswear industry, and the operating environment improved.

China Lilang Limited (the "Company" or "China Lilang", which together with its subsidiaries, known as the "Group") continued to innovate and transform its business with the focus on its core competitiveness. The Group adhered to the strategy of "improving product quality without raising the price", and strengthened its research and development as well as its supply chain and channel management. The Group also continued with the "LILANZ" store renovation program and at the same time shut down underperforming stores. These measures resulted in continuous improvements in various performance indicators of the Group. The proportion of its original design products increased and the products are better value for money. Its product designs are more individuated to give a more distinctive brand image. As for the retail channel, the nationwide restructuring of the Group's underperforming stores was largely completed. Channel inventory is back to a healthy level, retail discounts has been narrowed and the average same-store sales kept growing.

Financial Review

Turnover

For the year ended 31 December 2014, turnover increased by 5.8% to approximately RMB2,433.0 million from RMB2,298.6 million for the previous year. The retail environment was challenging and the strategy of "improving product quality without raising the price" adopted by the Group led to a slight decrease in the average selling price. Nevertheless, consumers' demand for our products remained stable because the Group adopted measures to boost its brand image and product designs, and offered more competitive products which were better value for money during the year. The turnover for the year therefore increased with particularly satisfactory performance in the sales of the autumn and winter collections.

Sales of the core brand "LILANZ" amounted to RMB2,199.7 million, up by 5.2%. Sales of the sub-brand "L2" amounted to RMB223.6 million, up by 17.3%. Sales of "LILANZ" and "L2" accounted for approximately 90.4% (2013: 91.0%) and 9.2% (2013: 8.3%) respectively of the total turnover.

Among all the product categories, tops remained the major contributor in terms of sales and accounted for 69.6% (2013: 66.3%) of the total turnover. Sales of tops increased by 11.5%. Sales of accessories increased by 17.9% and accounted for 6.4% (2013: 5.8%) of the total turnover. In particular, sales of footwear increased by 12.7% and accounted for 65.6% of the sales of accessories. The Group introduced more shoe products after the hiring of a new accessory designer in the first half of 2014.

Turnover by Region

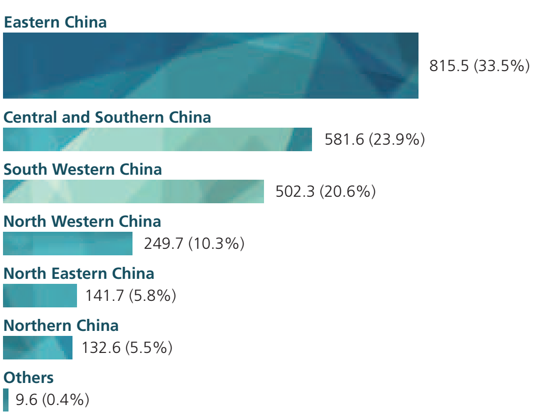
Sales performances improved across regions during the second half of 2014. Sales in the North Eastern China, Central and Southern China and South Western China regions all recorded double-digit growth for the year. These regions were more affected by channel inventories in 2013 but sales there rebounded more vigorously in 2014 after destocking. In particular, sales in South Western China region continued to reap the economic benefits of the Western Development Program and recorded the highest growth during the year. Sales in Eastern China and Northern China regions decreased by 1.8% and 3.6% respectively, and paled beside those in other regions because the number of stores in these two regions decreased more substantially during the year. The net decrease in the number of stores in Eastern China and Northern China regions for the year was 161 and 35 respectively, representing 15.9% and 10.6% of the number of stores in these two regions at the beginning of the year. Eastern China and Central and Southern China regions were still the major contributors to the Group's turnover, and together accounted for 57.4% (2013: 59.0%) of the Group's total turnover and 51.6% (2013: 52.6%) of the total number of stores.

Turnover by region for the year was set out below:

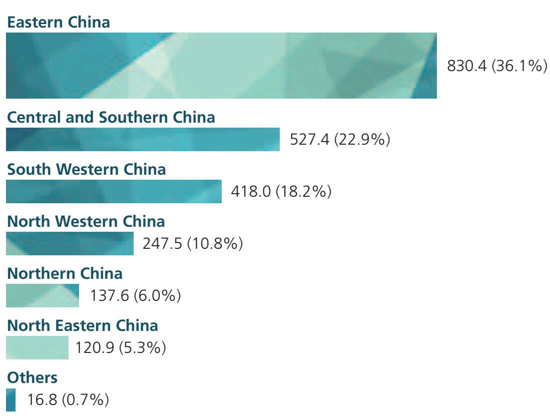
	Year ended 31 December				
	2014		2013		Changes
Region	**RMB million**	**% of turnover**	RMB million	% of turnover	(%)
Northern China[1]	**132.6**	**5.5%**	137.6	6.0%	–3.6%
North Eastern China[2]	**141.7**	**5.8%**	120.9	5.3%	+17.2%
Eastern China[3]	**815.5**	**33.5%**	830.4	36.1%	–1.8%
Central and Southern China[4]	**581.6**	**23.9%**	527.4	22.9%	+10.3%
South Western China[5]	**502.3**	**20.6%**	418.0	18.2%	+20.2%
North Western China[6]	**249.7**	**10.3%**	247.5	10.8%	+0.9%
Others[7]	**9.6**	**0.4%**	16.8	0.7%	–42.9%
Total	**2,433.0**	**100.0%**	2,298.6	100.0%	+5.8%

(1) Northern China includes Beijing, Hebei, Shanxi, Tianjin and Inner Mongolia.
(2) North Eastern China includes Heilongjiang, Jilin and Liaoning.
(3) Eastern China includes Jiangsu, Zhejiang, Shanghai, Anhui, Fujian, Shandong and Jiangxi.
(4) Central and Southern China includes Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan.
(5) South Western China includes Chongqing, Sichuan, Guizhou, Yunnan and Tibet.
(6) North Western China includes Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.
(7) Others represent the sales of the trading operations of the Group's subsidiary in Hong Kong.

2014
Turnover by Region
RMB million (% of turnover)



2013
Turnover by Region
RMB million (% of turnover)



Gross Profit and Gross Profit Margin

The gross profit margin was 42.6%, a similar level as in 2013. During the year, the gross profit margin was slightly under pressure as the Group continued to adopt the strategy of "improving product quality without raising the price". Nevertheless, the slightly lower raw material prices and the higher proportion of original design products helped to save production cost and stabilize gross profit margin.

The cost of sales for 2014 increased by 5.9% to RMB1,397.3 million (2013: RMB1,318.8 million). Total research and development costs increased by 20.3% to RMB81.1 million as the Group continued to step up its product research and development to enhance its products' originality. Cost of in-house production, including subcontracting charges, accounted for 52.8% (2013: 51.0%) of the total cost of sales, up by 1.8 percentage points.

Selling and Distribution Expenses

The selling and distribution expenses decreased by RMB31.1 million to RMB275.6 million, and accounted for 11.3% of the total turnover, down by 2.0 percentage points year-on-year. The amount for the year included a write-back of provision for trade receivables of RMB14.5 million (2013: provision of RMB24.6 million). Excluding the amounts of provision and the write-back, selling and distribution expenses increased by RMB8.0 million to RMB290.1 million. Of the amount, advertising expenses and renovation subsidies increased by RMB10.8 million to RMB235.7 million, and accounted for 9.7% of the total turnover, slightly down by 0.1 percentage point when compared to 9.8% for the previous year.

Administrative Expenses

The administrative expenses increased by RMB3.5 million year-on-year to RMB103.1 million, accounting for approximately 4.2% of the total turnover.

Other Operating Expenses

The other operating expenses amounted to RMB3.8 million, which was mainly attributable to the donation of RMB3.7 million.

Profit from Operations

Profit from operations increased by 17.0% to RMB680.8 million from RMB582.0 million for 2013. The operating margin increased from 25.3% to 28.0%.

Net Finance Income

The Group recorded a net finance income of RMB85.9 million for 2014, representing an increase of RMB22.0 million, which mainly reflected the improved cash position of the Group since the second half of 2013 and better treasury management.

Income Tax

The Advanced and New Technology Enterprise tax concession granted to one of the Group's major PRC operating subsidiaries in previous years expired in 2013. As a result, the effective income tax rate for the year increased to 27.6% (2013: 20.1%).

Profit for the Year

For the year ended 31 December 2014, net profit was RMB554.9 million, representing an increase of 7.5%. Net profit margin was 22.8%, representing a slight increase of 0.3 percentage point. Earnings per share were RMB46.17 cents, up by 7.4%.

Net profit attributable to the sub-brand "L2" increased to RMB7.3 million (2013: RMB2.5 million).

Final Dividends

The Board recommended the payment of a final dividend of HK17 cents (2013: HK16 cents) per ordinary share and a special final dividend of HK6 cents (2013: HK5 cents) per ordinary share for the financial year, representing a total payout of approximately HK$276.9 million (equivalent to approximately RMB221.4 million). The final dividend and special final dividend will be paid in cash on or about 8 May 2015 to the shareholders whose names appear on the register of members of the Company on 28 April 2015.

Business Review

Retail and Distribution Network

Changes in the number of stores in different regions during the year were as follows:

	Number of stores			
Region	**As at 1 January 2014**	**Opened during the year**	**Closed during the year**	**As at 31 December 2014**
Northern China	330	46	81	295
North Eastern China	367	35	97	305
Eastern China	1,011	84	245	850
Central and Southern China	806	93	159	740
South Western China	656	79	120	615
North Western China	285	35	46	274
	3,455	372	748	3,079

China Lilang continued to support its distributors in optimizing their store networks. During the year, in response to market changes, the core brand "LILANZ" underwent a nationwide retail network consolidation, non-profitable stores were closed and stores with low-efficiency were merged or relocated. Meanwhile, the Group changed its strategy of opening stores in provincial capitals and prefecture-level cities by opening large-scale stores in shopping malls instead of street level stores in view of the change in consumption habit. In the second half of 2014, 10 large stores were opened by distributors in shopping malls in different regions and their sales performance had been satisfactory.

As at 31 December 2014, the Group had a total of 3,079 stores. "LILANZ" had a net decrease of 397 retail stores for the year. "L2" had a net increase of 21 retail stores, which was in line with the target of adding 20 to 30 stores for the year. For the sub-brand "L2", the Group continued to strategically expand its business in four provinces with better potential for growth, namely Henan, Shaanxi, Hunan and Hubei. The combined turnover contributed by these four provinces increased by 30.3% and accounted for 41.0% of the total turnover of "L2" for the year.

In addition, the Group continued with the renovation program for "LILANZ" stores to enhance and consolidate its brand image. The Group renovated about 680 "LILANZ" stores in 2014, and has scheduled to complete the renovation of the remaining stores in the first half of 2015.

Sales Channel Management

The Group adopts a distribution model in which it sells its products to the end consumers through retail stores operated by distributors and their sub-distributors. As at 31 December 2014, "LILANZ" had 78 distributors and 1,189 sub-distributors. There were a total of 2,783 "LILANZ" retail stores, of which 3 were self-operated flagship stores, 984 were directly operated by distributors and 1,796 by their sub-distributors. In terms of store category, 2,248 were stand-alone stores (including street level stores and stores in shopping malls) and the remaining 535 were shop-in-shops in department stores. To better reflect sales efficiency of the stores, the Group excluded store warehouses from store areas starting this year. After such adjustment, the total retail area of the stores was approximately 301,400 square meters (2013 (revised): 327,600 square meters), representing a decrease of 8.0%.

As at 31 December 2014, "L2" had 26 distributors (5 of which were also the distributors of "LILANZ") and 82 sub-distributors. There were a total of 296 "L2" stores, of which, a total of 117 stores were in Henan, Shaanxi, Hunan and Hubei, which were the target markets for expansion in the last two years, and which accounted for 39.5% of the total number of "L2" stores. The store network comprised 206 stores directly operated by distributors and 90 by their sub-distributors. In terms of store category, 215 were stand-alone stores (including street level stores and stores in shopping malls) and 81 were shop-in-shops in department stores. The total retail area of the stores was approximately 32,600 square meters (2013: 29,800 square meters), representing an increase of 9.4%.

In view of the popularity of online sales in China, the Group also operates online flagship stores for both brands. For "L2", inventory clearance is also done through various online shopping platforms. However, since the current online sales market in China is predominantly discount sales with relatively low profitability for the vendors, the Group does not expand online sales aggressively for the time being. During the year, prices of "LILANZ" and "L2" products offered on the online sales platforms are the same as those in the brick-and-mortar stores except for out-of-the-season products.

The Group has connected online to all stand-alone stores, and has been monitoring their sales and channel inventories through the ERP system. The Group also continued to operate discount stores prior to renovation of the stores and set up temporary promotion counters in department stores for the purpose of inventory clearance. Although sales were improving and channel inventories were at a healthy level, the Group still paid attention to the training of its distributors. Training programs provided for the distributors during the year covered such topics as the upgrade and planning of distribution channels as well as the planning for the transformation from "brand wholesaling" to "brand retailing", so as to further strengthen the management of retail channels.

Product Design and Development

The Group continued to invest in product design and development to enhance product originality and heterogeneity.

In 2013, the Group set up an international research and development team for its core brand "LILANZ". Headed by a group of designers from abroad, the team generated new ideas and added innovative and international taste and elements to the brand's fashionable yet simple product style and designs, thus providing more alternatives to customers. The 2014 products incorporating the new design concepts from the team were well received by the market. In the first half of 2014, a new accessory designer was added to the international design team with the aim of increasing the sales and gross profit margin of the accessories. The local design team also produced better product designs that blended new design ideas and their experiences in China's menswear market under the leadership of the chief designer from abroad.

The restructuring of "L2" product line was largely completed in 2013. Currently, products under this brand are mainly trendy casual wears which better suits the needs of its target customers. The Group will adhere to this product positioning and will continue to strengthen its product design and development.

In addition, the Group actively promotes individuation in its product designs and increases the proportion of original design products, so as to further differentiate its products from those of other market players. Furthermore, the Group will continue to control its cost and to implement the policy of "improving product quality without raising the price" with a view to enhancing the value for money of its products, thus sharpening their competitive edge in the market.

Marketing and Promotion

In order to raise the efficiency of its promotional campaigns, the Group continued to place advertisements through various channels, such as billboards in more than a dozen of airports in China and the airport in Bangkok, Thailand, soft-sell advertising in magazines and newspapers as well as placing pre-movie advertisements in cinemas. The Group continued to engage Mr. Chen Dao Ming (陳道明), a famous actor in China, as its spokesperson for "LILANZ". A micro film was made during the year and available for viewing on the internet since December 2014.

Trade Fairs

The 2015 spring and summer trade fairs were held in the second half of 2014. The trade fairs of "LILANZ" recorded a high single-digit growth in order value while "L2" recorded a low double-digit growth in order value. The continuous increase in order value of both brands reflected the increasing confidence of distributors.

Production and Supply Chain

During the year, the Group continued to improve its supply chain management and controlled costs by identifying more cost-efficient fabric suppliers and processing plants. Moreover, the Group also enhanced the fabric texture and workmanship skills to make the products more comfortable. While reducing the proportion of OEM purchases and increasing the proportion of original design product, the Group adhered to the strategy of "improving product quality without raising the price" and shared the benefits of its improved supply chain management with the consumers by offering them products of better value for money.

Awards

At The Third Huazun Award (第三屆華尊獎) presentation ceremony, "LILANZ" and "L2" were awarded with the titles of the "Leading Brand of the PRC Menswear Industry" (中國男裝行業領導品牌) and "The Most Favorite Brand among the PRC Young and Fashionable Consumers" (中國年輕時尚消費者最喜愛首選品牌) respectively.

"LILANZ" was also honored with the titles of The Ninth "Asia Brand Top 500" (亞洲品牌500強) by Asia Brand Association (亞洲品牌協會) and the "Internationally Renowned Brand" (國際知名品牌) jointly issued by Chinese International Brand Development Association (中國國際品牌發展協會), USA International Quality Authentication Research Centre (美國國際品質認證研究中心) and Chinese Brand Enterprises Union Development Association (中國品牌企業聯合發展促進會).

Prospects

Prospects for the global economy remains uncertain in 2015. In China, economic growth continues to face the pressure of a downward trend, but the government has adopted measures to restructure and enhance the economy which will be conducive to a sustainable and robust growth for the long term. In the meantime, the urbanization rate of China has been increasing consistently with urban population reaching almost 750 million unprecedentedly in 2014. The ongoing urbanization will be a key driver of the country's consumption market in the medium to long term, and this will be beneficial to the development of the menswear industry in the PRC.

In the short run, consumer confidence and sentiment will remain uncertain, and customers will be more inclined to prize products for their individuation and comfort. As a result, the competitiveness of menswear brands hinges on their capability to transform and innovate their business and products. In this regard, the Group will continue to implement the strategy of "improving product quality without raising the price" in 2015 and will spare no effort to improve product design, workmanship and materials, with the aim of raising the proportion of original design products, enhancing the value for money of its products and increasing the competitiveness of the products and brands.

As for the retail network, the Group will focus on improving the store efficiency to capture the opportunities arising from the industry consolidation, and reinforcing and expanding its market share. For the core brand "LILANZ" whose retail network was restructured in 2014, the Group will maintain a prudent approach to its store opening in 2015 and keep the overall store count approximate to that as at the end of 2014. The plan for opening large-scale stores in the shopping malls in provincial capitals and prefecture-level cities will continue and it is expected that 20 to 30 more such stores will be opened in 2015. For "L2", the Group will keep on expanding its store network with a net increase of 20 to 30 stores as the annual target. It will continue to focus on four provinces with better potential for business growth, namely Henan, Shaanxi, Hunan and Hubei. The renovation program of "LILANZ" stores will continue, and that for the remaining 250 to 300 stores is scheduled to be completed in 2015. As various measures are progressing smoothly, the Group aims to achieve mid-to-high-single digit growth in the same-store sales of the retail stores in 2015

The Group has just completed the overall design and planning of its new headquarters in early 2015. The construction will commence in the first half of 2015 as scheduled and is expected to be completed in 2017. The total capital expenditure for the project is expected to be about RMB490.0 million, based on the current level of construction costs and the improvement of its development plan. The expenditure will be funded by internal resources of the Group. The Board of Directors believes that the new headquarters, upon completion, will provide sufficient facilities to cater for the development of the Group's business in the future.

China Lilang will adhere to its multi-brand strategy and will proactively enhance the competitiveness and value for money of its products to further consolidate its leading position in the menswear industry. This will enable it to sustain long-term growth and reward its shareholders, employees and customers for their support.

Liquidity and Financial Resources

Cash Flow

	Year ended 31 December	
	2014	2013
	RMB million	RMB million
Net cash generated from operating activities	**568.4**	655.1
Capital expenditure	**(19.1)**	(21.2)
Free cash inflow	**549.3**	633.9
Cash and bank balances (including pledged bank deposits)	**2,791.3**	2,207.8

As at 31 December 2014, the Group's total cash and bank balances were mostly held in Renminbi (93.7%).

As at 31 December 2014, cash and cash equivalents of the Group amounted to RMB1,845.2 million (placements of fixed deposits and pledged deposits held at banks with maturity over 3 months totalling RMB100.0 million and RMB846.1 million respectively were regarded as investing activities in the consolidated cash flow statement), representing an increase of RMB409.4 million as compared with the cash and cash equivalents balance of RMB1,435.8 million as at 31 December 2013. This was mainly attributable to:

- Net cash inflows from operating activities amounting to RMB568.4 million.
- Net cash outflows from investing activities amounting to RMB76.2 million, comprising mainly increase in pledged deposits held at banks with maturity over 3 months by RMB221.0 million and capital expenditure totalling RMB19.1 million, net of decrease in fixed deposits held at banks with maturity over 3 months by RMB60.0 million, and interest income of RMB103.7 million.
- Net cash outflows from financing activities amounting to RMB83.1 million, mainly attributable to the payments of final dividend and special final dividend totalling RMB203.1 million in respect of the year ended 31 December 2013, and the interim dividend and the special interim dividend totalling RMB163.3 million in respect of the year ended 31 December 2014, less the net proceeds from secured bank loans totalling RMB291.6 million.

Bank Loans

As at 31 December 2014, the Group had bank loans totalling RMB854.6 million (2013: RMB563.0 million). The net cash position as at 31 December 2014 was as follows:

	Year ended 31 December	
	2014	2013
	RMB million	RMB million
Cash and bank balances (including pledged bank deposits)	**2,791.3**	2,207.8
Less: Bank loans	**(854.6)**	(563.0)
Net cash	**1,936.7**	1,644.8

As at 31 December 2014, the Group's bank loans were denominated in Hong Kong Dollars (82.8%) and US Dollars (17.2%) and were secured by pledged bank deposits and repayable as follows:

	Year ended 31 December	
	2014	2013
	RMB million	RMB million
Within 1 year or on demand	**854.6**	418.3
After 1 year but within 2 years	**–**	144.7
Total bank loans	**854.6**	563.0

All bank loans are at floating interest rates.

Trade Working Capital Turnover Days

	Year ended 31 December	
	2014	2013
	Days	Days
Average inventory turnover days	**68**	76
Average trade receivables turnover days	**70**	80
Average trade payables turnover days	**59**	54

The average inventory turnover days decreased by 8 days to 68 days as the inventory balance dropped by 8.2% from last year. The delivery (and so as the production) of some of the 2015 spring and summer collections was delayed as the Chinese New Year were in mid to late February this year.

The average trade receivables turnover days was 70 days, a decrease of 10 days from last year. Trade receivables balance increased by 22.0% from last year. This reflected the year-on-year high-single-digit growth in the sales of the 2014 winter collections, and also the extended credit terms granted to some of the distributors to encourage them to open large-scale stores in shopping malls. As noted in the section headed "Business Review", the Group expanded its retail channel and opened large-scale stores in shopping malls in various provincial and prefecture-level cities in the second half of 2014. As at 31 December 2014, the Group had a balance of RMB10.1 million provision for doubtful debts.

The average trade payables turnover days was 59 days, an increase of 5 days from last year. During the year, the Group had identified a number of new fabric suppliers and new factories for production outsourcing. For these new suppliers, longer payment terms have been adopted. In addition, the sales of the 2014 winter collections recorded high-single-digit growth year-on-year. These resulted to an increase in trade and bills payables balance by 46.3% from last year.

Pledge of Assets

As at 31 December 2014, deposits with certain banks totalling RMB846.1 million (2013: RMB612.0 million) were pledged as securities for bank loans and bills payables. The pledged bank deposits will be released upon the settlement of relevant bank loans and bills payables.

Capital Commitments and Contingencies

As at 31 December 2014, the Group had total capital commitments of RMB534.7 million, primarily related to the proposed construction of new headquarters which is expected to commence in the first half of 2015 and to be completed in late 2017, and the development of ERP system.

These capital commitments are expected to be financed by internal resources of the Group.

As at 31 December 2014, the Group had no material contingent liabilities.

Financial Management Policies

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

Human Resources

As at 31 December 2014, the Group had 1,800 staff. Total staff costs for the year amounted to approximately RMB125.8 million (2013: RMB133.7 million).

The Group places great emphasis on recruiting and training quality personnel. We recruit talents from universities and technical schools and provide pre- employment and on-going training and development opportunities to our staff members. The training programs cover areas such as sales and production, customer services, quality control, sales fairs planning, workplace ethics and training of other areas relevant to the industry.

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

Closure of Register of Members

The register of members will be closed from Wednesday, 15 April 2015 to Monday, 20 April 2015 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the 2015 annual general meeting ("2015 AGM"). In order to qualify for attending and voting at the 2015 AGM, all transfers accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 14 April 2015.

In addition, subject to the approval of the proposed final dividend and the special final dividend by the shareholders at the 2015 AGM, the register of members will be closed from Friday, 24 April 2015 to Tuesday, 28 April 2015 (both days inclusive) for the purpose of determining shareholders who qualify for the proposed final dividend and special final dividend. In order to qualify for the proposed final dividend and special final dividend, all transfers accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 23 April 2015.

Corporate Governance Report

The Board is firmly committed to compliance of statutory and regulatory corporate governance standards and adherence to the principles of corporate governance emphasizing transparency, accountability and integrity. Policies and practices on corporate governance are reviewed on a regular basis and as required to ensure that they remain appropriate and compliance with legal and regulatory requirements.

The Company complied with the code provisions of the Corporate Governance Code (the "Code Provisions") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2014.

(A) Board of directors

The Board is responsible for governing the Company and managing assets entrusted by the shareholders. The Directors recognize their collective and individual responsibility to the shareholders and perform their duties diligently to achieve positive results for the Company and to maximize returns for shareholders.

The Board currently comprises seven Executive Directors and four Independent Non-executive Directors:

Executive Directors

Mr. Wang Dong Xing *(Chairman)*
Mr. Wang Liang Xing
Mr. Wang Cong Xing
Mr. Cai Rong Hua
Mr. Hu Cheng Chu
Mr. Wang Ru Ping
Mr. Pan Rong Bin

Independent Non-executive Directors

Dr. Lu Hong Te
Mr. Chen Tien Tui
Mr. Nie Xing
Mr. Lai Shixian

Their biographical details and (where applicable) their family relationships are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 30 to 35 in the annual report. A list of the Directors identifying their role and function and whether they are Independent Non-executive Directors are available on the Company's website.

The principal responsibilities of the Board include the formulation of the Group's business strategies and management objectives, supervision of the management and evaluation of the effectiveness of management strategies. Day-to-day management of the Group's businesses is delegated to the Executive Directors or senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

Matters reserved for the Board include those affecting the Group's overall strategies, budget and plans, publication of financial statements, dividend policy, appointment of members to the various Board Committees and major investments. The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of directors and senior management. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance.

All Board members have separate and independent access to the Group's senior management to fulfill their duties.

Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request. No such advice was sought during 2014.

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

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers. In 2014, no claims under the insurance policy were made.

Directors' Continuous Training and Professional Development

Each newly appointed Directors is given necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant laws and regulations. All Directors are provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to the Board during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. According to the records provided by the Directors, a summary of training received by the Directors during the year ended 31 December 2014 is as follows:

Directors	**Types of continuous professional development programmes**
Executive Directors	
Mr. Wang Dong Xing	A
Mr. Wang Liang Xing	A
Mr. Wang Cong Xing	B
Mr. Cai Rong Hua	B
Mr. Hu Cheng Chu	B
Mr. Wang Ru Ping	B
Mr. Pan Rong Bin	A
Independent Non-executive Directors	
Dr. Lu Hong Te	C
Mr. Chen Tien Tui	B
Mr. Nie Xing	B
Mr. Lai Shixian	C

Notes:

A: Attending courses/seminars on business management

B: Attending seminar on regulatory updates

C: Reading seminar materials on regulatory updates

Chairman and Chief Executive Officer

The Chairman of the Board, Mr. Wang Dong Xing, is responsible for the overall management of and leadership for the Board and ensuring that good corporate governance practices and procedures are established. He is also responsible to ensure all Directors receive adequate information in a timely manner and are properly briefed on issues arising on board meetings.

The Chief Executive Officer, Mr. Wang Liang Xing, is responsible for managing the day-to-day operations of the Group's business.

The Company has kept these roles separated and distinctive as this ensures better checks and balances and hence better corporate governance.

Independence of Independent Non-executive Directors

Currently, the four Independent Non-executive Directors have extensive experiences in apparel industry and consumer market in China, who bring with them expertise in different areas. The role of the Independent Non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of the shareholders and the Group. The Independent Non-executive Directors are expressly identified as such in all corporate communications that disclose the names of Directors.

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

Board Committees

To cover particular aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established Audit Committee, Remuneration Committee and Nomination Committee. Each of the Committees is delegated by the Board with specific roles and responsibilities and reports to the Board on matters discussed and their findings. Their terms of reference are available on the Company's website.

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

(i) *Audit Committee*

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Nie Xing, Dr. Lu Hong Te and Mr. Lai Shixian. The Chairman of the Audit Committee is Mr. Nie Xing, whose expertise in financial planning and analysis, management, investment and corporate financing enables him to provide leadership for the Committee.

The principal responsibilities of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. These include reviewing the Group's interim and annual reports.

The Audit Committee had two meetings during the year ended 31 December 2014. During the meetings, the Audit Committee had approved the audit fee for the year ended 31 December 2014, considered internal control review findings, the annual report of the Group for the year ended 31 December 2013 and the interim report of the Group for the six months ended 30 June 2014, as well as the reports prepared by the external auditor covering major findings in the course of its audit/review.

(ii) *Remuneration Committee*

The Remuneration Committee comprises two Independent Non-executive Directors and one Executive Director, namely Mr. Chen Tien Tui, Mr. Nie Xing and Mr. Wang Cong Xing. Mr. Chen Tien Tui is the Chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee are to review and make recommendations to the Board on the overall remuneration structure and policy as well as the specific remuneration packages for the Directors and senior management and on the establishment of a formal and transparent process for developing such remuneration policy. No director will take part in any discussion on his own remuneration.

The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board of Directors, market rates and factors such as each director's workload, performance, responsibility, job complexity and the Group's performance are taken into account.

During the year ended 31 December 2014, the Remuneration Committee held one meeting to discuss and approve for recommendation to the Board the bonus (if any) for the year ended 31 December 2013 and salary adjustments (if any) for the year ended 31 December 2014 of Executive Directors and senior management.

Details of Directors' and senior management's remuneration are set out in notes 8 to 10 to the financial statements.

(iii) *Nomination Committee*
The Nomination Committee comprises one Executive Director and two Independent Non-executive Directors, namely Mr. Wang Dong Xing, Dr. Lu Hong Te and Mr. Chen Tien Tui. Mr. Wang Dong Xing is the Chairman of the Nomination Committee.

The Company recognizes the benefits of having a Board that has a balance of experience, skills and diversity of perspectives appropriate to the requirements of the Company's businesses. The Board has adopted a Board Diversity Policy that appointment to the Board should be based on merit that compliments and expands the skills and experience of the Board as a whole, and after due regard to factors which include but not limited to gender, age, educational background, professional experience, skills and knowledge, and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board. The Board shall review the structure, size and composition of the Board from time to time to ensure that it has a balanced composition of skills and experience appropriate to the requirements of the Company's business, with due regard to the benefits of diversity of the Board.

The Nomination Committee is responsible for monitoring the implementation of the Board Diversity Policy and will at appropriate time set measurable objectives for achieving diversity of the Board. It is also responsible to consider and recommend to the Board suitably qualified persons to become a member of the Board, monitor the succession planning of Directors and assess the independence of Independent Non-executive Directors.

During the year ended 31 December 2014, the Nomination Committee held one meeting. During the meeting, the Nomination Committee had assessed the independence of Independent Non-executive Directors, considered and recommended to the Board on the retirement by rotation and re-election of Directors at the 2014 annual general meeting. The Committee considered the current size and composition of the Board to be sufficient to meet the Company's business needs.

Board Proceedings

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

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

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

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

Meetings

The attendance of individual Directors at board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and Annual General Meeting held during the year ended 31 December 2014 are set out below:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	2014 Annual General Meeting
No. of meetings held during the year ended 31 December 2014	5	2	1	1	1
Executive Directors					
Mr. Wang Dong Xing	5	N/A	N/A	1	1
Mr. Wang Liang Xing	3	N/A	N/A	N/A	–
Mr. Wang Cong Xing	5	N/A	1	N/A	1
Mr. Cai Rong Hua	4	N/A	N/A	N/A	–
Mr. Hu Cheng Chu	4	N/A	N/A	N/A	1
Mr. Wang Ru Ping	4	N/A	N/A	N/A	1
Mr. Pan Rong Bin	4	N/A	N/A	N/A	–
Independent Non-executive Directors					
Dr. Lu Hong Te	3	1	N/A	1	1
Mr. Chen Tien Tui	4	N/A	1	1	1
Mr. Nie Xing	4	2	1	N/A	1
Mr. Lai Shixian	4	2	N/A	N/A	–

In addition to meetings, one written resolution was passed by the Board during the year ended 31 December 2014.

To supplement the formal Board meetings, the Chairman held regular gatherings with Directors to consider issues in an informal setting.

During the year, the Chairman had one meeting with the Independent Non-executive Directors without the Executive Directors present.

Appointment and Re-election of Directors

Each of the Executive Directors and Independent Non-executive Directors of the Company has entered into a service contract with the Company for a specific term subject to his retirement and re-election at annual general meeting in accordance with the Company's articles of association.

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

Securities Transactions by Directors

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

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

Company Secretary

Ms. Ko Yuk Lan, the Company Secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. During the financial year, Ms. Ko has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of Ms. Ko is set out in the section headed "Biographical Details of Directors and Senior Management" on pages 30 to 35 in the annual report.

(B) Financial reporting and internal control

Financial Reporting

The Board acknowledges its responsibility to prepare the Company's accounts which give a true and fair view of the Group's state of affairs, results and cash flows for the year and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and the Companies Ordinance. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates.

Internal Controls

The Board recognizes its responsibility to ensure the Company maintains a sound and effective internal control system.

The Group's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic rotational basis based on the risk assessments of the operations and controls. The scope of review for the year had been determined and approved by the Audit Committee. No major issue but areas for improvement have been identified. The Board and the Audit Committee considered that the key areas of the Group's internal control systems are reasonably implemented.

External Auditor

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

During the year, the fees payable to KPMG in respect of its statutory audit services (including interim review) provided to the Group was RMB2,462,000. Fees payable to KPMG for non-audit services, namely internal control review and tax advisory services, for the year amounted to RMB273,000.

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

(C) Non-compete undertaking by controlling shareholders

Mr. Wang Dong Xing, Mr. Wang Liang Xing, Mr. Wang Cong Xing, Xiao Sheng International Limited and Ming Lang Investments Limited are the controlling shareholders (within the meaning of the Listing Rules) of the Company ("Controlling Shareholders"). Each of the Controlling Shareholders has confirmed to the Company that none of them is engaged in, or interested in any business (other than the Group) to compete directly or indirectly with the Group. To protect the Group from any potential competition, the Controlling Shareholders have given an irrevocable non-compete undertaking in the Group's favour on 4 September 2009.

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

(i) the Independent Non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the non-compete undertaking by the Controlling Shareholders;

(ii) the Company will disclose any decisions on matters reviewed by the Independent Non-executive Directors relating to compliance and enforcement of the non-compete undertaking either through the annual report or by way of announcement;

(iii) the Company will disclose in the corporate governance report on how the terms of the non-compete undertaking have been complied with and enforced; and

(iv) in the event that any of the Directors and/or their respective associates has material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the non-compete undertaking, he may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Company's articles of association.

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

Each of the Controlling Shareholders has confirmed to the Company that he/it has complied with the non-compete undertaking. The Independent Non-Executive Directors of the Company have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with.

(D) Communications with shareholders and investors relations

Investors Relations

The Company believes that effective communication with its shareholders and the investment community in a fair and timely basis is essential. Continuous dialogue is held with research analysts and institutional investors by means of roadshows, one on one meetings, conference calls and investors conferences to keep them abreast of the Group's business and development.

Shareholders' Rights

The Company encourages shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board committees at the general meetings or providing written notice of such proposals for the attention of the Company Secretary at the registered office of the Company in Hong Kong currently situated at 3402, 34 Floor, Lippo Centre, Tower One, No. 89 Queensway, Hong Kong or via email to ir@lilanz.com.hk.

The Directors may, whenever they think fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary and deposited at the registered office of the Company in Hong Kong currently situated at 3402, 34 Floor, Lippo Centre, Tower One, No. 89 Queensway, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

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

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

The attendance record of the Directors at the annual general meeting held during the year is set out under the paragraph headed "Meetings" above.

During the financial year, there were no changes in any of the Company's constitutional documents.

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Mr. Wang Dong Xing (**王冬星先生**), aged 54, is the chairman and an executive Director of the Company. He was appointed as an executive Director on 13 June 2008. Mr. Wang has been with our Group since its establishment in April 1995 and is one of the founders of the Group. He is responsible for the Group's overall business development, strategic planning and corporate management. He is also responsible for formulating operation direction, devising annual plan and financial budget and making recommendations on significant investments of the Group to the Board for approval. He completed a diploma programme for chief executive officers of enterprises (企業總裁高級研修班) from the Economics College of Peking University (北京大學經濟學院), an EMBA programme organised by Lingnan College, Sun Yat-sen University (中山大學嶺南學院) and a China CEO Programme (中國企業CEO課程) organized by Cheung Kong Graduate School of Business (長江商學院). He is currently attending a CEO to Lead the Future Programme (引領未來CEO課程) organized by the Shanghai Advanced Institute of Finance at Shanghai Jiao Tong University (上海交通大學上海高級金融學院). Mr. Wang has over 25 years of manufacturing and management experience in the menswear industry in the PRC.

Mr. Wang is a member of the Fujian Province Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議福建省委員會), a representative of the Quanzhou Municipal People's Congress (泉州市人民代表大會) and standing vice chairman of the Jinjiang City Sewing and Apparel Association (晉江市紡織服裝協會). He is also vice chairman of the Jinjiang Committee of China Democratic National Construction Association (民主建國會晉江委員會), standing committee member of the Jinjiang Chamber of Commerce (晉江市工商聯(總商會)) and chairman of the Quanzhou APEC Business Travel Card Association (泉州市APEC(亞太經合組織)商務旅行卡協會).

Mr. Wang is the elder brother of Mr. Wang Liang Xing and Mr. Wang Cong Xing, who are also executive Directors of the Company. He is the brother-in-law of Mr. Chen Wei Jin, a member of the senior management of the Company. He is also one of the shareholders of Xiao Sheng International Limited and Ming Lang Investments Limited, which are the controlling shareholders (within the meaning of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) of the Company.

Mr. Wang Liang Xing (**王良星先生**), aged 52, is the vice chairman, the chief executive officer and an executive Director of the Company. He was appointed as an executive Director on 13 June 2008. He has been with the Group since its establishment in April 1995 and is one of the founders of the Group. Mr. Wang is responsible for the Group's overall business development, strategic planning and corporate management. He is also responsible for the corporate development and the internal management system of the Group and recommending the appointment of senior management to the Board. He completed an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院), an EMBA programme organised by Xiamen University (廈門大學), a China CEO Programme (中國企業CEO課程) organized by Cheung Kong Graduate School of Business (長江商學院) and a Global CEO Programme (全球CEO課程) organized by China Europe International Business School (中歐國際工商學院). He has over 25 years of manufacturing and management experience in the menswear industry in the PRC.

Mr. Wang is also the vice-chairman and standing supervisor of the Enterprises Credit Management Association of Quanzhou City (泉州市企業合同信用管理協會第一屆理事會) and a supervisor of the Garment Association of the PRC (中國服裝協會). He was one of 50 persons honoured with a 2005 PRC Enterprises Trademark Award (2005中國企業商標50人) and was accredited as the "Brand China People of the Year 2010" (2010品牌中國年度人物).

Mr. Wang is the brother of Mr. Wang Dong Xing and Mr. Wang Cong Xing, and the brother-in-law of Mr. Cai Rong Hua, who are also executive Directors of the Company. He is also one of the shareholders of Xiao Sheng International Limited and Ming Lang Investments Limited, which are the controlling shareholders (within the meaning of the Listing Rules) of the Company.

Mr. Wang Cong Xing (**王聰星先生**), aged 46, is the vice chairman and an executive Director of the Company. He was appointed as an executive Director on 2 January 2008. Mr. Wang has been with the Group since its establishment in April 1995 and is one of the founders of the Group. He is responsible for finance and information technology management for the Group. He is also responsible for corporate development and the internal management system of the Group and supervising the implementation of the annual, quarterly and monthly financial plans of the Group. He completed an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) in 2006. He has over 25 years of manufacturing and management experience in the menswear industry in the PRC.

Mr. Wang is the brother of Mr. Wang Dong Xing and Mr. Wang Liang Xing, who are also executive Directors of the Company. He is also a director and a shareholder of Ming Lang Investments Limited and Xiao Sheng International Limited, which are the controlling shareholders (within the meaning of the Listing Rules) of the Company.

Mr. Cai Rong Hua (**蔡榮華先生**), aged 46, is an executive Director of the Company. He joined the Group in April 1998 and was appointed as an executive Director on 13 June 2008. He is responsible for product research and development for the Group. He is also responsible for negotiating with the major suppliers of the Group. Mr. Cai completed an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) and an EMBA programme organised by Lingnan College, Sun Yat-sen University (中山大學嶺南學院). He has over 15 years of manufacturing and management experience in the menswear industry in the PRC.

Mr. Cai is the brother-in-law of Mr. Wang Liang Xing, who is also an executive Director of the Company. He is also one of the shareholders of Xiao Sheng International Limited and Ming Lang Investments Limited, which are the controlling shareholders (within the meaning of the Listing Rules) of the Company.

Mr. Hu Cheng Chu (**胡誠初先生**), aged 70, is an executive Director of the Company. He joined the Group in April 1998 and was appointed as an executive Director on 13 June 2008. He is responsible for brand management, market promotion and public relation for the Group. Mr. Hu completed part-time professional political engineering course and professional administrative management course from Fudan University in 1988 and 1989, respectively, and an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院). He is currently the vice chairman of the Quanzhou Association of Professional Managers (泉州職業經理人協會) and a supervisor of the Association of China Brand Managers of the Brand China Industry Union (品牌中國產業聯盟之中國品牌經理人協會). Mr. Hu was accredited as the top 10 planner for corporate sales and marketing in the PRC for the year 2007 and 2008, and for the year 2009 and 2010 (2007–2008年及2009–2010年中國10大企業營銷策劃人), the top 10 brand manager in China for the year 2010 (2010中國十大品牌經理人), the China Great Wall outstanding advertising personage award for the year 2011 (2011年中國廣告主長城獎 — 人物獎之功勛獎) and the excellent chief brand officer in China for the year 2013 (2013中國卓越首席品牌官).

Mr. Hu is also one of the shareholders of Xiao Sheng International Limited and Ming Lang Investments Limited, which are the controlling shareholders (within the meaning of the Listing Rules) of the Company.

Biographical Details of Directors and Senior Management (continued)

Mr. Wang Ru Ping (**王如平先生**), aged 52, is an executive Director of the Company. He joined the Group in April 1995 and was appointed as an executive Director on 13 June 2008. He is responsible for supervising the construction-in-progress and development of the operational facilities of the Group as well as overseeing the maintenance and legal compliance in relation to the operational facilities. Mr. Wang completed a programme on public relations and administrative management from the Faculty of International Economics at the Adult Education College of Huaqiao University (華僑大學成人教育學院) in 2000 and a diploma programme for chief executive officers of enterprises (企業總裁高級研修班) from the Faculty of Economics at Peking University (北京大學) in 2004, and is currently attending an EMBA programme organised by the Shanghai University of Finance and Economics (上海財經大學). He has over 15 years of manufacturing and management experience in the menswear industry in the PRC.

Mr. Wang is also one of the shareholders of Xiao Sheng International Limited and Ming Lang Investments Limited, which are the controlling shareholders (within the meaning of the Listing Rules) of the Company.

Mr. Pan Rong Bin (**潘榮彬先生**), aged 41, is an executive Director of the Company. He joined the Group in February 2003 and was appointed as an executive Director on 13 June 2008. Prior to acting as the general manager of the Group's core brand "LILANZ" since March 2011, Mr. Pan was responsible for the marketing and distribution operations of the Group's core brand "LILANZ".

Mr. Pan completed an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) in 2006. From 2001 to 2005, Mr. Pan was a representative in the Nanping Municipal People's Congress, Fujian Province (福建省南平市人民代表大會). From 1995 to 2007, he was a member of the Chinese People's Political Consultative Conference of Jianyang City, Fujian Province (中國人民政治協商會議福建省建陽市委員會). He was honoured with the Award for the Model of Labour in Quanzhou City, Fujian Province (福建省泉州市勞動模範) in May 2006. He has over 15 years of management experience in the menswear industry in the PRC.

Mr. Pan is also one of the shareholders of Xiao Sheng International Limited and Ming Lang Investments Limited, which are the controlling shareholders (within the meaning of the Listing Rules) of the Company.

Independent Non-executive Directors

Dr. Lu Hong Te (**呂鴻德博士**), aged 54, is an independent non-executive Director of the Company. He joined the Board on 13 June 2008. Dr. Lu obtained a bachelor's degree in management from National Cheng Kung University in 1983 and a master's degree and a doctoral degree in business from the Graduate Institute of Business Administration of the College of Management of National Taiwan University in 1985 and 1992, respectively. Dr. Lu is a professor at the department of business administration at Chung Yuan Christian University in Taiwan, specialising in marketing and sales management and corporate competitive strategies. He also serves as a visiting professor at several institutions, including SGP International Management Academy, Nanyang Technological University's EMBA Centre and Xiamen University's EMBA Centre.

Dr. Lu is an independent non-executive director of two companies in Taiwan, namely Firich Enterprises Co., Ltd. (台灣伍豐科技股份有限公司) (stock code: 8076) and Lanner Electronics Inc. (台灣立端科技股份有限公司) (stock code: 6245), the shares of which are traded in the Gre Tai Securities Market (證券櫃檯買賣中心) in Taiwan. He is also an independent non-executive director of three other companies, namely Capxon International Electronic Company Limited (凱普松國際電子有限公司) (stock code: 469), ANTA Sports Products Limited (安踏體育用品有限公司) (stock code: 2020) and China SCE Property Holdings Limited (中駿置業控股有限公司) (stock code: 1966), the shares of which are listed on the Stock Exchange. During the last three years, Dr. Lu was also an independent non-executive director of two other companies, namely Everlight Chemical Industrial Corporation (台灣永光化學工業股份有限公司) (stock code: 1711) and Aiptek International Inc. (台灣天瀚科技股份有限公司) (stock code: 6225), the shares of which are listed on the Taiwan Stock Exchange. He resigned as independent non-executive director of Everlight Chemical Industrial Corporation and Aiptek International Inc. on 30 June 2012 and 8 January 2014, respectively.

Mr. Chen Tien Tui (**陳天堆先生**), aged 66, is an independent non-executive Director of the Company. He joined the Board on 13 June 2008. Mr. Chen is the chief executive officer and an executive director of Victory City International Holdings Limited (冠華國際控股有限公司) (stock code: 539), the shares of which are listed on the Stock Exchange. During the last three years, he was also a non-executive director of Highlight China IoT International Limited (高銳中國物聯網國際有限公司) (formerly known as Ford Glory Group Holdings Limited (福源集團控股有限公司)) (stock code: 1682), the shares of which are listed on the Stock Exchange. He resigned as non-executive director of that company on 16 August 2014. Mr. Chen has over 30 years experience in the textile industry.

Mr. Nie Xing (**聶星先生**), aged 50, is an independent non-executive Director of the Company. He joined the Board on 13 June 2008. Mr. Nie is a graduate from the Jiangxi University of Finance and Economics (江西財經學院) with a bachelor's degree in economics in 1986 and further obtained a master's degree in business administration from the Open University of Hong Kong (香港公開大學) in December 2000. Mr. Nie is also an independent non-executive director of Time2U International Holding Limited (時間由你國際控股有限公司) (stock code: 1327), the shares of which are listed on the Stock Exchange since January 2015. During the last three years, he was also an executive director of China Culiangwang Beverages Holdings Limited (中國粗糧王飲品控股有限公司) (formerly known as China Green (Holdings) Limited (中國綠色食品(控股)有限公司)) (stock code: 904), the shares of which are listed on the Stock Exchange. He resigned as executive director of that company on 25 November 2013. Mr. Nie has substantial experience in financial planning and analysis, management, investment and corporate financing. He is currently the chairman of the Audit Committee.

Mr. Lai Shixian (**賴世賢先生**), aged 40, is an independent non-executive Director of the Company. He joined the Board on 13 December 2012. Mr. Lai is the chief operating officer, an executive director and a vice president of ANTA Sports Products Limited (安踏體育用品有限公司) (stock code: 2020), the shares of which are listed on the Stock Exchange, and is primarily responsible for the supply chain and administrative management of that group of companies. Mr. Lai holds an EMBA degree from China Europe International Business School.

Senior management

Ms. Ko Yuk Lan (**高玉蘭女士**), aged 53, is the chief financial officer and company secretary of the Group. She first joined the Group in January 2008 and worked with the Group until September 2008. She rejoined the Group in May 2010. Ms. Ko graduated from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) with a Professional Diploma in Management Accountancy. She has over 25 years of experience in financial management and corporate finance. Prior to joining the Group, she had worked in an international accounting firm and other companies listed on the main board of the Stock Exchange. Ms. Ko is a member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Cost and Management Accountants. She is currently an independent non-executive director of Hosa International Limited (浩沙國際有限公司) (stock code 2200), the shares of which are listed on the Stock Exchange.

Biographical Details of Directors and Senior Management (continued)

Mr. Lin Yi-Chieh (**林易杰先生**), aged 38, is the head of the human resources department of the Group's core brand "LILANZ". He obtained a master's degree in business administration from Xiamen University (廈門大學) in 2007 and completed a master programme in business administration at the University of Furtwangen in 2006. Mr. Lin joined the Group on 7 June 2007.

Ms. Shi Mei Ya (**施美芽女士**), aged 38, is the head of the production management department of the Group's core brand "LILANZ". She completed a programme in fine chemical engineering at Fujian Radio and TV University (福建省廣播電視大學) in 1998 and an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) in 2006. She completed a programme in project management and a master programme in business administration for senior managers (高級經理工商管理碩士) at Xiamen University (廈門大學). Ms. Shi joined the Group on 1 August 1998 and has been the head of production management department of the Group's core brand "LILANZ" since November 2008.

Mr. Zhang Yu Feng (**章宇峰先生**), aged 44, is the head of marketing in the sales and marketing department of the Group's core brand "LILANZ". He graduated from Shanghai University of Finance and Economics (上海財經大學) with a bachelor degree in professional trade and economics in 1992 and completed an EMBA core course from Cheung Kong Graduate School of Business (長江商學院) in 2006. From 1992 to 2007, he had worked in S. C. Johnson & Son, Inc. (美國莊臣父子公司) as sales representative and branch office manager, worked in Coty Inc. (法國科蒂化妝品集團) as regional manager and sales manager in China region, worked in Henkel AG (德國漢高公司) as National Trade Marketing Manager and National Sales Director, worked in Li Ning Company Limited (李寧有限公司) as department head targeting key clients and worked in Puma China (德國彪馬) as regional sales and marketing manager for the eastern, central and western China regions. He joined the Group on 27 August 2007 and since then he has been the head of the marketing in the sales and marketing department of the Group's core brand "LILANZ".

Mr. Zhuang Zhi Han (**莊志函先生**), aged 45, is the deputy financial controller of the Group. He graduated from Faculty of Accountancy from East China Technology University (華東工業大學) with a bachelor's degree in Economics major in accounting in 1994. He obtained an EMBA degree from Xiamen University (廈門大學) in December 2012. Prior to joining the Group, he worked in Xiaxin Electronic Stock Company Limited (夏新電子股份有限公司), responsible for the overall financial affairs. He joined the Group on 1 September 2008.

Mr. Chen Wei Jin (**陳維進先生**), aged 45, is the head of the group ordering department of the Group. He graduated from Zhangzhou Normal University (漳州師範學院) with a professional diploma in administration in July 2000 and completed an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) in February 2006. From 1989 to 2004, he served as the general manager of Jinjiang Weixin Knitters Factory (晉江維信針織廠). From 1996 to 2004, he also worked in the Jinjiang branch office of the China Life Insurance Company Limited (中國人壽保險有限公司晉江支公司) as the general manager of the sales department, where he was recognised as Pioneer of Sales and Marketing (營銷標兵) from 1998 to 2000 and Outstanding Supervisor for the year 2002. He joined the Group on 1 March 2004 as the manager of the group ordering department of the Group. Mr. Chen is the brother-in-law of Mr. Wang Dong Xing, an executive Director of the Company.

Mr. Huang Ming Hai (**黃明海先生**), aged 39, is the financial controller of the Group's core brand "LILANZ". He completed an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院), a programme in financial management at the Adult Education College of Huaqiao University (華僑大學), an advanced programme in financial leadership development (財務領袖高級研修班課程) at Commerce College of Huaqiao University (華僑大學), and a distance-learning programme in finance (成人高等教育會計學專業函授課程) at the Fujian Agriculture and Forestry University Continuing Education School (福建農林大學成人教育學院). He joined the Group on 24 April 1995.

Report of the Directors

The Directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

Principal place of business

The Company was incorporated in the Cayman Islands and is domiciled in Hong Kong and has its registered office at Suite 3402, 34/F., Lippo Centre, Tower One, 89 Queensway, Hong Kong. The Group's principal place of business is in the PRC.

Principal activities

The principal activities of the Group are manufacturing and wholesaling of branded menswear and related accessories in the PRC. The principal activities and other particulars of the subsidiaries are set out in note 17 to the financial statements.

Major customers and suppliers

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

	2014		2013	
	Percentage of the group's total		Percentage of the group's total	
	Sales	**Purchases**	Sales	Purchases
The largest customer	**10.2%**		12.1%	
Five largest customers in aggregate	**24.7%**		30.9%	
The largest supplier		**3.0%**		3.7%
Five largest suppliers in aggregate		**12.9%**		11.0%

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

Five-year financial summary

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on page 98 of the annual report.

Financial statements

The profit of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 48 to 97 of the annual report.

Transfer to reserves

Profit for the year, before dividends, of RMB554,908,000 (2013: RMB516,090,000) has been transferred to reserves. Other movements in reserves of the Group are set out in the consolidated statement of changes in equity.

An interim dividend of HK12 cents (2013: HK12 cents) per ordinary share and a special interim dividend of HK5 cents (2013: HK5 cents) per ordinary share were paid on 5 September 2014. The Directors now recommend the payment of a final dividend of HK17 cents (2013: HK16 cents) per ordinary share and a special final dividend of HK6 cents (2013: HK5 cents) per ordinary share in respect of the year ended 31 December 2014.

Charitable donations

Charitable donations made by the Group during the year amounted to RMB3,685,000 (2013: RMB5,034,000).

Non-current assets

Details of acquisitions and other movements of non-current assets (including property, plant and equipment, lease prepayments, intangible assets and deposits for purchases of fixed assets and land use rights) are set out in notes 13 to 16 to the consolidated financial statements.

Bank loans

Particulars of bank loans of the Company and the Group as at 31 December 2014 are set out in note 23 to the consolidated financial statements.

Share capital

Details of movements in the share capital of the Company during the year are set out in note 28(c) to the consolidated financial statements. Shares were issued during the year on exercise of share options.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2014 and at any time up to the date of this annual report.

Pre-emptive rights

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

Purchase, sale or redemption of the company's listed securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2014.

Directors

The Directors during the financial year were:

Executive Directors

Mr. Wang Dong Xing *(Chairman)*
Mr. Wang Liang Xing
Mr. Wang Cong Xing
Mr. Cai Rong Hua
Mr. Hu Cheng Chu
Mr. Wang Ru Ping
Mr. Pan Rong Bin

Independent Non-Executive Directors

Dr. Lu Hong Te
Mr. Chen Tien Tui
Mr. Nie Xing
Mr. Lai Shixian

Details of the Directors' biographies have been set out on pages 30 to 35 of the annual report.

In accordance with article 105(A) of the Company's articles of association, Mr. Wang Dong Xing, Mr. Cai Rong Hua, Mr. Pan Rong Bin and Mr. Nie Xing will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

Confirmation of independence

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

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 31 December 2014, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules:

Name of shareholder	Name of Group Company/ Associated Corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Wang Dong Xing	The Company	Beneficial owner	22,950,000 shares (L)	1.91%
	Xiao Sheng International Limited ("Xiao Sheng International") (Note 2)	Beneficial owner	2,550 shares of US$1.00 each (L)	25.50%
Mr. Wang Liang Xing	The Company	Beneficial owner	26,031,000 shares (L)	2.16%
	Xiao Sheng International (Note 2)	Beneficial owner	2,550 shares of US$1.00 each (L)	25.50%
Mr. Wang Cong Xing	The Company	Beneficial owner	22,950,000 shares (L)	1.91%
	Xiao Sheng International (Note 2)	Beneficial owner	2,550 shares of US$1.00 each (L)	25.50%
Mr. Cai Rong Hua	The Company	Beneficial owner	9,010,000 shares (L)	0.75%
	Xiao Sheng International (Note 2)	Beneficial owner	800 shares of US$1.00 each (L)	8.00%
Mr. Hu Cheng Chu	The Company	Beneficial owner	4,500,000 shares (L)	0.37%
	Xiao Sheng International (Note 2)	Beneficial owner	500 shares of US$1.00 each (L)	5.00%
Mr. Wang Ru Ping	The Company	Beneficial owner	2,700,000 shares (L)	0.22%
	Xiao Sheng International (Note 2)	Beneficial owner	300 shares of US$1.00 each (L)	3.00%
Mr. Pan Rong Bin	The Company	Beneficial owner	2,700,000 shares (L)	0.22%
	Xiao Sheng International (Note 2)	Beneficial owner	300 shares of US$1.00 each (L)	3.00%

Notes:

1. The letter "L" denotes the Directors' long position in the shares of the Company or the relevant associated corporation.

2. Xiao Sheng International is owned as to 25.5% by each of Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, 8% by Mr. Cai Rong Hua, 5% by Mr. Hu Cheng Chu, 3% by each of Mr. Wang Ru Ping and Mr. Pan Rong Bin, 2% by Mr. Chen Wei Jin, 1% by Mr. Wang Qiao Xing and 0.5% by each of Mr. Xu Tian Min, Ms. Wang Cui Rong and Ms. Wang Hui Rong.

Save as disclosed above, as at 31 December 2014, none of the Directors and chief executives of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which was recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code.

Save in connection with any share options to subscribe for the shares of the Company which may be granted to any of the Directors or chief executives under the Company's share option scheme as detailed in the paragraph headed "Share Option Scheme" in this report, at no time during the year was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate.

Interests and short positions of substantial shareholders

As at 31 December 2014, the persons or corporations (not being a Director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	**Capacity/nature of interest**	**Number and class of securities** (Note 1)	**Approximate percentage of shareholding**
Xiao Sheng International	Beneficial owner	661,500,000 shares (L) (Note 2)	54.94%
Ming Lang Investments Limited ("Ming Lang Investments")	Beneficial owner	72,205,000 shares (L) (Note 3)	6.00%
Value Partners Group Limited	Interest in controlled corporation	60,381,000 share (L)	5.02%

Notes:

(1) The letter "L" denotes the person's long position in the shares of our Company.

(2) These shares were held by Xiao Sheng International. Xiao Sheng International is owned as to 25.5% by each of Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, 8% by Mr. Cai Rong Hua, 5% by Mr. Hu Cheng Chu, 3% by each of Mr. Wang Ru Ping and Mr. Pan Rong Bin, 2% by Mr. Chen Wei Jin, 1% by Mr. Wang Qiao Xing and 0.5% by each of Mr. Xu Tian Min, Ms. Wang Cui Rong and Ms. Wang Hui Rong.

(3) These shares were held by Ming Lang Investments. Ming Lang Investments is owned as to 25.5% by each of Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, 8% by Mr. Cai Rong Hua, 5% by Mr. Hu Cheng Chu, 3% by each of Mr. Wang Ru Ping and Mr. Pan Rong Bin, 2% by Mr. Chen Wei Jin, 1% by Mr. Wang Qiao Xing and 0.5% by each of Mr. Xu Tian Min, Ms Wang Cui Rong and Ms. Wang Hui Rong.

Save as disclosed above, as at 31 December 2014, the Directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Continuing connected transaction

The related party transaction for the year as disclosed in note 31 to the consolidated financial statements also constituted continuing connected transaction under the Listing Rules, which is required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. Details of such continuing connected transaction (as defined under the Listing Rules) are set out below in accordance with the requirements of the Listing Rules:

Tenancy Agreement with Jinlang (Fujian) Investments Co., Ltd ("Jinlang Fujian")

Jinlang Fujian is wholly owned by Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, three of the executive Directors and controlling shareholders (within the meaning of the Listing Rules) of the Company. Jinlang Fujian is therefore a connected person of the Company under the Listing Rules.

The Group, as lessee, entered into a tenancy agreement with Jinlang Fujian, as landlord, on 19 December 2013 (the "Tenancy Agreement") in respect of the premises of the Company's headquarters at Lilang Industrial Park, 200 Chang Xing Road, Jinjiang City, Fujian Province (the "Premises") with aggregate gross floor area of approximately 27,757 sq.m. for a term commencing from 1 January 2014 to 31 December 2016. The monthly rent payable by the Group to Jinlang Fujian under the Tenancy Agreement was RMB260,000 (exclusive of water and electricity charges, gas and steam fees, telephone charges, property maintenance fees and other fees in relation to the use of the Premises).

During the year ended 31 December 2014, total rental paid or payable by the Group under the Tenancy Agreement amounted to RMB3,120,000 which did not exceed the annual caps for this transaction.

Opinion from the Independent Non-executive Directors and auditor on the continuing connected transaction

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

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

(2) on normal commercial terms; and

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

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

Directors' interests in contracts

Save as disclosed in the paragraph headed "Continuing Connected Transaction" above and in note 31 to the consolidated financial statements, no contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Contracts of significance

During the year, save as disclosed in note 31 to the consolidated financial statements and in the paragraph headed "Continuing Connected Transaction" in this report, there had been no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

Competing business

Each of Mr. Wang Dong Xing, Mr. Wang Liang Xing, Mr. Wang Cong Xing, Xiao Sheng International and Ming Lang Investments (the controlling shareholders (within the meaning of the Listing Rules) of the Company) has confirmed to the Company that he/it has complied with the non-compete undertaking given by them to the Company on 4 September 2009. The Independent Non-Executive Directors of the Company have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with throughout the year ended 31 December 2014.

Equity-settled share based payments

The Company adopted a pre-initial public offering share option scheme on 12 September 2008 (the "Pre-IPO Share Option Scheme") and a share option scheme on 4 September 2009 (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the Group.

Pre-IPO Share Option Scheme

Eligible participants of the Pre-IPO Share Option Scheme include (i) any employee (whether full time or part time, including executive directors) of the Company, its subsidiaries or invested entity; (ii) any non-executive directors or proposed non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity; (iii) any advisor (professional or otherwise), consultant, individual or entity who in the opinion of the directors of the Company has contributed or will contribute to the growth and development of the Group and the listing of the shares of the Company on the Stock Exchange; and (iv) any company wholly owned by one or more eligible participants as referred to in (i) to (iii) above.

The offer of a grant of share options under the Pre-IPO Share Option Scheme may be accepted not later than the earlier of 21 days from the date of offer or 4 September 2009, upon payment of a nominal consideration of HK$1 in total by the grantee.

There is no individual limit under the Pre-IPO Share Option Scheme.

On 4 September 2009, the Company granted options to subscribe for an aggregate of 9,611,100 shares of the Company to its senior management and employees under the Pre-IPO Share Option Scheme at an exercise price of HK$3.12 per share, being 80% of the initial public offering price. No further option could be granted under the Pre-IPO Share Option Scheme after 4 September 2009.

Details of movements of the options during the year are set out below:

	Options granted by the Company Number of underlying shares					
Name or category of participants	**As at 1 January 2014**	**Exercised**	**Cancelled**	**Lapsed**	**As at 31 December 2014**	**Exercise period**
Employees	4,980,645	(384,140)	–	–	4,596,505	Note 1
Employees	105,878	–	–	–	105,878	Note 2
Employees	2,646,956	(2,400,956)	–	–	246,000	Note 3
	7,733,479	(2,785,096)	–	–	4,948,383	

Notes:

1. The outstanding options at 31 December 2014 are exercisable by the grantees prior to the expiry of the exercise period on the day falling six years after 25 September 2009 (the "Listing Date"), failing which the options will lapse and no longer be exercisable.

2. The outstanding options at 31 December 2014 are exercisable by the grantee prior to the expiry of the exercise period on the day falling seven years after the Listing Date, failing which the options will lapse and no longer be exercisable.

3. The outstanding options at 31 December 2014 are exercisable by the grantee on or prior to 30 June 2015, failing which the options will lapse and no longer be exercisable.

The number of shares to be issued upon the exercise of the outstanding options under the Pre-IPO Share Option Scheme was 4,948,383 (representing 0.41% of the issued share capital of the Company) as at 31 December 2014 and the date of approval of this report.

Share Option Scheme

Eligible participants of the Share Option Scheme include (i) any employee (whether full time or part time, including any executive director) of the Company, its subsidiaries or invested entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity; (iii) any supplier or customer of the Group or any invested entity; (iv) any person or entity that provides research, development or other technological support to the Group or any invested entity; (v) any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity; (vi) any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any invested entity; (vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and (viii) any company wholly owned by one or more eligible participants as referred to in (i) to (vii) above.

Subject to the earlier termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on 4 September 2009.

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

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

As at the balance sheet date and the date of the approval of this report, the total number of shares which may be issued upon the exercise of all options (excluding for this purpose options which have lapsed) which have been or may be granted under the Share Option Scheme and any share option scheme of the Group must not in aggregate exceed 120,000,000 shares, representing 10% of the shares of the Company in issue as at 25 September 2009 (the Listing Date) and 9.97% of the shares of the Company in issue as at the balance sheet date and the date of approval of this report. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the shares of the Company in issue from time to time.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof.

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

On 29 November 2011 (the "Date of Offer"), the Company offered to grant options to subscribe for an aggregate of 1,130,000 shares of the Company to employees of the Group under the Share Option Scheme at an exercise price of HK$6.63 per share. The closing prices of the Company's shares immediately before the Date of Offer and on the Date of Offer were HK$6.01 and HK$6.63 respectively. The offers were accepted by the grantees within 21 days from the Date of Offer.

	Options granted by the Company Number of underlying shares							
Name or category of participants	**As at 1 January 2014**	**Granted**	**Exercised**	**Cancelled**	**Lapsed**	**As at 31 December 2014**	**Exercise period**	**Exercise price**
Employees	1,130,000	–	–	–	–	1,130,000	Note	HK$6.63

Note: The options are exercisable by the grantees during the period commencing from the day immediately following the expiry of one year period after 29 November 2011 (the "Date of Offer") and ending on the day falling seven years after the Date of Offer, during which, (a) up to 265,000 options granted may be exercised on or prior to the end of the second year after the Date of Offer; (b) subject to (a), up to 530,000 options granted may be exercised on or prior to the end of the third year after the Date of Offer; (c) subject to (a) and (b), up to 710,000 options granted may be exercised on or prior to the end of the fourth year after the Date of Offer; (d) subject to (a), (b) and (c), up to 890,000 options granted may be exercised on or prior to the end of the fifth year after the Date of Offer; and (e) subject to (a), (b), (c) and (d), all outstanding options may be exercised prior to the expiry of the said exercise period, failing which the options will lapse and no longer be exercisable.

The number of shares to be issued upon the exercise of the outstanding options under the Share Option Scheme was 1,130,000 (representing 0.09% of the issued share capital of the Company) as at 31 December 2014 and the date of approval of this report.

Retirement schemes

The Group participates in defined contribution retirement benefit schemes organized by the PRC municipal and provincial government authorities for the Group's eligible employees in the PRC, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 26 to the consolidated financial statements.

Auditor

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

Wang Dong Xing
Chairman

Hong Kong, 9 March 2015

Independent Auditor's Report

Independent auditor's report
to the shareholders of China Lilang Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Lilang Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 48 to 97, which comprise the consolidated and company balance sheets as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

9 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Turnover	3	**2,432,956**	2,298,634
Cost of sales		**(1,397,304)**	(1,318,837)
Gross profit		**1,035,652**	979,797
Other revenue	4	**27,562**	16,381
Selling and distribution expenses		**(275,588)**	(306,746)
Administrative expenses		**(103,050)**	(99,555)
Other operating expenses		**(3,816)**	(7,900)
Profit from operations		**680,760**	581,977
Net finance income	5	**85,912**	63,928
Profit before taxation	6	**766,672**	645,905
Income tax	7(a)	**(211,764)**	(129,815)
Profit for the year	11	**554,908**	516,090
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")		**(11,467)**	11,385
Total comprehensive income for the year		**543,441**	527,475
Earnings per share	12		
Basic (cents)		**46.17**	42.97
Diluted (cents)		**46.06**	42.88

The notes on pages 54 to 97 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 28(b).

Consolidated Balance Sheet

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	13	**284,154**	303,311
Lease prepayments	14	**34,976**	35,790
Intangible assets	15	**5,242**	5,742
Deposits for purchases of fixed assets and land use rights	16	**66,216**	65,756
Deferred tax assets	25(b)	**23,426**	19,142
Pledged bank deposits	21	**–**	154,000
		414,014	583,741
Current assets			
Inventories	18	**248,845**	271,047
Trade and other receivables	19	**669,501**	592,535
Pledged bank deposits	21	**846,131**	458,000
Fixed deposits held at banks with maturity over three months	22(a)	**100,000**	160,000
Cash and cash equivalents	22(a)	**1,845,179**	1,435,788
		3,709,656	2,917,370
Current liabilities			
Bank loans	23(a)	**854,590**	418,316
Trade and other payables	24	**416,961**	332,459
Current tax payable	25(a)	**87,981**	28,474
		1,359,532	779,249
Net current assets		**2,350,124**	2,138,121
Total assets less current liabilities		**2,764,138**	2,721,862
Non-current liabilities			
Bank loans	23(a)	**–**	144,652
Deferred tax liabilities	25(b)	**66,269**	62,817
Retention payables		**–**	910
		66,269	208,379
Net assets		**2,697,869**	2,513,483

Consolidated Balance Sheet (continued)

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Capital and reserves			
Share capital	28(c)	**106,049**	105,826
Reserves		**2,591,820**	2,407,657
Total equity		**2,697,869**	2,513,483

Approved and authorised for issue by the board of directors on 9 March 2015

Mr. Wang Dong Xing	**Mr. Wang Liang Xing**	**Mr. Wang Cong Xing**
Chairman	*Chief Executive Officer*	*Executive Director*

The notes on pages 54 to 97 form part of these financial statements.

Balance Sheet

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Investments in subsidiaries	17	**139,505**	139,505
Current assets			
Trade and other receivables	19	**39**	38
Amount due from a subsidiary	20	**123,836**	117,256
Cash and cash equivalents	22(a)	**9,197**	4,497
		133,072	121,791
Current liabilities			
Bank loan	23(a)	**143,946**	140,742
Trade and other payables	24	**499**	589
Amount due to a subsidiary	20	**2,237**	2,237
		146,682	143,568
Net current liabilities		**(13,610)**	(21,777)
Net assets		**125,895**	117,728
Capital and reserves	28(a)		
Share capital		**106,049**	105,826
Reserves		**19,846**	11,902
Total equity		**125,895**	117,728

Approved and authorised for issue by the board of directors on 9 March 2015

Mr. Wang Dong Xing	**Mr. Wang Liang Xing**	**Mr. Wang Cong Xing**
Chairman	*Chief Executive Officer*	*Executive Director*

The notes on pages 54 to 97 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company						
	Note	Share capital (note 28(c)) RMB'000	Share premium (note 28(d)(i)) RMB'000	Statutory reserve (note 28(d)(ii)) RMB'000	Capital reserve (note 28(d)(iii)) RMB'000	Exchange reserve (note 28(d)(iv)) RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2013		105,801	72,976	199,258	30,988	(23,850)	1,996,833	2,382,006
Changes in equity for 2013:								
Profit for the year		–	–	–	–	–	516,090	516,090
Other comprehensive income for the year		–	–	–	–	11,385	–	11,385
Total comprehensive income for the year		–	–	–	–	11,385	516,090	527,475
Shares issued under share option schemes	28(c)(i)	25	1,076	–	(319)	–	–	782
Equity settled share-based payments	28(d)(iii)	–	–	–	920	–	–	920
Dividends approved in respect of the previous year	28(b)	–	–	–	–	–	(238,063)	(238,063)
Dividends declared in respect of the current year	28(b)	–	(73,436)	–	–	1,105	(87,306)	(159,637)
At 31 December 2013 and 1 January 2014		**105,826**	**616**	**199,258**	**31,589**	**(11,360)**	**2,187,554**	**2,513,483**
Changes in equity for 2014:								
Profit for the year		**–**	**–**	**–**	**–**	**–**	**554,908**	**554,908**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**(11,467)**	**–**	**(11,467)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(11,467)**	**554,908**	**543,441**
Shares issued under share option schemes	28(c)(i)	**223**	**9,140**	**–**	**(2,413)**	**–**	**–**	**6,950**
Equity settled share-based payments	28(d)(iii)	**–**	**–**	**–**	**470**	**–**	**–**	**470**
Dividends approved in respect of the previous year	28(b)	**–**	**–**	**–**	**–**	**–**	**(203,143)**	**(203,143)**
Dividends declared in respect of the current year	28(b)	**–**	**–**	**–**	**–**	**–**	**(163,332)**	**(163,332)**
Appropriation to statutory reserve		**–**	**–**	**5,332**	**–**	**–**	**(5,332)**	**–**
At 31 December 2014		**106,049**	**9,756**	**204,590**	**29,646**	**(22,827)**	**2,370,655**	**2,697,869**

The notes on pages 54 to 97 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Cash generated from operations	22(b)	**721,494**	793,226
PRC corporate income tax paid		**(134,279)**	(122,546)
PRC dividend withholding tax paid		**(18,810)**	(15,592)
Net cash generated from operating activities		**568,405**	655,088
Investing activities			
Payment for purchase of property, plant and equipment		**(16,632)**	(14,921)
Payment for purchase of intangible assets		**(2,448)**	(1,302)
Payment for purchase of land use rights		**–**	(4,993)
Proceeds from disposal of property, plant and equipment		**161**	4,177
Interest income received		**103,747**	50,070
Decrease/(increase) in fixed deposits held at banks with maturity over three months		**60,000**	(60,000)
Increase in pledged bank deposits		**(221,000)**	(142,000)
Net cash used in investing activities		**(76,172)**	(168,969)
Financing activities			
Proceeds from bank loans		**856,794**	269,471
Repayment of bank loans		**(565,172)**	(150,180)
Proceeds from issue of shares under share option scheme	28(a)	**6,950**	782
Interest expense paid		**(15,171)**	(15,169)
Dividends paid	28(b)	**(366,475)**	(397,700)
Net cash used in financing activities		**(83,074)**	(292,796)
Net increase in cash and cash equivalents		**409,159**	193,323
Cash and cash equivalents at 1 January		**1,435,788**	1,242,788
Effect of foreign exchange rate changes		**232**	(323)
Cash and cash equivalents at 31 December	22(a)	**1,845,179**	1,435,788

The notes on pages 54 to 97 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis.

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 32.

(c) Subsidiaries

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

1 Significant accounting policies (continued)

(c) Subsidiaries (continued)

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

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(h)(ii)).

(d) Property, plant and equipment

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

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

No depreciation is provided in respect of construction in progress.

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

— Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion.

— Leasehold improvements	shorter of 5 years or remaining term of the lease
— Plant and machinery	10 years
— Motor vehicles	5 years
— Office equipment	5 years
— Furniture and fixtures	5 years

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

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

1 Significant accounting policies (continued)

(e) Lease prepayments

Lease prepayments represent cost of acquiring land use rights paid to the PRC's governmental authorities. Land use rights are stated at cost less accumulated amortisation and impairment losses (see note 1(h)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights which are 50 years.

(f) Intangible assets

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

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Computer software 5 years

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

(g) Operating lease charges

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

(h) Impairment of assets

(i) Impairment of current receivables

Current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

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

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

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1 Significant accounting policies (continued)

(h) Impairment of assets (continued)

(i) Impairment of current receivables (continued)

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

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

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

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

(ii) Impairment of other assets

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

— property, plant and equipment;

— construction in progress;

— lease prepayments;

— intangible assets; and

— investments in subsidiaries in the Company's balance sheet.

1 Significant accounting policies (continued)

(h) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

(i) Inventories

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

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

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

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

1 Significant accounting policies (continued)

(j) Trade and other receivables

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

(k) Interest-bearing borrowings

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

(l) Trade and other payables

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

(m) Cash and cash equivalents

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

(n) Employee benefits

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

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

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

(ii) *Share-based payments*

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

1 Significant accounting policies (continued)

(n) Employee benefits (continued)

(ii) Share-based payments (continued)

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

(o) Income tax

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

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

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1 Significant accounting policies (continued)

(o) Income tax (continued)

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

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

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

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

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

  — the same taxable entity; or

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

(p) Provisions and contingent liabilities

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

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

1 Significant accounting policies (continued)

(q) Revenue recognition

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

(i) Sale of goods

Revenue is recognised when the customer has accepted the related risks and rewards of ownership. Revenue excludes value added tax and is after deduction of returns and any trade discounts.

(ii) Interest income

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

(iii) Government grants

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

Unconditional discretionary government grants from the local municipal government authorities are recognised in the profit or loss as other revenue on a cash receipt basis.

(r) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The functional currency of the Company and its subsidiaries outside mainland China is Hong Kong dollars and the functional currency of the subsidiaries in mainland China is Renminbi.

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

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

The results of operations outside mainland China are translated into Renminbi at the average exchange rates for the year which approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

1 Significant accounting policies (continued)

(s) Borrowing costs

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

(t) Research and development

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

(u) Related parties

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

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

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

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

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

1 Significant accounting policies (continued)

(v) Segment reporting

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

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

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

2 Changes in accounting policies

The IASB has issued a number of amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group. Of these, the following development is relevant to the Group's financial statements:

- Amendments to IAS 32, Offsetting financial assets and financial liabilities

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

The amendments to IAS 32 clarify the criteria for offsetting financial assets and financial liabilities in IAS 32. The amendments do not have an impact on the Group's financial statements as they are consistent with the policies already adopted by the Group.

3 Turnover

The principal activities of the Group are manufacturing and wholesaling of branded menswear and related accessories in the PRC. Turnover represents the sales value of goods sold less returns, discounts and value added taxes ("VAT").

The Group has one customer with whom transactions have exceeded 10% of the Group's turnover for each of the years ended 31 December 2014 and 2013. The amount of sales to this customer amounted to approximately RMB249,088,000 for the year (2013: RMB278,299,000). Details of concentrations of credit risk arising from customers are set out in note 29(a).

4 Other revenue

	2014 RMB'000	2013 RMB'000
Government grants	**27,138**	16,325
Others	**424**	56
	27,562	16,381

Government grants of RMB27,138,000 (2013: RMB16,325,000) were received from several local government authorities for the Group's contribution to local economies, of which the entitlements were unconditional and under the discretion of the relevant authorities.

5 Net finance income

	2014 RMB'000	2013 RMB'000
Interest income	**97,718**	75,731
Net foreign exchange gain	**3,211**	375
Interest on bank borrowings	**(15,017)**	(12,178)
	85,912	63,928

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

		2014 RMB'000	2013 RMB'000
(a)	**Staff costs (note (i)):**		
	Salaries, wages and other benefits	123,577	130,424
	Contributions to defined contribution retirement plans	1,738	2,382
	Equity settled share-based payment expense (note 27)	470	920
		125,785	133,726
(b)	**Other items:**		
	Amortisation of lease prepayments	814	815
	Amortisation of intangible assets	2,948	2,512
	Depreciation (note (i))	31,521	32,180
	Auditor's remuneration	2,462	2,390
	Cost of inventories (note (i))	1,397,304	1,318,837
	Loss on disposal of property, plant and equipment	159	3,293
	Operating lease rental in respect of properties (note (i))	8,290	9,094
	Research and development costs (notes (i) and (ii))	81,140	67,439
	Subcontracting charges (notes (i) and (iii))	121,341	64,273
	(Write-back of provision)/provision for doubtful debts	(14,509)	24,638

Notes:

(i) Cost of inventories sold includes research and development costs, subcontracting charges, related staff costs, depreciation and operating lease rental in respect of properties totalling RMB242,282,000 (2013: RMB189,652,000) included in items disclosed above.

(ii) Research and development costs include salaries, wages and other benefits totaling RMB32,595,000 (2013: RMB26,941,000) for employees in the design department, which are included in the staff costs as disclosed in note 6(a).

(iii) Subcontracting charges include service charges and auxiliary raw material costs payable to subcontractors.

7 Income tax in the consolidated statement of profit or loss and other comprehensive income

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2014 RMB'000	2013 RMB'000
Current tax		
Provision for PRC corporate income tax for the year (note 25(a))	**196,559**	107,608
Under-provision for PRC corporate income tax in respect of prior year	**29**	1,752
PRC dividend withholding tax (notes (v) and 25(a))	**16,008**	23,559
	212,596	132,919
Deferred tax		
Origination of temporary differences (note 25(b))	**19,992**	20,455
Distribution of dividends (notes (iv) and 25(b))	**(16,008)**	(23,559)
Effect on deferred tax balances at the beginning of the year resulting from a change in tax rate (notes (iii) and 25(b))	**(4,816)**	–
	211,764	129,815

Notes:

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

(ii) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for the years ended 31 December 2014 and 2013.

(iii) Taxation for the Group's PRC subsidiaries is calculated using the income tax rates applicable to the subsidiaries. In accordance with the relevant PRC corporate income tax laws, regulations and implementation guidance note, one of the subsidiaries was granted Advanced and New Technology Enterprise status which entitled the subsidiary to a reduced income tax rate at 15% for 2013. The preferential tax treatment was not renewed in 2014 and the increase in tax rate has been taken into account in the calculation of the deferred tax of the related subsidiary.

(iv) According to the Corporate Income Tax Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC company. As all of the Group's PRC subsidiaries are directly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of the PRC dividend withholding tax. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

(v) PRC dividend withholding tax represents tax charged by the PRC tax authority on dividends distributed by the Group's PRC subsidiaries during the year.

7 Income tax in the consolidated statement of profit or loss and other comprehensive income (continued)

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

	2014 RMB'000	2013 RMB'000
Profit before taxation	**766,672**	645,905
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdictions concerned	**193,220**	163,494
Tax effect of non-deductible expenses	**4,055**	3,652
Tax effect of non-taxable income	**(184)**	(617)
Tax effect of tax concessions	**–**	(56,146)
Effect on deferred tax balances at the beginning of the year resulting from a change in tax rate (note 25(b))	**(4,816)**	–
Under-provision in prior year	**29**	1,752
Withholding tax effect of undistributed profits retained by PRC subsidiaries (note 25(b))	**19,460**	17,680
Actual tax expense	**211,764**	129,815

8 Directors' remuneration

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	2014 Total RMB'000
Executive Directors					
Wang Dong Xing	–	1,040	13	–	1,053
Wang Liang Xing	–	1,300	13	–	1,313
Wang Cong Xing	–	780	13	–	793
Cai Rong Hua	–	585	13	–	598
Hu Cheng Chu	–	585	–	–	585
Wang Ru Ping	–	585	13	–	598
Pan Rong Bin	–	585	13	–	598
Independent Non-executive Directors					
Lu Hong Te	200	–	–	–	200
Chen Tien Tui	200	–	–	–	200
Nie Xing	200	–	–	–	200
Lai Shixian	200	–	–	–	200
Total	800	5,460	78	–	6,338

8 Directors' remuneration (continued)

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	2013 Total RMB'000
Executive Directors					
Wang Dong Xing	–	1,040	13	–	1,053
Wang Liang Xing	–	1,300	13	–	1,313
Wang Cong Xing	–	780	13	–	793
Cai Rong Hua	–	585	13	–	598
Hu Cheng Chu	–	585	–	–	585
Wang Ru Ping	–	585	13	–	598
Pan Rong Bin	–	585	13	–	598
Independent Non-executive Directors					
Lu Hong Te	200	–	–	–	200
Chen Tien Tui	200	–	–	–	200
Nie Xing	200	–	–	–	200
Lai Shixian	200	–	–	–	200
Total	800	5,460	78	–	6,338

During the year, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2013: four) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining one (2013: one) individual are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other benefits	**1,296**	1,267
Discretionary bonuses	**378**	317
Contributions to retirement benefit schemes	**14**	12
Share-based compensation	**–**	284
	1,688	1,880

9 Individuals with highest emoluments (continued)

The emolument of the one (2013: one) individual with the highest emolument is within the following band:

	2014 Number of individuals	2013 Number of individuals
HK$2,000,001 to HK$2,500,000 (RMB1,599,001 to RMB1,999,000)	**1**	1

10 Remuneration of senior management

Remuneration of senior management of the Group, including amounts paid to the highest paid employees other than directors as disclosed in note 9 is as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other benefits	**2,557**	2,647
Discretionary bonuses	**891**	608
Contributions to retirement benefit schemes	**31**	29
Share-based compensation	**–**	290
	3,479	3,574

Remunerations of the senior management of the Group are within the following bands:

	2014 Number of individuals	2013 Number of individuals
Nil to HK$1,000,000 (Nil to RMB800,000)	**6**	7
HK$1,000,001 to HK$1,500,000 (RMB800,001 to RMB1,200,000)	**–**	–
HK$1,500,001 to HK$2,000,000 (RMB1,200,001 to RMB1,599,000)	**–**	–
HK$2,000,001 to HK$2,500,000 (RMB1,599,001 to RMB1,999,000)	**1**	1

11 Profit for the year

The consolidated profit for the year includes a profit of RMB366,280,000 (2013: RMB387,903,000) which has been dealt with in the financial statements of the Company.

12 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year of RMB554,908,000 (2013: RMB516,090,000) and the weighted average number of ordinary shares in issue of 1,201,875,000 (2013: 1,200,977,000).

Weighted average number of ordinary shares

	2014 '000	2013 '000
Issued ordinary shares at 1 January	**1,201,159**	1,200,839
Effect of share options exercised	**716**	138
Weighted average number of ordinary shares	**1,201,875**	1,200,977

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the year of RMB554,908,000 (2013: RMB516,090,000) and the weighted average number of ordinary shares in issue adjusted for the potential dilutive effect caused by the share options granted by the Company.

Weighted average number of ordinary shares (diluted)

	2014 '000	2013 '000
Weighted average number of ordinary shares	**1,201,875**	1,200,977
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	**2,805**	2,640
Weighted average number of ordinary shares (diluted)	**1,204,680**	1,203,617

13 Property, plant and equipment

The Group

	Properties and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Furniture and fixtures RMB'000	Sub-total RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:									
At 1 January 2013	242,215	43,723	47,032	8,290	27,155	8,067	376,482	16,214	392,696
Additions	1,100	8,344	2,314	36	1,637	545	13,976	1,493	15,469
Transfer from construction in progress	–	455	103	–	–	–	558	(558)	–
Disposals	–	(3,264)	(9,860)	(3)	(556)	(631)	(14,314)	–	(14,314)
Exchange adjustment	–	(19)	–	–	(9)	(2)	(30)	(264)	(294)
At 31 December 2013 and 1 January 2014	243,315	49,239	39,589	8,323	28,227	7,979	376,672	16,885	393,557
Additions	–	3,059	2,143	938	1,492	430	8,062	4,408	12,470
Transfer from construction in progress	297	–	–	–	–	321	618	(618)	–
Disposals	–	–	(178)	(562)	(80)	(39)	(859)	–	(859)
Exchange adjustment	–	15	–	–	6	2	23	211	234
At 31 December 2014	243,612	52,313	41,554	8,699	29,645	8,693	384,516	20,886	405,402
Accumulated depreciation:									
At 1 January 2013	14,868	14,839	14,967	2,457	14,107	3,696	64,934	–	64,934
Charge for the year	5,845	14,538	4,515	779	4,861	1,642	32,180	–	32,180
Written back on disposals	–	(1,277)	(4,854)	(2)	(352)	(359)	(6,844)	–	(6,844)
Exchange adjustment	–	(19)	–	–	(3)	(2)	(24)	–	(24)
At 31 December 2013 and 1 January 2014	20,713	28,081	14,628	3,234	18,613	4,977	90,246	–	90,246
Charge for the year	5,815	15,198	4,353	821	3,817	1,517	31,521	–	31,521
Written back on disposals	–	–	(141)	(325)	(38)	(35)	(539)	–	(539)
Exchange adjustment	–	15	–	–	3	2	20	–	20
At 31 December 2014	26,528	43,294	18,840	3,730	22,395	6,461	121,248	–	121,248
Net book value:									
At 31 December 2014	217,084	9,019	22,714	4,969	7,250	2,232	263,268	20,886	284,154
At 31 December 2013	222,602	21,158	24,961	5,089	9,614	3,002	286,426	16,885	303,311

(a) The Group's properties and buildings are located in the PRC under medium-term leases.

(b) Construction in progress comprises costs incurred on buildings and plant and equipment not yet completed at the respective balance sheet dates.

14 Lease prepayments

	The Group	
	2014	2013
	RMB'000	RMB'000
Cost:		
At 1 January and at 31 December	**40,848**	40,848
Accumulated amortisation:		
At 1 January	**5,058**	4,243
Charge for the year	**814**	815
At 31 December	**5,872**	5,058
Net book value:		
At 31 December	**34,976**	35,790

Lease prepayments represent the Group's land use rights on leasehold land located in the PRC. At 31 December 2014, the remaining period of the land use rights ranges from 41 to 43 years.

15 Intangible assets

	The Group	
	2014	2013
	RMB'000	RMB'000
Cost:		
At 1 January	**13,190**	11,888
Additions	**2,448**	1,302
At 31 December	**15,638**	13,190
Accumulated amortisation:		
At 1 January	**7,448**	4,936
Charge for the year	**2,948**	2,512
At 31 December	**10,396**	7,448
Net book value:		
At 31 December	**5,242**	5,742

Intangible assets represent the enterprise resource planning and information technology system software.

The amortisation charge for the year is included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

16 Deposits for purchases of fixed assets and land use rights

	The Group	
	2014	2013
	RMB'000	RMB'000
Deposit for land use rights (note (a))	**64,993**	64,993
Others	**1,223**	763
	66,216	65,756

(a) The deposit is in respect of the cost of purchase of the land use rights for 50 years on leasehold land located in Jinjiang, Fujian Province, the PRC for the proposed development of a new headquarters. The deposit will be transferred to lease prepayments upon the issue of the land use rights certificate to the Group.

17 Investments in subsidiaries

	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	**139,505**	139,505

Details of the subsidiaries are as follows. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place of incorporation/ establishment and operation	Particular of issued and fully paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Lilang Holdings Limited	BVI	US$20,000	100%	100%	–	Investment holding
Lilang (Hong Kong) International Co., Limited	Hong Kong	HK$20,000	100%	–	100%	Trading, investment holding and provision of management services
Lilang (Fujian) Garment Co., Ltd.	The PRC	HK$20,000,000	100%	–	100%	Manufacturing and wholesaling of menswear and accessories
Lilang (China) Co., Ltd.	The PRC	HK$300,000,000	100%	–	100%	Manufacturing and wholesaling of menswear and accessories
Lilang (Xiamen) Garment Co., Ltd.	The PRC	US$30,000,000	100%	–	100%	Manufacturing and wholesaling of menswear and accessories
Lilang (Shanghai) Co., Ltd.	The PRC	HK$120,000,000	100%	–	100%	Wholesaling of menswear and accessories
Lilang (Jiangxi) Garment Co., Ltd.	The PRC	HK$10,000,000	100%	–	100%	Wholesaling of menswear and accessories

Note:

All entities established in the PRC are wholly foreign owned enterprises.

18 Inventories

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2014	2013
	RMB'000	RMB'000
Raw materials	**49,745**	17,647
Work-in-progress	**3,636**	120
Finished goods	**195,464**	253,280
	248,845	271,047

As at 31 December 2014, raw materials included materials totalling RMB47,112,000 (2013: RMB12,421,000) held by sub-contractors.

(b) An analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Carrying amount of inventories sold	**1,387,980**	1,316,053
Write-down of inventories	**9,324**	2,784
	1,397,304	1,318,837

19 Trade and other receivables

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**613,874**	519,483	**–**	–
Less: Provision for doubtful debts	**(10,129)**	(24,638)	**–**	–
Trade receivables (notes (a), (b) and (c))	**603,745**	494,845	**–**	–
Prepayments to suppliers	**13,494**	42,546	**–**	–
Prepaid advertising expenses	**2,935**	5,851	**–**	–
VAT deductible	**5,987**	–	**–**	–
Other deposits, prepayments and receivables	**43,340**	49,293	**39**	38
	669,501	592,535	**39**	38

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

19 Trade and other receivables (continued)

(a) Ageing analysis

An ageing analysis of the trade receivables, based on the invoice date and net of provision for doubtful debts, is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Within 3 months	**516,281**	353,327
Over 3 months but within 6 months	**87,464**	125,754
Over 6 months but within 1 year	**–**	15,764
	603,745	494,845

Trade receivables are due within 90–240 days from the date of billing. Further details on the Group's credit policy are set out in note 29(a).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 1(h)(i)).

The movement in the provision for doubtful debts during the year is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
At 1 January	**24,638**	–
(Write-back)/charge for the year	**(14,509)**	24,638
At 31 December	**10,129**	24,638

At 31 December 2014, the Group's trade receivables of RMB10,129,000 (2013: RMB24,638,000) were individually determined to be impaired. The Group has assessed the recoverability of the receivables past due and established a provision of doubtful debts. Consequently, specific provision for doubtful debts of RMB10,129,000 was recognised.

19 Trade and other receivables (continued)

(c) Trade receivables that are not impaired

An ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	**603,745**	494,845

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

20 Amounts due from/(to) subsidiaries

The balances are of non-trade nature, unsecured, interest free and expected to be recovered/paid within one year.

21 Pledged bank deposits

	The Group	
	2014	2013
	RMB'000	RMB'000
Amounts pledged as security for bank loans (note 23)	**833,000**	612,000
Amounts pledged as security for bills payable (note 24)	**13,131**	–
	846,131	612,000
Representing:		
Current pledged bank deposits	**846,131**	458,000
Non-current pledged bank deposits	**–**	154,000
	846,131	612,000

The pledged bank deposits will be released upon the settlement of relevant bank loans and bills payable.

22 Cash and cash equivalents and fixed deposits held at banks

(a) Cash and cash equivalents and fixed deposits held at banks comprise:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fixed deposits with banks within three months to maturity when placed	**–**	218,532	**–**	–
Cash at bank and in hand	**1,845,179**	1,217,256	**9,197**	4,497
Cash and cash equivalents in the balance sheet and consolidated cash flow statement	**1,845,179**	1,435,788	**9,197**	4,497
Fixed deposits with banks with more than three months to maturity when placed	**100,000**	160,000	**–**	–
	1,945,179	1,595,788	**9,197**	4,497

At 31 December 2014, cash and cash equivalents and fixed deposits with banks in the mainland PRC amounted to RMB1,914,862,000 (2013: RMB1,586,365,000). Remittance of funds out of the mainland PRC is subject to exchange restrictions imposed by the PRC government.

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

	Note	**2014** RMB'000	2013 RMB'000
Profit before taxation		**766,672**	645,905
Adjustments for:			
— Depreciation	6(b)	**31,521**	32,180
— Amortisation of lease prepayments	6(b)	**814**	815
— Amortisation of intangible assets	6(b)	**2,948**	2,512
— Equity settled share-based payment expense	6(a)	**470**	920
— Loss on disposal of property, plant and equipment	6(b)	**159**	3,293
— Interest expense	5	**15,017**	12,178
— Interest income	5	**(97,718)**	(75,731)
— Unrealised foreign exchange (gain)/loss		**(11,914)**	11,978
Changes in working capital:			
— Decrease in inventories		**22,202**	9,240
— (Increase)/decrease in trade and other receivables		**(82,995)**	170,690
— (Increase)/decrease in pledged bank deposits		**(13,131)**	3,939
— Increase/(decrease) in trade and other payables		**87,449**	(24,693)
Cash generated from operations		**721,494**	793,226

23 Bank loans and facilities

(a) As at 31 December 2014, bank loans were secured by pledged bank deposits (also see note 21) and were repayable as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year or on demand	**854,590**	418,316	**143,946**	140,742
After 1 year but within 2 years	**–**	144,652	**–**	–
	854,590	562,968	**143,946**	140,742

(b) The amounts of banking facilities and the utilisation at each balance sheet date are set out as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Facility amount	**2,335,687**	2,033,339	**143,946**	140,742
Utilised facility amount in respect of:				
— Bank loans	**854,590**	562,968	**143,946**	140,742
— Bills payable (note 24)	**46,650**	–	**–**	–
— Letter of credit	**–**	1,000	**–**	–

24 Trade and other payables

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**222,721**	184,167	**–**	–
Bills payable (note (a))	**46,650**	–	**–**	–
Trade and bills payables (note (b))	**269,371**	184,167	**–**	–
Receipts in advance	**20,450**	27,693	**–**	–
Accrued salaries and wages	**17,118**	14,270	**–**	–
Payables for purchase of fixed assets	**7,217**	10,009	**–**	–
Retirement benefit contribution payable	**25,649**	25,823	**–**	–
VAT payables	**751**	4,051	**–**	–
Other payables and accruals	**76,405**	66,446	**499**	589
	416,961	332,459	**499**	589

24 Trade and other payables (continued)

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

(a) Bills payable as at 31 December 2014 were secured by pledged bank deposits as disclosed in note 21.

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

	The Group	
	2014	2013
	RMB'000	RMB'000
Within 3 months	**222,650**	125,025
Over 3 months but within 6 months	**24,807**	48,505
Over 6 months but within 1 year	**13,323**	1,631
Over 1 year	**8,591**	9,006
	269,371	184,167

25 Income tax in the consolidated balance sheet

(a) Current taxation in the consolidated balance sheet represents:

	The Group	
	2014	2013
	RMB'000	RMB'000
Provision for PRC corporate income tax for the year (note 7(a))	**196,559**	107,608
PRC corporate income tax paid for the current year	**(113,743)**	(87,101)
	82,816	20,507
PRC dividend withholding tax for the year (note 7(a))	**16,008**	23,559
PRC dividend withholding tax paid for the current year	**(10,843)**	(15,592)
	5,165	7,967
Current tax payable	**87,981**	28,474

25 Income tax in the consolidated balance sheet (continued)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets and liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

(i) The Group

	Deferred tax assets/(liabilities) arising from			
	Accrued expenses and others RMB'000	Impairment on inventories and trade receivables RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2013	5,647	16,270	(68,696)	(46,779)
Charged to consolidated statement of profit or loss and other comprehensive income (note 7(a))	(1,838)	(937)	(17,680)	(20,455)
Released upon distribution of dividends (note 7(a))	–	–	23,559	23,559
At 31 December 2013 and 1 January 2014	**3,809**	**15,333**	**(62,817)**	**(43,675)**
Credited/(charged) to consolidated statement of profit or loss and other comprehensive income (note 7(a))	**5,191**	**(5,723)**	**(19,460)**	**(19,992)**
Released upon distribution of dividends (note 7(a))	**–**	**–**	**16,008**	**16,008**
Effect of change in tax rate (note 7(a))	**2,425**	**2,391**	**–**	**4,816**
At 31 December 2014	**11,425**	**12,001**	**(66,269)**	**(42,843)**

25 Income tax in the consolidated balance sheet (continued)

(b) Deferred tax assets and liabilities recognised: (continued)

(ii) Reconciliation to the consolidated balance sheet

	The Group	
	2014	2013
	RMB'000	RMB'000
Deferred tax assets	**23,426**	19,142
Deferred tax liabilities	**(66,269)**	(62,817)
	(42,843)	(43,675)

(c) Deferred tax liabilities not recognised

The Group is subject to 5% withholding tax on dividends receivable from its PRC subsidiaries in respect of their profits generated since 1 January 2008. As at 31 December 2014, deferred tax liabilities in respect of temporary differences relating to such undistributed profits of RMB1,094,505,000 (2013: RMB886,747,000) were not recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that those profits will not be distributed in the foreseeable future.

There were no other significant temporary differences relating to deferred tax assets or liabilities not provided for as at 31 December 2014 and 2013.

26 Employee retirement benefits

Defined contribution retirement plans

The PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions at the rate of 18% to 22% of the eligible employees' salaries to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the Group and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the scheme vest immediately.

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

(Expressed in Renminbi)

27 Equity settled share-based transactions

The Company has two share option schemes namely, the Pre-IPO Employee Share Option Scheme (the "Pre-IPO Share Option Scheme") and the Share Option Scheme, which were adopted on 12 September 2008 and 4 September 2009 respectively.

(a) Pre-IPO Share Option

On 4 September 2009, the Company granted options to subscribe for an aggregate of 9,611,100 shares of the Company to its senior management and employees under the Pre-IPO Share Option Scheme at an exercise price of HK$3.12, being 80% of the initial public offering price. No further option could be granted under the Pre-IPO Share Option Scheme after 4 September 2009.

(i) The terms and conditions of the grant are as follows:

Options granted to employees on 4 September 2009:

Number of instruments	Vesting conditions	Contractual life of options
6,540,631	Note (I)	6 years
423,513	Note (II)	7 years
2,646,956	Note (III)	8 years
9,611,100		

Notes:

(I) These options are exercisable during the period commencing from the day immediately following the expiry of one year period after 25 September 2009 (the "Listing Date"), and ending on the day falling six years after the Listing Date, during which, (a) up to 30% options granted may be exercised on or prior to the end of the second year after the Listing Date; (b) subject to (a), up to 60% options granted may be exercised on or prior to the end of the third year after the Listing Date; and (c) subject to (a) and (b), all outstanding options may be exercised prior to the expiry of the said exercise period, failing which the options will lapse and no longer be exercisable.

(II) These options are exercisable by the relevant grantees during the period commencing from the day immediately following the expiry of two year period after the Listing Date, and ending on the day falling seven years after the Listing Date, during which, (a) up to 30% of the options granted may be exercised on or prior to the end of the third year after the Listing Date; (b) subject to (a), up to 60% of the options granted may be exercised on or prior to the end of the fourth year after the Listing Date; and (c) subject to (a) and (b), all outstanding options may be exercised prior to the expiry of the said exercise period, failing which the options will lapse and no longer be exercisable.

(III) These options are exercisable by the grantee during the period commencing from the day immediately following the expiry of three year period after the Listing Date, and ending on the day falling eight years after the Listing Date, during which, (a) up to 30% of the options granted may be exercised on or prior to the end of the fourth year after the Listing Date; (b) subject to (a), up to 60% of the options granted may be exercised on or prior to the end of the fifth year after the Listing Date; and (c) subject to (a) and (b), all outstanding options may be exercised prior to the expiry of the said exercise period, failing which the options will lapse and no longer be exercisable.

(Expressed in Renminbi)

27 Equity settled share-based transactions (continued)

(a) Pre-IPO Share Option (continued)

(ii) The number and weighted average exercise price of share options are as follows:

	2014		2013	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at 1 January	**HK$3.12**	**7,733,479**	HK$3.12	8,054,057
Exercised during the year	**HK$3.12**	**(2,785,096)**	HK$3.12	(320,578)
Outstanding at 31 December	**HK$3.12**	**4,948,383**	HK$3.12	7,733,479
Exercisable at 31 December	**HK$3.12**	**4,948,383**	HK$3.12	6,674,696

The weighted average closing price immediately before dates on which share options were exercised during the year was HK$5.44 (2013: HK$4.97).

The share options outstanding at 31 December 2014 had an exercise price of HK$3.12 (2013: HK$3.12) and a weighted average remaining contractual life of 0.8 years (2013: 2.5 years).

(Expressed in Renminbi)

27 Equity settled share-based transactions (continued)

(b) Share Option Scheme

Pursuant to the Share Option Scheme, the directors of the Company may invite, at their discretion, eligible participants, including employees and directors of any company in the Group, to take up options to subscribe for shares of the Company to a maximum of 120,000,000 shares.

(i) *The terms and conditions of options offered to employees on 29 November 2011 (the "Date of Offer") and accepted by the employees in December 2011 are as follows:*

No. of instruments:	1,130,000
Contractual life of options:	7 years
Exercise price:	HK$6.63
Vesting conditions:	The options are exercisable by the grantees during the period commencing from the day immediately following the expiry of one year period after 29 November 2011, the Date of Offer, and ending on the day falling seven years after the Date of Offer, during which, (a) up to 265,000 options granted may be exercised on or prior to the end of the second year after the Date of Offer; (b) subject to (a), up to 530,000 options granted may be exercised on or prior to the end of the third year after the Date of Offer; (c) subject to (a) and (b), up to 710,000 options granted may be exercised on or prior to the end of the fourth year after the Date of Offer; (d) subject to (a), (b) and (c), up to 890,000 options granted may be exercised on or prior to the end of the fifth year after the Date of Offer; and (e) subject to (a), (b), (c) and (d), all outstanding options may be exercised prior to the expiry of the said exercise period, failing which the options will lapse and no longer be exercisable.

The closing prices of the Company's shares immediately before the Date of Offer and on the Date of Offer were HK$6.01 and HK$6.63 respectively.

(ii) *The number and weighted average exercise price of share options are as follows:*

	2014		2013	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at 1 January and 31 December	**HK$6.63**	**1,130,000**	HK$6.63	1,130,000
Exercisable at 31 December	**HK$6.63**	**710,000**	HK$6.63	530,000

The share options outstanding at 31 December 2014 had an exercise price of HK$6.63 (2013: HK$6.63) and a weighted average remaining contractual life of 3.9 years (2013: 4.9 years).

28 Capital, reserves and dividends

(a) Movements in components of equity

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

The Company

	Note	Share capital (note 28(c)) RMB'000	Share premium (note 28(d)(i)) RMB'000	Capital reserve (note 28(d)(iii)) RMB'000	Exchange reserve (note 28(d)(iv)) RMB'000	(Accumulated losses)/ retained profits RMB'000	Total equity RMB'000
At 1 January 2013		105,801	72,976	8,808	(59,340)	(6,144)	122,101
Changes in equity for 2013:							
Shares issued under share option scheme	28(c)(i)	25	1,076	(319)	–	–	782
Equity settled share-based payments	28(d)(iii)	–	–	920	–	–	920
Dividends approved in respect of the previous year	28(b)	–	–	–	–	(238,063)	(238,063)
Dividends declared in respect of the current year	28(b)	–	(73,436)	–	1,105	(87,306)	(159,637)
Total comprehensive income for the year		–	–	–	3,722	387,903	391,625
At 31 December 2013 and 1 January 2014		**105,826**	**616**	**9,409**	**(54,513)**	**56,390**	**117,728**
Changes in equity for 2014:							
Shares issued under share option scheme	28(c)(i)	**223**	**9,140**	**(2,413)**	**–**	**–**	**6,950**
Equity settled share-based payments	28(d)(iii)	**–**	**–**	**470**	**–**	**–**	**470**
Dividends approved in respect of the previous year	28(b)	**–**	**–**	**–**	**–**	**(203,143)**	**(203,143)**
Dividends declared in respect of the current year	28(b)	**–**	**–**	**–**	**–**	**(163,332)**	**(163,332)**
Total comprehensive income for the year		**–**	**–**	**–**	**942**	**366,280**	**367,222**
At 31 December 2014		**106,049**	**9,756**	**7,466**	**(53,571)**	**56,195**	**125,895**

28 Capital, reserves and dividends (continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2014 RMB'000	2013 RMB'000
Interim dividend declared and paid of HK12 cents (2013: HK12 cents) per share	**115,293**	112,685
Special interim dividend declared and paid of HK5 cents (2013: HK5 cents) per share	**48,039**	46,952
Final dividend proposed after the balance sheet date of HK17 cents (2013: HK16 cents) per share	**163,675**	154,776
Special final dividend proposed after the balance sheet date of HK6 cents (2013: HK5 cents) per share	**57,768**	48,367
	384,775	362,780

The final dividend and special final dividend proposed after the balance sheet date have not been recognised as liabilities at the balance sheet date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2014 RMB'000	2013 RMB'000
Final dividend in respect of the previous financial year of HK16 cents (2013: HK19 cents) per share	**154,776**	180,928
Special final dividend in respect of the previous financial year of HK5 cents (2013: HK6 cents) per share	**48,367**	57,135
	203,143	238,063

(c) Share capital

	2014 HK$'000	2013 HK$'000
Authorised:		
100,000,000,000 shares of HK$0.10 each	**10,000,000**	10,000,000

28 Capital, reserves and dividends (continued)

(c) Share capital (continued)

Movements in the Company's issued share capital are as follows:

	Note	Number of shares '000	Nominal value of ordinary shares HK$'000	RMB'000
Issued and fully paid:				
At 1 January 2013		1,200,838	120,084	105,801
Issues of shares on exercise of share options	(i)	321	32	25
At 31 December 2013 and 1 January 2014		**1,201,159**	**120,116**	**105,826**
Issues of shares on exercise of share options	(i)	**2,785**	**278**	**223**
At 31 December 2014		**1,203,944**	**120,394**	**106,049**

(i) Issues of shares on exercise of share options

During the year, pursuant to the Company's Pre-IPO Share Option Scheme (note 27), options were exercised to subscribe for 2,785,096 ordinary shares (2013: 320,578 ordinary shares) in the Company at a consideration of RMB6,950,000 (2013: RMB782,000) of which RMB223,000 (2013: RMB25,000) was credited to share capital and the balance of RMB6,727,000 (2013: RMB757,000) was credited to the share premium account. RMB2,413,000 (2013: RMB319,000) has also been transferred from the capital reserve to the share premium account in accordance with the policy set out in note 1(n)(ii).

(d) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve

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

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

28 Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves (continued)

(iii) Capital reserve

The capital reserve comprises the following:

(i) Fair value of design consultancy services contributed by the then shareholders and fair rental value of properties owned by the then shareholders but occupied by the Group prior to the listing of the Company's shares on the Main Board of the Stock Exchange amounting to RMB1,143,000.

(ii) Capitalisation of a loan from then shareholders amounting to RMB139,422,000 in 2008.

(iii) The portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for the share-based payments in note 1(n)(ii).

(iv) Exchange reserve

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

(e) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$12,729,000 (2013: HK$11,299,000).

(f) Capital management

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

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

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

29 Financial risk management and fair value

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

(a) Credit risk

The Group's credit risk is primarily attributable to deposits with banks and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(i) Trade and other receivables

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 to 240 days from the date of billing. The Group will also obtain deposits from customers prior to delivery of goods when credit limits granted are temporarily exceeded.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer, therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the balance sheet date, 9.5% (2013: 4.6%) and 21.6% (2013: 11.2%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

At 31 December 2014, the Group had endorsed bank acceptance bills to its suppliers totalling RMB126,250,000 (2013: RMB201,990,000), which were derecognised as financial assets. The transferees have recourse to the Group in case of default by the issuing banks. In such cases, the Group would have to repurchase these bank acceptance bills at face value. Because these bank acceptance bills mature within six months from issue, the Group's maximum loss in case of default is RMB126,250,000 (2013: RMB201,990,000) before these bills mature by 30 June 2015.

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

(ii) Deposits with banks

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

29 Financial risk management and fair value (continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash requirements. The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables present the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, base on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay.

The Group

	2014				2013			
	Contractual undiscounted cash outflow				Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Bank loans	861,566	–	861,566	854,590	424,180	147,407	571,587	562,968
Trade and other payables	416,961	–	416,961	416,961	332,459	–	332,459	332,459
Retention payables	–	–	–	–	–	910	910	910
	1,278,527	–	1,278,527	1,271,551	756,639	148,317	904,956	896,337

The Company

	2014				2013			
	Contractual undiscounted cash outflow				Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Bank loans	145,586	–	145,586	143,946	143,298	–	143,298	140,742
Trade and other payables	499	–	499	499	589	–	589	589
Amount due to a subsidiary	2,237	–	2,237	2,237	2,237	–	2,237	2,237
	148,322	–	148,322	146,682	146,124	–	146,124	143,568

29 Financial risk management and fair value (continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from pledged bank deposits, bank deposits, cash at bank and bank loans. The Group's and the Company's interest rate profiles as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's interest generating financial assets and interest bearing financial liabilities at the balance sheet date:

The Group

	2014		2013	
	Effective interest rate	**Amount RMB'000**	Effective interest rate	Amount RMB'000
Fixed rate instruments:				
Pledged bank deposits	**3.38%**	**846,131**	4.58%	612,000
Bank deposits	**4.90%**	**100,000**	2.12%	378,532
		946,131		990,532
Variable rate instruments:				
Cash at bank and in hand	**0.37%**	**1,845,179**	0.38%	1,217,256
Bank loans	**1.81%**	**(854,590)**	2.29%	(562,968)
		1,936,720		1,644,820

The Company

	2014		2013	
	Effective interest rate	**Amount RMB'000**	Effective interest rate	Amount RMB'000
Variable rate instruments:				
Cash at bank and in hand	**0.01%**	**9,197**	0.23%	4,497
Bank loans	**1.64%**	**(143,946)**	2.62%	(140,742)
Total instruments		**(134,749)**		(136,245)

29 Financial risk management and fair value (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis point in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB5,358,000 (2013: RMB4,540,000). Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the impact on the Group's profit for the year and retained profits that would arise assuming that there is an annualised impact on interest income and interest expense by a change in interest rates. The analysis has been performed on the same basis in 2013.

(d) Currency risk

The Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the management consider the Group's exposure to currency risk is not significant. The Group does not employ any financial instruments for hedging purposes.

(e) Fair values

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2013 and 2014.

30 Commitments

(a) Capital commitments

Capital commitments of the Group in respect of property, plant and equipment, land use rights and computer system and software outstanding at 31 December 2014 not provided for in the financial statements were as follows:

	2014	2013
	RMB'000	RMB'000
Contracted for	**15,172**	4,315
Authorised but not contracted for	**519,540**	243,693
	534,712	248,008

30 Commitments (continued)

(b) Operating lease commitments

At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014 **RMB'000**	2013 RMB'000
Within one year	**1,617**	1,609

During the years ended 31 December 2013 and 2014, the Group entered into lease agreements for properties in Hong Kong and mainland China. The leases typically run for an initial period of one to five years, certain leases could be terminated by one to three months written notice during the term, and with an option to renew the lease upon expiry when all terms are renegotiated. None of the leases includes contingent rentals.

31 Material related party transaction

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

On 19 December 2013, the Group entered into a three year lease in respect of certain leasehold properties with Jinlang (Fujian) Investments Co., Ltd. which is wholly owned by Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, three of the executive directors and controlling shareholders of the Company. During the year ended 31 December 2014, total rental paid or payable by the Group under the tenancy agreement amounted to RMB3,120,000 (2013: RMB3,031,000).

The above related party transaction constituted continuing connected transaction as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Continuing connected transaction" of the Report of the Directors.

32 Significant accounting estimates and judgements

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(a) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives. Intangible assets except for those with indefinite lives are amortised on straight line basis over the estimated useful lives. The Group reviews annually the useful life of an asset and its residual value, if any, based on the Group's experience with similar assets and taking into account anticipated technology changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimation.

32 Significant accounting estimates and judgements (continued)

(b) Impairments

The Group reviews the carrying amounts of the assets at each balance sheet date to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cashflow to assess the differences between the carrying amount and value in use and provide for impairment loss. Any change in the assumption adopted in the cash flow forecasts would increase or decrease in the provision of impairment loss and affect the Group's net asset value.

Impairment losses for bad and doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment loss would affect the net profit in the year and in future years.

(c) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future profit will be available against which the deductible temporary differences can be utilised, management's judgement is required to assess the probability of future taxable profits.

(d) Net realisable value of inventories

The Group performs regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(e) Impairment of trade and other receivables

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

32 Significant accounting estimates and judgements (continued)

(f) Bank acceptance bills

As set out in note 29(a)(i), the Group considers that the credit risk associated with bank acceptance bills issued by major banks in the PRC to be insignificant. The Group monitors the credit risk of issuing banks. The judgement to derecognise bank acceptance bills upon discounting or endorsement is reviewed when the credit risk of issuing banks deteriorates significantly.

33 Immediate and ultimate controlling party

At 31 December 2014, the Directors consider the immediate and ultimate controlling party of the Group to be Xiao Sheng International Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

Five Years Summary

(Expressed in Renminbi)

	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Turnover	2,053,007	2,707,995	2,793,370	2,298,634	**2,432,956**
Profit from operations	479,648	703,731	709,398	581,977	**680,760**
Net finance income	8,456	49,096	57,399	63,928	**85,912**
Profit before taxation	488,104	752,827	766,797	645,905	**766,672**
Income tax	(69,376)	(129,689)	(140,000)	(129,815)	**(211,764)**
PROFIT FOR THE YEAR	418,728	623,138	626,797	516,090	**554,908**
Earnings per share					
Basic (cents)	34.89	51.90	52.20	42.97	**46.17**
Diluted (cents)	34.72	51.66	52.04	42.88	**46.06**
Assets and liabilities					
Non-current assets	264,097	409,739	774,687	583,741	**414,014**
Net current assets	1,608,117	1,816,790	1,970,422	2,138,121	**2,350,124**
Total assets less current liabilities	1,872,214	2,226,529	2,745,109	2,721,862	**2,764,138**
Non-current liabilities	12,077	49,323	363,103	208,379	**66,269**
NET ASSET	1,860,137	2,177,206	2,382,006	2,513,483	**2,697,869**
Capital and reserves					
Share capital	105,775	105,792	105,801	105,826	**106,049**
Reserves	1,754,362	2,071,414	2,276,205	2,407,657	**2,591,820**
TOTAL EQUITY	1,860,137	2,177,206	2,382,006	2,513,483	**2,697,869**