富貴鳥股份有限公司
FUGUINIAO CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 01819

ANNUAL REPORT 2014

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lam Wo Ping *(Chairman)*
Mr. Lam Wing Ho
Mr. Lam Wo Sze
Mr. Lam Kwok Keung
Mr. Hong Huihuang

Non-executive Director

Mr. Zhai Gang

Independent non-executive Directors

Mr. Wang Zhiqiang
Ms. Long Xiaoning
Mr. Li Yuzhong
Ms. Chan Wah Man, Carman

SUPERVISORS

Mr. Zhang Haimu *(Chairman)*
Mr. Zhou Xinyu
Ms. Wang Xinhui

AUDIT COMMITTEE

Mr. Wang Zhiqiang *(Chairman)*
Ms. Long Xiaoning
Ms. Chan Wah Man, Carman

REMUNERATION COMMITTEE

Ms. Chan Wah Man, Carman *(Chairlady)*
Mr. Li Yuzhong
Mr. Lam Wo Ping

NOMINATION COMMITTEE

Mr. Lam Wo Ping *(Chairman)*
Ms. Long Xiaoning
Mr. Li Yuzhong

STRATEGY COMMITTEE

Mr. Lam Wo Ping *(Chairman)*
Mr. Zhai Gang
Mr. Li Yuzhong

COMPANY SECRETARY

Mr. Liu Guodong *(HKICPA)*

AUTHORISED REPRESENTATIVES

Mr. Lam Wo Ping
Mr. Liu Guodong *(HKICPA)*

REGISTERED OFFICE

Fuguiniao Industrial Park
East Section, Baqi Road
Shishi City
Fujian Province
The PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Fuguiniao Industrial Park
East Section, Baqi Road
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Fujian Province
The PRC

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COMPANY'S WEBSITE

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AUDITORS

KPMG
Certified Public Accountants

LEGAL ADVISOR AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

COMPLIANCE ADVISER

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H SHARE REGISTRAR

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Shops 1712–1716
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The PRC

Bank of China Limited Shishi Sub-branch

Zhongyin Building
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Shishi City
Fujian Province
The PRC

FINANCIAL SUMMARY

	Year ended 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Turnover	2,322,982	2,294,287	1,932,129	1,651,560	1,070,090
Profit from operations	626,035	616,851	474,056	376,252	201,826
Income tax expense	(150,912)	(149,583)	(108,352)	(72,129)	(42,235)
Profit for the year	451,222	443,729	323,587	253,854	118,741
Basic earnings per share (RMB)	0.84	1.10	N/A	N/A	N/A
Gross profit margin	39.5%	38.6%	33.8%	31.0%	26.4%
Operating profit margin	26.9%	26.9%	24.5%	22.8%	18.9%
Net profit margin	19.4%	19.3%	16.7%	15.4%	11.1%

	As at 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Non-current assets	122,485	128,599	328,626	236,713	224,602
Current assets	2,990,964	2,614,462	1,132,944	1,384,006	1,130,373
Current liabilities	920,383	803,364	660,028	1,000,440	878,176
Net current assets	2,070,581	1,811,098	472,916	383,566	252,197
Total assets less current liabilities	2,193,066	1,939,697	801,542	620,279	476,799
Net assets	2,193,066	1,939,697	801,542	620,279	476,799
Share Capital	534,909	533,340	400,000	293,633	273,339
Reserves	1,658,157	1,406,357	401,542	326,646	203,460
Total equity	2,193,066	1,939,697	801,542	620,279	476,799

FINANCIAL RATIOS

	2014	2013
Gross profit margin	39.5%	38.6%
EBITDA margin	27.6%	27.8%
Net profit margin	19.4%	19.3%
Return on equity (1)	20.6%	22.9%
Return on total assets (2)	14.5%	16.2%
Current ratio (3)	325.0%	325.4%
Gearing ratio (4)	18.3%	21.5%
Net debt to equity ratio (5)	Net Cash	Net cash
Interest coverage (6)	26.2	26.2

Notes:

(1) Return on equity ratio is calculated by dividing profit and total comprehensive income for the year by total equity at the end of the year and multiplying by 100%.

(2) Return on total assets ratio is calculated by dividing profit and total comprehensive income for the year by total assets at the end of the year and multiplying by 100%.

(3) Current ratio is calculated by dividing total current assets at the end of the year by total current liabilities at the end of the year and multiplying by 100%.

(4) Gearing ratio is calculated by dividing the total bank loans at the end of the year by total equity at the end of the year and multiplying by 100%.

(5) Net debt to equity ratio is calculated by dividing total bank loans net of cash and cash equivalents at the end of the year by total equity at the end of the year and multiplying by 100%.

(6) Interest coverage is calculated by dividing the profit before finance costs and income tax expenses for the year by total finance costs for the year.

OPERATIONAL PERFORMANCE KEPT STEADY GROWTH

During the year under review, the Group's turnover was approximately RMB2,323.0 million (2013: RMB2,294.3 million), showing a steady growth. The stable growth of the Group's footwear products led to a turnover of approximately RMB1,817.4 million (2013: RMB1,815.5 million), accounting for 78.2% of the Group's total sales. The Group's gross profit amounted to approximately RMB917.3 million (2013: RMB886.3 million). The profit attributable to shareholders amounted to approximately RMB451.2 million (2013: RMB443.7 million), representing a healthy growth.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Fuguiniao Co., Ltd. (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual performance report of the Group for the year ended 31 December 2014 ("the year under review").

Global economic recovery took significantly different paths during 2014. While economic recovery continued in the United States, Japan was facing economic slowdown and the European economy was stuck at near-zero growth. China recorded an annual gross domestic product (the "GDP") growth of 7.4% during 2014, demonstrating a slowdown in growth. The shift from rapid growth to medium to high speed growth has become the "new normal" for Chinese economy.

During 2014, the consumption market in China performed steadily and the annual total retail sales of consumer goods reached RMB26.24 trillion, representing a year-on-year ("YoY") growth of 12.0% (a real growth of 10.9% excluding price factors). The annual final consumption expenditure contributed to 51.2% of GDP, 3 percentage points higher than last year. Consumption has become a key driver of economic growth. Meanwhile, the footwear and apparel industry in China maintained steady growth. The annual retail sales of apparel, footwear, headwear, knitwear and textiles reached RMB1.26 trillion, representing a YoY growth of 10.9%.

The e-commerce in China still kept its strong growth momentum. The country's online retail sales were at RMB2.79 trillion in 2014, representing a YoY growth of 49.7%. Based on the calculation of the Department of Electronic Commerce and Informatisation under the Ministry of Commerce, the e-commerce transaction volume (including business to business ("B2B") and online retailing) reached around RMB13 trillion in 2014, representing a YoY growth of 25%. The swift development of e-commerce has changed the shopping habit of consumers, making the integration of the footwear and apparel industry and e-commerce an irresistible trend.

In 2014, in order to continue to strengthen Fuguiniao's position as the leading footwear and business casual menswear seller in China, the Group introduced and implemented its corporate strategies in the following aspects:

Firstly, further strengthening and refining the offline sales and distribution network. During 2014, affected by the macroeconomy and the transitional stage of the channels of the footwear and apparel industry, the Group adopted a prudent store opening strategy by continuously refining and enhancing the operating efficiency of existing stores. As of 31 December 2014, the Group's nationwide retail network had 3,144 retail outlets in 31 provinces, autonomous regions and municipalities throughout China. Among these retail outlets, 251 were proprietary retail outlets. The Group also achieved stable growth in its e-commerce and

institutional purchase operations during 2014.

Secondly, enhancing the cooperation with e-commerce platforms. The self-owned Fuguiniao WeChat distribution platform and online-to-offline ("O2O") were launched during the second half of 2014. As of 31 December 2014, the Group has been cooperating with twelve e-commerce platforms in China. Meanwhile, the rapid expansion of member stores under the Fuguiniao WeChat distribution platform has brought positive results for the brand advertising and new product promotional campaigns of Fuguiniao. As the next step, the Company will increase its investment in O2O with a view to integrating its online and offline channels and thus creating synergy.

Thirdly, further promoting the brands to increase brand awareness. Characterised by genuine leather made products offering good ventilation and comfortable wearing experience, the Fuguiniao brand has built up an excellent reputation among consumers over the years. During 2014, the Group focused on promoting the outstanding features of Fuguiniao footwear, such as good ventilation and high comfort, through various marketing and advertising channels, including television, newspapers and outdoor media.

Fourthly, enhancing the product design and development capability and researching and developing thematic footwear and apparel products. During 2014, the Company introduced three main series of thematic men's and ladies' leather shoes and menswear products, namely the "New Classical Style", "New Business Style" and "New

Comfortable Style", to cater to different consumption demands. The combined marketing effort of the classical, business and comfortable styles has reaped outstanding results, and thematic product design and marketing ideas will continue to be adopted in 2015.

Fifthly, continuing to expand and diversify the product offering. The Company offers three self-owned brands, namely "Fuguiniao", "FGN" and "AnyWalk", with "Fuguiniao" as the star brand, "FGN" as a high-end brand for consumption upgrading and "AnyWalk" as a fashionable brand targeted at young and fashion-conscious population. In addition, in 2014, the Company succeeded in researching and developing the innovative Fuguiniao Health Function series, which was gradually launched in the nationwide market. The health function footwear took advantage of the population structure trend in China as the country fully steps into an aging society. The Company is also the first footwear and apparel company in China to produce such health footwear with its own patented technology.

Sixthly, enhancing the information systems technology so as to strengthen the vertically integrated business model. Through the vertically integrated business model, direct supervision and management can be exercised over main business operations, including product design, raw material procurement, production and outsourcing, marketing and promotion, product sales and distribution, thereby facilitating quick response of each segment of the Company's industrial chain and enhancing the flexibility and adaptability of the Company.

During the year under review, the Group's turnover was approximately RMB2,323.0 million (2013: RMB2,294.3 million), showing a steady growth. The stable growth of the Group's footwear products led to a turnover of approximately RMB1,817.4 million (2013: RMB1,815.5 million), accounting for 78.2% of the Group's total sales. The Group's gross profit amounted to approximately RMB917.3 million (2013: RMB886.3 million). The profit attributable to shareholders amounted to approximately RMB451.2 million (2013: RMB443.7 million), representing a healthy growth.

Looking forward, medium to high speed development will become the "new normal" in China's macroeconomy. As the transformation of the economic growth pattern in China continues, consumption will further increase its percentage in the national economy. The urbanisation reform in China will also lead to a further rise in income level of rural households and stimulate the consumption demand from the large rural population, which will grow to become a potential consumer group of the Company. With its long-standing position in the first, second and third-tier cities in China and high reputation throughout the country, the Group will definitely benefit from this round of consumption upgrading.

In 2015, the Group will continue strengthening Fuguiniao's position as the leading footwear and business casual menswear brand in China by continuing to consolidate and refine the sales and distribution network and enhancing same-store operating efficiency. The Group will also include e-commerce as

one of the Company's key development strategies. In 2015, the Group will further promote the brands to increase brand awareness, constantly enhance its product design and development capability, continue to expand and diversify the product offering, and continue to enhance the information systems technology so as to strengthen the vertically integrated business model. Furthermore, the Group will proactively explore the opportunities to market the Company's products on overseas e-commerce platforms.

The Group will take active measures in 2015 to expand the development of e-commerce by increasing the infrastructure investment in O2O and the WeChat platform for the purpose of expanding the e-commerce sector on one hand and establishing an independent team to proactively explore the opportunities to market the Company's products on overseas e-commerce platforms on the other hand. The Company will also increase human resources for the management and development of its existing domestic e-commerce operations. Through channels such as existing offline human resources, train media and press media, the Company will increase the use of WeChat to quickly disseminate information about new stores and marketing information as well as accumulate e-commerce end-customers. Meanwhile, the Company plans to implement precision marketing by encouraging distributor customers to focus more efforts on stores and technology in order to increase the frequency of retail sales. In the meantime, the Group will actively seek targets for merger and acquisition in order to expedite its business development. Based on the internal intention of the Company, cross-border e-businesses will be the targets for merger and acquisition so as to speed up the expansion of the overseas online business.

In 2015, the Group will continue to take greater effort in marketing and promoting Fuguiniao Health Function Footwear. As China turns into an aging society, we believe that the demand for health function footwear, which has healthcare functions, will be immense. As a branded footwear manufacturer taking the lead in designing, producing and manufacturing health function footwear in China, the Group possesses exclusive patented technology to produce health function footwear. We believe that by gauging the changes in industrial trends and consumption concepts accurately on a timely basis, the Company will be able to create new core competence.

Finally, I would like to thank our Board members, management and staff for their contributions to the Company. At the same time, I would also like to express my deep gratitude to our shareholders and customers for their long-term support. The Group will continue to seize opportunities for future growth, exploring and innovating to attain more excellent performance and to bring long-term and continuous returns to our shareholders and investors.

Lam Wo Ping
Chairman and Executive Director

Hong Kong, 12 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Global economic recovery took significantly different paths during 2014, with smooth economic recovery witnessed in the United States and a less than optimistic outlook for the other economies, including Europe. Affected by sluggish overseas demand, overcapacity and economic restructuring, Chinese economy faced certain downward pressure. China recorded an annual gross domestic product (the "GDP") growth of 7.4% during 2014, demonstrating a slowdown in growth. The shift from rapid growth to medium to high speed growth has become the "new normal" for Chinese economy.

The consumption market in China performed steadily during 2014. The annual total retail sales of consumer goods reached RMB26.24 trillion, representing a year-on-year ("YoY") growth of 12.0% (a real growth of 10.9% excluding price factors). Consumption is increasing its percentage in China's national economy, with the annual final consumption expenditure contributing to 51.2% of GDP, 3 percentage points higher than last year. Consumption has become a key driver of national economic growth.

During 2014, the footwear and apparel industry in China maintained steady growth. The annual retail sales of apparel, footwear, headwear, knitwear and textiles reached RMB1.26 trillion, representing a YoY growth of 10.9%. The footwear and apparel industry is undergoing a transitional stage of adjustment, with online channels continuously eating up the market share of offline channels. Meanwhile, the continuous development of e-commerce is changing the shopping habit of consumers, making the integration of the footwear and apparel industry and e-commerce an irresistible trend. With e-commerce, consumers are more prone to focusing on the characteristics of the footwear and apparel products. In the footwear and apparel industry, the "product-oriented" era is gradually replacing the "channel-oriented" era.

The Group is confident in the development opportunities of the footwear and apparel industry in view of the followings: (1) the constant efforts of the PRC government in economic restructuring and the increase in percentage of consumption in the national economy in recent years and the improvement of the resident consumption level in China will trigger a new round of consumption upgrading; and (2) the urbanisation reform in China will lead to a further rise in income level of rural households and stimulate the consumption demand from the large rural population, which will grow to become a potential consumer group of the Company. The Group has a long-standing position in the first, second and third-tier cities in China and enjoys high reputation throughout the country. With the full production line introduced from Italy, the Group will definitely benefit from this round of consumption upgrading by offering comfortable wearing experience and presenting outstanding cost-performance ratio to consumers.

Business Review

We conduct our business under two main models: a branded product business model, under which we sell products under our own brands, and an original equipment manufacturer ("OEM")/original design manufacturer ("ODM") business model, under which we manufactures footwear products for third-party brands. Our products include men's and women's footwear and business casual menswear products sold under our Fuguiniao, FGN and AnyWalk brands, as well as leather accessories sold under our Fuguiniao brand.


AnyWalk

Sales and distribution network

We sell our branded products through our network of distributors and certain direct sales channels, including direct large-scale institutional purchases and online sales. We primarily sell our branded products on a wholesale basis to our distributors, who then sell them to end customers through retail outlets they operate or which are operated by third-party retailers with whom they contract. We also sell our products directly to end customers through proprietary outlets we operate.

We distribute our branded products through an extensive nationwide retail network consisting of 3,144 retail outlets across 31 provinces, autonomous regions and municipalities in the PRC as at 31 December 2014. The following table sets forth the number of distributors and retail outlets operated by us, our distributors and third-party retailers by region in the PRC as at 31 December 2013 and 2014:

	As at 31 December			
	2014		2013	
PRC regions	No. of retail outlets(1)	No. of distributors(2)	No. of retail outlets(1)	No. of distributors(2)
Northeastern PRC	392	7	392	7
Northern PRC	679	12	705	11
Eastern PRC	824	18	874	17
Central Southern PRC	640	12	649	12
Northwestern PRC	251	5	286	5
Southwestern PRC	358	7	453	8
Total	3,144	61	3,359	60

Notes:

(1) The number of retail outlets refers to retail outlets operated by us directly and by our distributors and third-party retailers.

(2) The number of distributors are categorised in accordance with their locations.

Among the 3,144 retail outlets as at 31 December 2014, 1,357 retail outlets were owned and operated by our distributors, 1,536 retail outlets were owned and operated by third-party retailers and the remaining 251 outlets were operated directly by us. In addition, as at 31 December 2014, of our 3,144 retail outlets, 2,197 were department store outlets and the remaining were stand-alone stores.

The following table sets forth the number of retail outlets operated by us, our distributors and third-party retailers by sales channel as at 31 December 2013 and 2014:

	As at 31 December	
Sale Channels	2014	2013
Retail outlets operated by our distributors and third-party retailers	2,893	3,097
Proprietary retail outlets	251	262
Total	3,144	3,359

Below is a summary of the changes in the number of retail outlets during the year ended 31 December 2014:

	As at 31 December 2013	Opened	Closed	As at 31 December 2014
Retail outlets operated by our distributors and third-party retailers	3,097	472	676	2,893
Proprietary retail	262	22	33	251
Total	3,359	494	709	3,144

After a period of rapid expansion of our distribution network in 2011 when we began selling our business casual menswear products, we have taken a more conservative approach in expanding our retail network in 2014 in line with our business growth and to ensure the profitability of the retail stores.

Retail network and inventory management

We require all of the retail outlets operated by our distributors and third-party retailers to exclusively sell our products. In order to provide uniform, quality services across our retail network, we set out in our operations manual uniform standards for, among other things, store decoration and displays, marketing activities and daily operations for our distributors and third-party retailers, and we require our distributors and their third-party retailers to obtain our approval for the final location of each retail outlet.

To further implement our retail policies, we conduct random on-site inspections at individual retail outlets to ensure that the decorations, displays and retail prices in each retail outlet comply with our requirements. Through these inspections and visits, we seek to ensure that the terms and conditions of the distributorship agreements are being complied with throughout our distribution network. We identify and inform distributors of any non-conforming individual retail outlets and require them to rectify the problems within a certain period of time. We also require our distributors to conduct regular site visits to the retail outlets operated by third-party retailers they have authorised to check whether our operating standards are being followed. We believe this system of uniform operating standards and periodic checks and visits helps us to ensure all retail outlets are efficiently operated and create a pleasant shopping experience to our retail customers. We are not aware of any breach of our retail policies by the retail outlets operated by our distributors and third-party retailers in 2014.

We also recognise that controlling inventory levels is important to our overall profitability. Sales orders from our trade fairs enable us to manage our inventory of raw materials and finished products more efficiently. For this reason, we typically have low inventory levels of unused raw materials and unsold or obsolete finished products at the end of the year. As at 31 December 2014, our average inventory turnover days were 64.5 days (2013: 62.8 days), which increased compared to 31 December 2013.

To facilitate our distributors in managing their inventory levels, we launched an in-house developed online trading platform, whereby our distributors may, exchange with each other certain of our products in their inventories that may be considered out-of-season or less popular within their respective authorised regions of operation.

Product design and development

We have strong in-house research, design and development capabilities that have been critical to our success. For each of our brands, Fuguiniao, FGN and AnyWalk, we have a separate research, design and development team. We further subdivide our Fuguiniao design and development team into Fuguiniao men's footwear and women's footwear teams. We also have a menswear design and development team responsible for the overall product planning and design for our business casual menswear products. Each of our footwear design teams consists of one design director, one to two chief designers, three to ten senior designers, assistant designers and other staff and is responsible for creating designs for a wide variety of products for their particular market segment based on domestic and international fashion trends, distinctive features of the brand and market demand. As at 31 December 2014, our research, design and development team comprised 207 members, including five design directors, six chief designers and several senior designers, who possessed an approximate average of 16 years of design experience in the footwear industry. In addition, each of our accessories design team and our menswear design team comprises one chief designer.

We conduct detailed product research involving the collection of market and fashion information to create a wide variety of products that are consistent with the contemporary international fashion trends and cater to the preferences of our target consumer groups in China. Members of our design and development team regularly attend domestic and overseas trade and fashion shows to obtain latest trends and market developments in terms of design, material usage and color schemes. To better understand consumer preferences, our distributors and their third-party retailers periodically provide us customer feedback information.

In March 2015, the Company was accredited as one of the "Top Ten Innovative Enterprises in Industrial Design for the Year 2014 (2014年度工業設計十佳創新型企業)" by various institutions, including Quanzhou Municipal Commission of Economy and Informatization.

Based on our detailed research on fashion trends, domestic consumer preferences and certain other relevant information, our footwear designers and brand design directors typically determine applicable seasonal themes with respect to the styles, colors, materials and other features of footwear products to be developed. After the seasonal themes have been determined, our design team commences the design of the collections by preparing drawings and sketches of a particular style and shoe last. The first batch of shoe plates would be created based on these drawings and sketches. Plates that passed our preliminary selection process are matched with suitable colors and made into prototypes. Our technical team then analyses and approves the technologies used in making the prototypes before they are submitted to the prototype selection meetings. In a prototype selection meeting, we consider a number of factors, including adherence to our initial design concepts and suitability for mass production before the prototypes can be displayed at our trade fairs. We would also invite several representatives from our distributors to participate in our design processes to preview and evaluate the molds, styles and colors of our new footwear products. We are thus able to draw upon their market sensitivity and local knowledge in making products that cater to the varying tastes of our end customers.

With respect to design and development of our menswear products, we maintain a design and development process for our jacket products and outsource the design and development of our other menswear products, such as pants and sweaters. We also design and make our own ODM product prototypes in accordance with our ODM customers' requirements.

We believe by leveraging our in-depth knowledge of the market and fashion trends and the preferences of our target consumer groups in China, we are able to transform our designs into commercially viable, high-quality and widely accepted products. We believe our strong research and development capabilities enable us to maintain our brand image, expand our product portfolio and strengthen our competitiveness in the PRC footwear and menswear industries. As at 31 December 2014, we had the capacity to introduce over 1,500 stock keeping units ("SKUs") into the market for our branded footwear products and approximately 300 SKUs for our business casual menswear products for each season.

Production

We have three production facilities strategically located in Shishi City, Fujian Province, China, which have easy access to sea ports, airports and expressways. As at 31 December 2014, we had a combined annual production capacity of approximately 5.8 million pairs of footwear (calculated on the basis that our production facilities operate for eight hours per day and 300 days per year).

Marketing and promotion

During 2014, we continued to engage in, among others, advertising campaigns, fashion shows and department store promotional events to increase our brand awareness. Our national advertising primarily focuses on promoting our brand image and generating consumer attention through national television advertising and advertisements in fashion magazines and newspapers. We continued to engage Mr. Lu Yi, a well-known actor in the PRC, to be the ambassador of our business casual menswear products. He has appeared in TV and print commercials and has participated in our fashion shows and promotional events.

We continue to hold fashion shows in our trade fairs in 2014 through which we display advertising videos to promote our brands and to present our newly-released footwear and menswear collections. In addition, we organize product theme promotions in department stores where a majority of our retail outlets are located. We set display boards in our retail outlets showcasing newly-arrived products to allow end customers to be familiarized with our products and styles. We generally invite singers, actors and other PRC celebrities to participate in these promotional events.

Trade fairs

We hold national trade fairs in March, May, September and November for year 2014 for the autumn, winter, spring and summer collections of our Fuguiniao and FGN branded footwear and Fuguiniao branded leather accessories, and in April and September for year 2014 for the autumn/winter and spring/summer collections of our AnyWalk branded footwear and Fuguiniao branded menswear. Such trade fairs are attended by our existing or potential distributors, as well as certain third-party retailers and retail store managers. Our distributors can place orders with us directly and third-party retailers and retail store manager can place orders through our distributors.

Financial Review

Turnover

Our turnover for the year ended 31 December 2014 amounted to RMB2,323.0 million, representing an increase of 1.3% as compared to RMB2,294.3 million for the year ended 31 December 2013. This increase was primarily a result of the increase in the sales of our men's footwear and menswear products and leather accessories.

The table below sets forth our turnover by product type for the years indicated:

	Year ended 31 December			
Product Type	**2014**		2013	
	RMB'000	**%**	RMB'000	%
Footwear	**1,817,405**	**78.2**	1,815,521	79.2
Men's footwear	**644,833**	**27.8**	618,883	27.0
Women's footwear	**1,172,572**	**50.4**	1,196,638	52.2
Menswear	**485,623**	**20.9**	473,504	20.6
Leather accessories	**19,954**	**0.9**	5,262	0.2
Total	**2,322,982**	**100.0**	2,294,287	100.0

Turnover from the sales of our footwear products increased by RMB1.9 million, or 0.1%, from RMB1,815.5 million for the year ended 31 December 2013 to RMB1,817.4 million for the year ended 31 December 2014. This increase was primarily due to (i) an increase in the turnover generated from our proprietary retail outlet, large-scales institutional purchases and online sales; and (ii) an increase in average sales prices of our footwear products in response to the increase in footwear sales price in the PRC. Moreover, our Group launched its new products under the theme of "New Classical Style", "New Business Style" and "New Comfortable Style", and the design of these products can cope with the new living style of our customers. For the year ended 31 December 2014, the sales volume of our footwear products was 8.4 million pairs, a decrease of 2.3% from 8.6 million pairs for the year ended 31 December 2013. The average sales price increased from RMB211.93 per pair to RMB217.58 per pair. This was primarily a result of the increase in suggested price ranges we provided to our distributors of our footwear products and stronger bargaining power reflecting our improving brand recognition, which allowed us to raise the prices of the products we sold to our distributors and to our end customers through our proprietary retail outlets.

Turnover from the sales of our menswear products increased by RMB12.1 million, or 2.6%, from RMB473.5 million for the year ended 31 December 2013 to RMB485.6 million for the year ended 31 December 2014. This increase was primarily due to the increase in turnover from our distributors. The sales volume of our menswear products was 3.13 million units for the year ended 31 December 2014, an increase of 1.3% from 3.08 million units for the year ended 31 December 2013. The average sales price also increased from RMB153.64 per unit to RMB155.20 per unit. This was primarily a result of increase in suggested price ranges we provided to our distributors of our menswear products and stronger bargaining power reflecting our improving brand recognition.

Turnover from the sales of leather accessories increased by RMB14.7 million, or 277.4%, from RMB5.3 million for the year ended 31 December 2013 to RMB20.0 million for the year ended 31 December 2014, primarily as a result of higher demand from our distributors and expansion of product type. The sales volume of leather accessories was approximately 201,000 units, an increase of 279.2% from approximately 53,000 units for the year ended 31 December 2013. The average sales price was remained stable at approximately RMB99 per unit.

The following table sets forth the number of units sold and the average sales price for each of our product type for the years indicated:

	Year ended 31 December					
	2014			2013		
	Turnover RMB'000	Units Sold '000	Average Sales Price RMB	Turnover RMB'000	Units Sold '000	Average Sales Price RMB
Product Type						
Footwear	1,817,405	8,353	217.58	1,815,521	8,567	211.93
Menswear	485,623	3,129	155.20	473,504	3,082	153.64
Leather accessories	19,954	201	99.27	5,262	53	99.28
Total	2,322,982			2,294,287		

In addition, turnover from the sales of our Fuguiniao branded products increased by RMB85.5 million, or 4.8%, from RMB1,771.6 million for the year ended 31 December 2013 to RMB1,857.1 million for the year ended 31 December 2014. This increase was primarily due to an increase in average sales price.

Turnover from the sales of our FGN products decreased by RMB54.7 million, or 43.1%, from RMB126.9 million for the year ended 31 December 2013 to RMB72.2 million for the year ended 31 December 2014, primarily due to a decrease in sales volume. Turnover from the sales of our AnyWalk products increased from RMB45.4 million for the year ended 31 December 2013 to RMB50.5 million for the year ended 31 December 2014, primarily due to the on-going adjustment we are making to the products' style, which resulted in us selling a higher portion of in-stock products with less offering of new products.

Turnover from the sales of our OEM/ODM products decreased by RMB7.2 million, or 2.0%, from RMB350.4 million for the year ended 31 December 2013 to RMB343.2 million for the year ended 31 December 2014. This decrease was primarily due to decrease of the export sales to Russia.

The table below sets forth a breakdown of our turnover by brands and our OEM/ODM sales for the years indicated:

	Year ended 31 December			
	2014		2013	
	RMB'000	%	RMB'000	%
Brands				
Fuguiniao	1,857,090	79.9	1,771,568	77.2
FGN	72,193	3.1	126,949	5.5
AnyWalk	50,496	2.2	45,398	2.0
OEM/ODM	343,203	14.8	350,372	15.3
Total	2,322,982	100.0	2,294,287	100.0

As a result of a decrease in the number of retail outlets, turnover from our distributors decreased slightly by RMB11.3 million, or 0.7%, from RMB1,605.9 million for the year ended 31 December 2013 to RMB1,594.6 million for the year ended 31 December 2014. Turnover from our proprietary outlets increased by RMB22.3 million, or 10.1%, from RMB221.5 million for the year ended 31 December 2013 to RMB243.8 million for the year ended 31 December 2014. This increase was primarily due to an increase in the number of proprietary outlets opened in our retail network. As we expanded sales of our products to large institutional customers and through online platforms, turnover from large-scale institutional purchases and online sales increased from RMB37.9 million and RMB78.5 million, respectively, for the year ended 31 December 2013, to RMB42.2 million and RMB99.2 million, respectively, for the year ended 31 December 2014.

The following table sets forth the breakdown of our turnover from the sales of our branded products and OEM/ODM products by sales channel during the years indicated:

	Year ended 31 December			
	2014		2013	
	RMB'000	%	RMB'000	%
Channel				
Distributors	1,594,589	68.6	1,605,926	70.0
Proprietary outlets	243,830	10.5	221,524	9.7
Large-scale institutional purchases	42,164	1.8	37,940	1.6
Online sales	99,196	4.3	78,526	3.4
OEM/ODM customers	343,203	14.8	350,371	15.3
Total	2,322,982	100.0	2,294,287	100.0

Cost of sales and gross profit margin

For the year ended 31 December 2014, cost of sales amounted to RMB1,405.6 million, a decrease of RMB2.4 million, or 0.2%, from RMB1,408.0 million for the year ended 31 December 2013. The decrease in our total cost of sales was primarily due to a decrease in the sales volume of our products.

	Year ended 31 December			
	2014		2013	
	RMB'000	%	RMB'000	%
Raw materials	589,356	76.4	555,128	75.7
Direct labor	107,512	13.9	108,502	14.8
Production overhead	75,222	9.7	70,073	9.5
Cost of sales for in-house production	772,090	100.0	733,703	100.0
Cost of sales for in-house production	772,090	54.9	733,703	52.1
Subcontracting charges	633,554	45.1	674,313	47.9
Total cost of sales	1,405,644	100.0	1,408,016	100.0

Gross profit margin was 39.5% for the year ended 31 December 2014 compared to 38.6% for the year ended 31 December 2013. This increase was primarily due to the increase in average selling price of the footwear and menswear products and our ability to control the average unit cost of our products.

Other revenue and other net income

Other revenue and other net income primarily consisted of interest income from bank deposits, government grants, offset by net foreign exchange loss. The decrease in other revenue and other net income from RMB41.3 million for the year ended 31 December 2013 to RMB31.6 million for the year ended 31 December 2014 was because of the one-off gain on the disposal of a property to a related party of RMB33.9 million recorded in year 2013.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB12.7 million, or 7.2%, from RMB176.9 million for the year ended 31 December 2013 to RMB189.6 million for the year ended 31 December 2014, accounting for 8.2% of our total turnover. The increase was primarily due to an increase in salaries and benefits of our sales and marketing personnel, outlet management fees with the increase in our sales.

Administrative and other operating expenses

Our administrative expenses decreased slightly by RMB0.5 million, or 0.4%, from RMB133.8 million for the year ended 31 December 2013 to RMB133.3 million for the year ended 31 December 2014, accounting for 5.7% of our total turnover. The decrease was primarily due to the effective cost control in year 2014.

Finance costs

Our finance costs increased by RMB0.4 million, or 1.7%, from RMB23.5 million for the year ended 31 December 2013 to RMB23.9 million for the year ended 31 December 2014. The increase was primarily due to slightly increase in interest on bank loans.

Income tax

Our income tax slightly increased by RMB1.3 million, or 0.9%, from RMB149.6 million for the year ended 31 December 2013 to RMB150.9 million for the year ended 31 December 2014. Our income tax expenses increased primarily because of an increase in our profit before taxation. Our effective income tax rate decreased slightly from 25.2% for the year ended 31 December 2013 to 25.1% for the year ended 31 December 2014.

Profit for the year

Profit for the year ended 31 December 2014 increased by 1.7%, or RMB7.5 million, from RMB443.7 million for the year ended 31 December 2013 to RMB451.2 million.

Liquidity, financial resources and capital structure

As at 31 December 2014, we had net current assets of RMB2,070.6 million, which increased significantly from RMB1,811.1 million as at 31 December 2013. This increase was primarily due to increase in current assets, partially offset by an increase in current liabilities. The increase in current assets mainly due to an increase of fixed deposit at banks, cash and cash equivalents and other financial assets of RMB529.8 million from RMB1,447.7 million for the year ended 31 December 2013 to RMB1,977.5 million for the year ended 31 December 2014.

Our liquidity position remains strong in 2014 and we have sufficient cash and available banking facilities to meet our working capital requirements and commitments. This strong cash position also allows us to expand our retail network in accordance with our expansion plan and increase business development opportunities across China.

Working Capital Management

Average inventory turnover days were 64.5 days in 2014, as compared to 62.8 days in 2013. The increase of average inventory turnover days in 2014 was mainly attributable to having more finished products needed to meet the operation of our proprietary retail outlets.

Average turnover days of our trade and bills receivables were 103.6 days in 2014, as compared to 83.8 days in 2013. The increase of average turnover days of trade and bills receivables was mainly attributable to the increase of credit limit we granted to our distributors and the extension of the credit period in 2014, by taking into account of factors such as their credit record, purchase volume, capital needs for expansion of retail network and local market conditions.

Average turnover days of our trade and bills payables were 70.8 days in 2014, as compared to 48.7 days in 2013. The increase of average turnover days of trade and bills payables in 2014 was mainly attributable to our ability to more effectively utilise the credit period offered by our suppliers.

We regularly and actively monitors our capital structure to ensure sufficient working capital we need to operate our business and to maintain a balanced capital structure between providing steady returns to our shareholders and benefits to our other stakeholders and having adequate level of borrowing and security.

Liquidity and Financial Resources

Our net cash inflow from operating activities for the year ended 31 December 2014 amounted to RMB756.5 million compared to a net cash inflow from operating activities of RMB31.8 million for the year ended 31 December 2013. The increase in operating cash flow was primarily due to a substantial decrease in trade and other receivables as a result of our tight and effective control in the credit policy. As at 31 December 2014, cash and cash equivalents, including bank deposits and cash in hand, fixed deposits with banks with maturities over three months and other financial assets amounted to RMB1,977.5 million, representing a net increase of RMB529.8 million as compared to the position as at 31 December 2013. The increase was primarily due to net cash generated from operating activities.

As at 31 December 2014, we had RMB1,174.1 million of credit facilities made available to us, of which RMB461.9 million were utilised.

In 2014, we did not enter into any interest rate swaps arrangements to hedge against interest rate risks.

Foreign Currency Risks

Although our Group mainly operates in the PRC with most of the domestic transactions settled in RMB and its reporting currency is RMB, part of its receivables and borrowings and cash balances that are denominated in Hong Kong dollars, United States dollars and Euros. Our Company also pays dividends in Hong Kong dollars. To ensure that net exposure to currency risk is kept to an acceptable level, our Group generally buys and sells foreign currencies at spot rate, or enter into forward contracts that hedge against currency risk where necessary to address short-term imbalances. Any substantial exchange rate fluctuation of foreign currencies against RMB may have a financial impact on our Group.

Pledge of Assets

As at 31 December 2014, deposits with certain banks amounting to RMB32.8 million were pledged as securities for bills payable compared to the amount of RMB24.1 million as at 31 December 2013. Moreover, certain bank loans of the Group were secured by trade receivables of RMB54.9 million in 2014 instead of pledged bank deposit of RMB7.5 million in 2013. The pledged bank deposits will be released upon the settlement of the relevant bank loans and bills payable.

Commitments and Contingencies

As at 31 December 2014, we had a total operating lease commitment of RMB27.1 million. In addition, we had notional amounts of foreign currency forward contracts denominated in United States dollars and Euros of RMB165.2 million and RMB3.7 million, respectively. As at 31 December 2014, we had no material contingent liabilities.

Employment and Emoluments

As at 31 December 2014, our Group employed a total of 5,170 full time employees, which included management and administrative, finance and quality control staff, manufacture and production technicians, product design, research and development personnel and sales and marketing staff. For the year ended 31 December 2014, our Group's total employee remuneration was RMB237.7 million, representing 10.2% of the Group's total turnover.

We place great emphasis on recruiting and training quality personnel by providing introduction training programs to our new employees and on-going internal training to our existing employees to enhance their industrial, technical and product knowledge, their work ethic as well as their knowledge of industry quality standards and work safety standards. Furthermore, we encourage our employees to take advanced courses and obtain professional certifications. We also organise and pay for external trainings for certain employees whom we believe are particularly dedicated to our Group.

Prospects

Looking ahead, medium to high speed development will become the "new normal" in China's macro-economy in 2015. Driven by consumption upgrading, the footwear and apparel industry will continue to maintain a steady upward trend. To accommodate the development trend of the industry, the Group will devise its corporate strategies by focusing on the following aspects:

- refine the offline sales and distribution network and enhance same-store operating efficiency;
- include e-commerce as the key development strategy and identify suitable e-commerce enterprises as targets for merger and acquisition;
- actively explore sales and large group purchase opportunities on overseas e-commerce platforms;
- further promote the brands to increase brand awareness;
- adopt thematic product design and marketing ideas;
- focus on promoting the Fuguiniao Health Function Footwear series throughout the country; and
- continue to enhance the information systems technology so as to strengthen the vertically integrated business model.

Based on the future change of consumption pattern and its judgment on the development trend of e-commerce, the Group will include e-commerce as its key development strategy and focus its efforts on increasing e-commerce as a percentage of the total sales of the Company in 2015.

First of all, the Group will increase the infrastructure investment in Online-to-Offline ("O2O") and the WeChat platform for the purpose of expanding the e-commerce sector. The Group will establish an independent team to proactively explore the opportunities to market the Company's products on overseas e-commerce platforms and increase human resources for the management and development of its existing domestic e-commerce operations.

Secondly, through channels such as existing offline human resources, train media and press media, the Company will increase the use of WeChat to quickly disseminate information about new stores and marketing information as well as accumulate e-commerce end-customers. Meanwhile, the Company plans to implement precision marketing by encouraging distributor customers to focus more efforts on stores and technology in order to increase the frequency of retail sales.

The Group will also actively seek targets for merger and acquisition in order to expedite its business development. Based on the internal intention of the Company, cross-border e-businesses will be the targets for merger and acquisition so as to speed up the expansion of the overseas online business.

In addition, Fuguiniao Health Function Footwear was gradually introduced to the market in 2014. To further verify the health functions of Fuguiniao Health Function Footwear, in February 2015, the Company entered into the Fuguiniao Health Function Footwear Cooperation Project Agreement with Wuhan Union Hospital under Tongji Medical College, Huazhong University of Science & Technology to entrust Wuhan Union Hospital under Tongji Medical College, Huazhong University of Science & Technology to conduct a clinical trial on "The ability of Fuguiniao Health Function Footwear to improve the microcirculation in feet and relieve the discomfort of the spine and knee joint" (with a trial period of 8 months initially) and prepare a clinical report.

Meanwhile, the Company entered into the Strategic Cooperation Agreement with Huazhong University of Science & Technology, which will provide the theories, experimental basis and clinical certification for particular products of the Company by using its strong scientific research capability. The parties will also cooperate in researching and developing new products.

We believe that the cooperation with Huazhong University of Science & Technology will provide better technical support for the continuous research and development of Fuguiniao Health Function Footwear. Benefiting from the cooperation, the Company will research and develop more functional footwear products with technological content.

With the long-standing reputation of high quality and comfort of the Fuguiniao brand, we believe that the Company still has strong core competence in this "product-oriented" era of e-commerce. The management of the Group is confident in accurately grasping the industrial and consumption trends and taking the development of the Company to a new height through continuous innovation.

Use of Proceeds

The H shares of our Company became listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2013 with net proceeds from the global offering of approximately HK$1,134 million (after deducting underwriting commissions and related expenses). As of 31 December 2014, the Company has utilised approximately RMB56 million of the proceeds, of which approximately RMB44 million was used for assisting our distributors to open new outlets in China and maintaining and promoting existing sales channels; approximately RMB1 million was used for opening new proprietary outlets in China and maintaining and promoting existing sales channels; and approximately RMB11 million was used for working capital and other general corporate purposes. As of 31 December 2014, approximately RMB849 million of the proceeds remained unutilised.

The above use of proceeds was in line with that disclosed in the prospectus of the Company dated 10 December 2013.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lam Wo Ping (林和平), aged 57, is one of the Founders of our Group, and an executive Director and the chairman of the Board of our Company. He also concurrently serves as director of our subsidiaries, namely Hong Kong Fuguiniao and Hong Kong Anywalk, as well as the chairman of board of directors of our subsidiary Fujian Fuguiniao. Mr. Lam is primarily responsible for the overall strategies, planning and business development of our Group. Mr. Lam has over 30 years of experience in the footwear and apparel industry. He once held positions of chairman of board of directors of Fulin Footwear from August 1991 to October 2010, the chairman of board of directors of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from November 1995 to July 2011, and the chairman of board of directors of our predecessor Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司) from July 2011 to June 2012.

Mr. Lam has received numerous recognitions and awards during the past years, including the recognition as a senior economist (高級經濟師) by Fujian Title Reform Leading Group (福建省職稱改革領導小組) and Fujian Human Resources Department (福建省人事廳) in December 1997, and the title of National Model Worker in Light Industry (全國輕工業勞動模範) by the Ministry of Personnel of the PRC (中華人民共和國人事部), China National Light Industry Council (中國輕工業聯合會) and All China Federation of Handicraft Industrial Cooperatives (中華全國手工業合作總社) in December 2007. He has also been the vice president of the Fujian Industry and Commerce League (General Chamber of Commerce) (福建省工商業聯合會) since September 2012. Mr. Lam Wo Ping graduated from the course in relation to capital operation for chief executives organised by Executive Development Program Center of the Management School of Xiamen University (廈門大學) in August 2014.

Mr. Lam Wo Ping is the brother of Mr. Lam Wo Sze, an executive Director of our Company, as well as a cousin of both Mr. Lam Kwok Keung and Mr. Lam Wing Ho, executive Directors of our Company.

Mr. Lam Wing Ho (林榮河), aged 58, is one of the Founders of our Group, and is an executive Director of our Company. He also concurrently serves as director of our subsidiaries, namely Hong Kong Fuguiniao, Hong Kong Anywalk and Fujian Fuguiniao. Mr. Lam has over 30 years of experience in the footwear and apparel industry. He once held positions of vice chairman and general manager of Fulin Footwear from August 1991 to October 2010, a director of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from November 1995 to July 2011, and a director of our predecessor Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司) from July 2011 to June 2012. Mr. Lam Wing Ho was appointed as a non-executive Director of our Company on 29 June 2012 and was re-designated from a non-executive Director to an executive Director of our Company on 2 April 2014. He was recognised as a senior economist (高級經濟師) by Fujian Human Resources Department (福建省人事廳) in September 2001. He also concurrently holds positions including deputy chairman of China National Garment Association (中國服裝協會) and honorary chairman of Quanzhou Textile and Garments Commerce Chamber (泉州市紡織服裝商會).

Mr. Lam Wing Ho is a cousin of Mr. Lam Wo Ping, an executive Director of our Company, as well as a cousin of both Mr. Lam Wo Sze and Mr. Lam Kwok Keung, executive Directors of our Company.

Mr. Lam Wo Sze (林和獅), aged 61, is one of the Founders of our Group, and is an executive Director of our Company. He also concurrently serves as director of our subsidiaries, namely Hong Kong Fuguiniao, Hong Kong Anywalk and Fujian Fuguiniao. Mr. Lam has over 30 years of experience in the footwear and apparel industry. He once held positions of vice chairman of board of directors of Fulin Footwear from August 1991 to October 2010, vice chairman of board of directors of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from November 1995 to July 2011, and the vice chairman of board of directors of our predecessor Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司) from July 2011 to June 2012. Mr. Lam Wo Sze was appointed as a non-executive Director of our Company on 29 June 2012 and was re-designated from a non-executive Director to an executive Director of our Company on 26 August 2014. He was recognised as a senior economist (高級經濟師) by Fujian Human Resources Department (福建省人事廳) in September 2001.

Mr. Lam Wo Sze is the brother of Mr. Lam Wo Ping, an executive Director of our Company, as well as a cousin of both Mr. Lam Kwok Keung and Mr. Lam Wing Ho, executive Directors of our Company.

Mr. Lam Kwok Keung (林國強), aged 57, is one of the Founders of our Group, and is an executive Director of our Company. He also concurrently serves as director of our subsidiaries, namely Hong Kong Fuguiniao, Hong Kong Anywalk and Fujian Fuguiniao. Mr. Lam has over 30 years of experience in the footwear and apparel industry. He once held positions of vice chairman of board of directors of Fulin Footwear from August 1991 to October 2010, vice chairman of board of directors of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from November 1995 to July 2011, and vice chairman of board of directors of our predecessor Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司) from July 2011 to June 2012. Mr. Lam Kwok Keung was appointed as a non-executive Director of our Company on 29 June 2012 and was re-designated from a non-executive Director to an executive Director of our Company on 26 August 2014. He was recognised as a senior economist (高級經濟師) by Fujian Human Resources Department (福建省人事廳) in September 2001.

Mr. Lam Kwok Keung is a cousin of Mr. Lam Wo Ping, an executive Director of our Company, as well as a cousin of both Mr. Lam Wo Sze and Mr. Lam Wing Ho, executive Directors of our Company.

Mr. Hong Huihuang (洪輝煌), aged 44, is an executive Director and a vice general manager of our Company, and is primarily responsible for the overall management and development of our casual menswear business. Mr. Hong has over 27 years of experience in the footwear and apparel industry. He was mainly engaged in administration and management of his own apparel business from the beginning of 1987 to December 2003. Mr. Hong obtained license from our Group in May 2004 for the sale of business casual menswear products under Fuguiniao brand and held the position of general manager of Shishi Fuguiniao Apparel Development Co., Ltd. (石獅市富貴鳥服飾發展有限公司). Mr. Hong has been the chief executive of the apparel business unit of our Group since April 2011.

NON-EXECUTIVE DIRECTORS

Mr. Zhai Gang (翟剛), aged 40, is a non-executive Director of our Company. Mr. Zhai has over 13 years of experience in investment management. He once held positions of senior staff member of Jiangsu Planning and Economic Committee (江蘇省計劃經濟委員會副主任科員) from July 1995 to July 2000, deputy director of the investment department of Jiangsu Traffic Holding Co., Ltd. (江蘇省交通控股公司) from January 2001 to August 2009, and general manager of Nanjing Sharelink Venture Capital Co., Ltd. (南京協立創業投資有限公司) from October 2009 to December 2011. Since January 2012, he has been the general manager of Nanjing Sharelink Investment Management Co., Ltd. (南京協立投資管理有限公司). He also holds a concurrent position as the representative of the managing partner of Junding Investments, one of the shareholders of our Company. He received a bachelor's degree in quantitative economics from Nanjing University (南京大學) in July 1995 and a master's degree in business administration from Nanjing University in May 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Zhiqiang (王志強), aged 47, is an independent non-executive Director of our Company. He is also a professor in accounting and doctoral supervisor in accounting of Xiamen University (廈門大學). From July 1991 to September 1998, he held positions of lecturer and associate professor of the School of Economics, Xiamen University. Since September 1998, he has held positions including associate professor, professor and assistant to dean of the School of Management, Xiamen University. For the period from September 2006 to September 2008, he also held concurrent positions as assistant to the dean of the Institute for Financial Management & Accounting Studies of Xiamen University. In addition to his academic participation, Mr. Wang has also been an independent director of Fujian Minfa Aluminum Inc (福建省閩發鋁業股份有限公司, stock code: 002578) since December 2010, and an independent director of Fujian Septwolves Industry Co., Ltd. (福建七匹狼實業股份有限公司, stock code: 002029) since July 2010, both of which are listed on the Small and Medium Enterprise Board of Shenzhen Stock Exchange (深圳證券交易所中小板). He has also been an independent director of Shenyang Sinqi Pharmaceutical Co., Ltd. (瀋陽興齊眼藥股份有限公司) since December 2011 and an independent director of Deerway Co., Ltd. (德爾惠股份有限公司) since September 2012. He received a doctorate in economics from Xiamen University in July 2002. Mr. Wang also attended and completed the training provided by Shenzhen Stock Exchange for senior management of listed companies in March 2010.

Ms. Long Xiaoning (龍小寧), aged 43, is an independent non-executive Director of our Company. She is a specially appointed professor under the "Cheung Kong Achievement Awards" of the Ministry of Education and a member of the Disciplinary Appraisal Panels under the Academic Degrees Committee of the State Council. She has been a professor and a doctoral supervisor of Wang Yanan Institute for Studies in Economics (王亞南經濟研究院) and School of Economics, Xiamen University (廈門大學) since September 2011 and has been appointed as the head of the Department of Economics of Xiamen University since February 2013. She once held the positions of assistant professor and associate professor of Colgate University in the United States from July 2001 to June 2007 and from July 2007 to July 2011, respectively. She received a doctorate in economics from Washington University in St. Louis, the United States of America in May 2011. Ms. Long also attended and completed the qualification training of independent directors of listed companies provided by Shanghai Stock Exchange in June 2012.

Mr. Li Yuzhong (李玉中), aged 48, is an independent non-executive Director of our Company. He worked for China Leather and Footwear Industry Research Institute (中國皮革和製鞋工業研究院) from July 1989 to April 1990, and then has been working for China Leather Association (中國皮革協會) since April 1990, where he held the position of vice secretary general from September 1999 to September 2007, vice president from September 2007 to September 2011, and has been vice managing president and secretary general since September 2011. He has also been an independent director of Guirenniao Co., Ltd. (貴人鳥股份有限公司) since March 2011 and an independent director of Qingdao Hengda Co., Ltd. (青島亨達股份有限公司) since June 2011. He received a bachelor's degree in leather engineering from Northwest Institute of Light Industry (西北輕工業學院) (now Shaanxi University of Science and Technology (陝西科技大學)) in July 1989, and graduated as a postgraduate student in economic management from Party School of the Central Committee of C.P.C. (中共中央黨校) after completing a long distance learning program in May 2001.

Ms. Chan Wah Man, Carman (陳華敏), aged 46, is an independent non-executive Director of our Company. She possesses 21 years of solid experience in private equity, corporate finance and financial advisory. She currently works as Head of Private Equity Department in Wallbanck Brothers Securities (Hong Kong) Limited. She worked as Associate Director at Rabobank International Hong Kong Branch, handling mergers and acquisitions and corporate advisory deals from February 2008 to April 2009. Prior to joining Rabobank, Ms. Chan worked in various companies in fund raising activities and assisted companies in the preparation of initial public offerings from January 2004 to January 2008. Ms. Chan worked as Associate Director in Baring Capital Partners, ING Group from March 1998 to August 2001 and Suez Asia (Hong Kong) Limited from January 2002 to December 2003, in private equity investments, corporate advisory and fund monitoring. Ms. Chan also worked for the corporate finance team at Seapower Financial Services Group from March 1996 to February 1998. Ms. Chan was previously appointed as an independent non-executive director of Man Wah Holdings Limited, a company listed on the Stock Exchange (stock code: 1999) from March 2010 to July 2012, and Daqing Dairy Holdings Limited (formerly known as Global Dairy Holdings Limited), a company listed on the Stock Exchange (stock code: 1007) from October 2010 to June 2012. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant (Australia), and has a licence to conduct Type 6 regulated activity (advising on corporate finance) and Type 9 regulated activity (asset management) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). Ms. Chan obtained a bachelor's Degree in Science from Bemidji State University, Minnesota State, the United States of America in July 1993, and a distance learning degree in Masters of Accounting from Curtin University of Technology, Australia in November 1999.

SUPERVISORS

Mr. Zhang Haimu (章海木), aged 38, is the chairman of the board of Supervisors and the chairman of the labor union of our Company. Mr. Zhang has over 19 years of experience in financial management. Mr. Zhang once held positions of financial staff of Hainan Industrial Equipment Installation Supplies Co., Ltd. (海南省工業設備安裝物質公司) from July 1995 to January 2001. He has been financial staff of our Company since April 2001, and was elected as the chairman of the labor union of our Company since August 2010 for a term of three years. He was elected as a standing committee member of the sixth committee of Shishi General Union (石獅市總工會) in August 2014 for a term of five years. He was also elected as the supervising chairman of the council of the Chamber of Commerce of Anxi, Shishi (石獅市安溪商會) in April 2013 for a term of three years. Mr. Zhang passed the self-study examinations in computer accounting and received a graduation certificate from Hainan University (海南大學) in December 1998.

Mr. Zhou Xinyu (周新宇), aged 38, is a Supervisor of our Company. He has also been the director of the human resource administrative department of our Company since March 2011. Mr. Zhou has over 14 years of experience in human resources management and corporate administration. He once held positions of human resource director and manager of Jealousy International Garments (Guangdong) Co., Ltd. (廣東嘉莉詩(國際)服裝集團) from August 1999 to July 2002, head of the personnel administration division of Matsubayashi Optics (Guangzhou) Co., Ltd. (天活松林光學(廣州)有限公司) from July 2002 to July 2005, chief human resource officer of Guangzhou Postel Mobile Co., Ltd. (廣州中郵普泰移動通訊設備有限公司) from August 2005 to August 2007, and administrative vice manager, chief human resource officer and chairman of the labor union of Fujian Fynex Textiles Technology Co., Ltd. (福建鳳竹紡織科技股份有限公司) from August 2007 to December 2010. Mr. Zhou received a master's degree in business administration from Lingnan College, Sun Yat-Sen University (中山大學嶺南學院) in June 2007. He also received the certificate of senior level of human resources management issued by Hubei Province Human Resources and Social Security Bureau (湖北省人力資源和社會保障廳) (formerly known as Hubei Province Labor and Social Security Bureau (湖北省勞動和社會保障廳) in September 2005.

Ms. Wang Xinhui (汪心慧), aged 41, is a Supervisor of our Company. Ms. Wang was a full-time attorney of Anhui Chengyi Law Firm (安徽承義律師事務所) from December 2002 to December 2010, and has been a partner and head of capital and securities team with the Shanghai Office of Beijing Yingke Law Firm (北京盈科(上海)律師事務所) since July 2011. Since February 2012, she has been working as the chief legal adviser of Leading Investments, one of the shareholders of our Company. Ms. Wang received a bachelor's degree in law from East China College of Politic Science and Law (華東政法學院) (now East China University of Politic Science and Law (華東政法大學) in July 1995.

SENIOR MANAGEMENT

Mr. Lu Wenli (路文歷), aged 53, is the chief executive officer of our Company and is primarily responsible for the operation of our Group. Mr. Lu has over 15 years of experience in the footwear and apparel industry. Mr. Lu once served as marketing director of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from January 2003 to December 2007. From January 1999 to May 2000, Mr. Lu served as sales and marketing director of Quanzhou Yiyuan Shoe Industry Co., Ltd. (泉州益源鞋業有限公司). From March 2001 to December 2002, he worked as the sales and marketing director of Xtep (China) Co., Ltd. (特步中國有限公司). Mr. Lu rejoined our Group in January 2013 and has held the position of general manager of our Company since April 2013. Mr. Lu is currently taking the EMBA program at Xiamen University (廈門大學).

Ms. Han Ying (韓英), aged 60, is a vice general manager of our Company, and is primarily responsible for the overall management and development of our women's footwear business. Ms. Han has over 43 years of experience in the footwear and apparel industry. Before joining our Group, she worked as the chief statistician of Hangzhou Honglei Leather Shoe Factory (杭州紅雷皮鞋廠) from January 1971 to June 1987. From July 1987 to March 1997, she worked for Teliya Co., Ltd. (特麗雅有限公司), a Sino-foreign joint venture, and held positions including workshop manager, manager of production department, manager of supply department and assistant to the general manager. Ms. Han joined our Company in April 1997, and held positions including the manager of women's footwear unit and general manager of our Group. Ms. Han was also appointed as an executive Director of our Company on 29 June 2012 and ceased to be an executive Director of our Company on 2 April 2014. Ms. Han passed the self-study examinations in statistics and received a graduation certificate from Hangzhou Electronics Industry College (杭州電子工業學院) (now Hangzhou University of Electronic Science and Technology (杭州電子科技大學)) in December 1989.

Ms. Wu Haimin (吳海民), aged 43, is a vice general manager of our Company and is primarily responsible for the management of production of our Group. Ms. Wu has over 25 years of experience in management of footwear production. Prior to joining our Group, she held the position of workshop manager in Teliya Leather Shoe Co., Ltd. (特麗雅皮鞋有限公司) from September 1989 to July 1997. She joined our Group in July 1997 and held positions of workshop manager, production manager and manager of production department of our Company till December 2007. She has served as a vice general manager of our Group since January 2008. Ms. Wu received a junior college degree of English language from Zhejiang Province Department Employee Colleges (浙江省級機關職工業餘大學) in July 1994.

Mr. Tong Jinlong (童金龍), aged 62, is a vice general manager of our Company and is primarily responsible for the marketing and sales of the products of our Group. Mr. Tong has over 31 years of experience in the footwear production industry. Prior to joining our Group, he once worked at Shanghai Baoji Leather Shoes Factory (上海寶屐皮鞋廠). He joined our Group in September 1998 and acted as marketing and sales vice general manager of the Company until January 2008. In February 2008, he was promoted to vice general manager of the Company. He received a junior college degree of Equipment Management from Business School of Shanghai University (上海大學) in December 1990.

Ms. Yang Jian (楊健), aged 41, is a vice general manager of our Company and is primarily responsible for the overall financial and accounting management, auditing, investment and financing. Ms. Yang has over 18 years of experience in finance and accounting. Prior to joining our Group, she worked for China Construction Bank Co., Ltd. Haidian Sub-branch directly under the Hainan head office (中國建設銀行股份有限公司海南省直屬海甸支行) from July 1995 to June 1999, and held positions including accounting manager and deputy director of general office. From August 2001 to March 2002, she served as accounting supervisor of Guangdong Ciba Specialty Chemicals Co., Ltd. (廣東汽巴精化有限公司). From January 2003 to March 2006, she worked as senior manager of Baass Business Solutions Inc. in Canada. She joined our Group in September 2006, held the position of chief financial officer from March 2008 to June 2014 and was re-designated to the vice general manager of our Company on 30 June 2014. Ms. Yang received a bachelor's degree in investment economics from Huazhong University of Science and Technology (華中科技大學) in July 1995, a master's degree in accounting from Jinan University (暨南大學) in June 2002 and an MBA degree from Schulich School of Business, York University in June 2008. She was qualified as a Certified Public Accountant in the PRC, Certified General Accountant in Canada and fellow member of the Association of Chartered Certified Accountants (ACCA) in December 2002, April 2006 and November 2009, respectively.

Mr. Chan Wai Shing (陳偉盛), aged 35, is the chief financial officer of our Company and is primarily responsible for corporate finance, auditing, accounting, investment, investor and public relationships, and administration of our Group. Mr. Chan has over 13 years of experience in auditing, advisory accounting and financial management. Prior to joining the Group, he worked as the chief financial officer, company secretary and authorised representative of a company listed on the Stock Exchange from September 2009 to June 2014. He also worked as a finance manager of a company listed on the Stock Exchange from October 2008 to August 2009. Before that, Mr. Chan worked for Ernst & Young for over 7 years. Mr. Chan was qualified as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in September 2005 and was admitted as a fellow of the Association of Chartered Certified Accountants in November 2009. He graduated from City University of Hong Kong with a bachelor's degree in accountancy in 2001 and a master's degree in financial analysis at the Hong Kong University of Science and Technology in 2012.

Mr. Huang Shunyu (黃順宇), aged 33, is the secretary to the Board of our Company. He holds a bachelor's degree in Management Science from the University of Electronic Science and Technology of China (電子科技大學). He is qualified by the Shanghai Stock Exchange and Shenzhen Stock Exchange as a secretary to the board of listed companies and is eligible for conducting securities investment analysis and securities transactions. He acted as the industry research officer of the investment management department of Sichuan Qifeng Group (四川奇峰集團) from July 2005 to July 2008, securities officer and assistant to secretary to the board of Chongqing Dong Yuan Industry Development Co., Ltd. (重慶東源產業發展股份有限公司, currently known as Jinke Property Group Co., Ltd., (金科地產集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock code: 000656)) from August 2008 to August 2009, trading officer of the investment management department of Sichuan Qifeng Group from August 2009 to July 2011, and securities representative and person-in-charge of the securities department of Chengshang Group Co., Ltd. (成商集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600828) from July 2011 to July 2012. He was the assistant to the secretary to the Board of the Company from July 2012 to August 2014. Mr. Huang Shunyu is also an affiliate member of Hong Kong Institute of Chartered Secretaries.

COMPANY SECRETARY

Mr. Liu Guodong (劉國棟), aged 33, was appointed as the company secretary of our Company on 30 July 2013. Mr. Liu joined our Group in January 2010 and has served as manager of the securities department and financial department of our predecessor Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司) and subsequently our Company since then. Prior to joining our Group, he worked for Xiamen Dahao Lianhe Accounting Firm (廈門達豪聯合會計師事務所) and held the position of auditing manager from August 2004 to January 2010. Mr. Liu obtained a bachelor's degree in management from Xiamen University (廈門大學) in July 2004. He was qualified as a Certified Public Accountant in Hong Kong (as defined in the Professional Accountants Ordinance) in July 2010, a Certified Public Accountant in the PRC in September 2006, a Certified Tax Agent in the PRC in June 2008 and a Certified Public Valuer in the PRC in September 2010.

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 PRC and is domiciled in Hong Kong and has its principal place of business in Hong Kong at Room 1908, 19/F, West Tower, Shun Tak Centre, 168–200 Connaught Road, Central, Hong Kong. The Group's principal place of business is in the PRC.

PRINCIPAL ACTIVITIES

The principal activities of the Group are manufacturing and sale of footwear and business casual menswear in the PRC. The principal activities and other particulars of the subsidiaries are set out in note 12 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2014, aggregate sales to the Group's largest and five largest customers accounted for 4.5% (2013: 4.1%) and 17.8% (2013: 18.5%), respectively, of the Group's total revenue for the year.

Aggregate purchases from the Group's largest and five largest suppliers accounted for 8.1% (2013: 5.8%) and 24.6% (2013: 21.0%), respectively, of the Group's total purchases for the year ended 31 December 2014.

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

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 4 of the annual report. This summary does not form part of the audited consolidated financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 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 58 to 104 of the annual report.

A discussion and analysis of the Group performance during the year and material factors underlying its results and financial position are set out in the Management Discussion and Analysis section of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2014 are set out in note 11 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company during the year are set out in note 21 to the financial statements, of which details of reserves available for distribution to shareholders of the Company are set out in note 21(f) to the financial statements.

DIVIDEND

At the extraordinary general meeting held on 14 October 2014, the Company considered, approved and announced an interim dividend of RMB0.15 per ordinary Share (before tax) and RMB80,236,380 in aggregate (before tax) for the six months ended 30 June 2014.

For the year ended 31 December 2014, the Board has proposed a final dividend of RMB0.35 per ordinary share (before tax) (2013: RMB0.24) and RMB187,218,220 in aggregate (before tax) (2013: RMB128,378,208) (the "**2014 Final Dividends**"), subject to approval by the shareholders of the Company at the upcoming annual general meeting of the Company to be held on 11 May 2015 (the "**AGM**"). Dividends on domestic shares will be paid in RMB and dividends on H shares will be paid in Hong Kong dollars. Detailed plan of distribution will be separately announced in due course.

Pursuant to the Corporate Income Tax Law of the PRC and its implementation rules and other relevant rules, where the Company distributes the proposed 2014 Final Dividends to non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company, it is required to withhold corporate income tax at the rate of 10%. Any H shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other organisations or groups, will be treated as shares being held by nonresident enterprise shareholders, and consequently will be subject to the withholding of the corporate income tax.

Pursuant to the PRC Individual Income Tax Law, the Implementation Regulations of the Individual Income Tax Law, the Tentative Measures on Withholding and Payment of Individual Income Tax and other relevant laws and regulations, the foreign individuals who are the holders of H shares shall pay individual income tax at a tax rate of 20% upon their receipt of distribution of dividend from domestic enterprises which issued such H shares, which shall be withheld and paid by such domestic enterprises on behalf of the such individual H shareholders. However, the Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax effective from 13 May 1994 (the "**1994 Notice**") grants exemption to foreign individuals from PRC individual income tax on dividend from foreign-invested enterprises. Since the Company is a "foreign-invested enterprise" as approved by the relevant PRC authorities, the individual shareholders who hold the Company's H shares and whose names appear on the register of members of H shares of the Company (the "**Individual H Shareholders**") are not required to pay PRC individual income tax when the Company distributes the 2014 Final Dividends based on the 1994 Notice. Therefore, the Company will not withhold any amount of the 2014 Final Dividends to be distributed to the Individual H Shareholders to pay the PRC individual income tax.

Shareholders are recommended to consult their taxation advisors for advice on the PRC, Hong Kong and other tax effects with respect to the holding and disposing of H shares of the Company.

According to the articles of association of the Company, unless otherwise provided by the relevant laws and regulations, for the payment of cash dividends and other payments in foreign currency, the applicable exchange rates shall be the average selling price announced by the People's Bank of China for the one calendar week before the declaration date of such cash dividends and other payments.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain shareholders' entitlement to attend and vote at the AGM and to the 2014 Final Dividends, the H share register of members of the Company will be closed from Saturday, 11 April 2015 to Monday, 11 May 2015 (both days inclusive) and from Friday, 15 May 2015 to Wednesday, 20 May 2015 (both days inclusive), respectively, during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, holders of H shares of the Company shall lodge transfer documents with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Friday, 10 April 2015. In order to qualify for receiving the 2014 Final Dividends (subject to the approval by shareholders of the Company at the forthcoming AGM), holders of H shares of the Company shall lodge transfer documents with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the above mentioned address for registration before 4:30 p.m. on Thursday, 14 May 2015.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year was nil (2013: RMB1.79 million).

BANK BORROWINGS

Details of bank borrowings of the Company and its subsidiaries as at 31 December 2014 are set out in note 18 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 21 to the consolidated financial statements. 133,340,000 H shares of the Company were issued during the year ended 31 December 2013 in relation to the global offering of the Company, and 1,569,200 H shares were issued in January 2014 upon partial exercise of over-allotment option in relation to the global offering.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information 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 Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the year ended 31 December 2014 and at any time up to the date of this annual report.

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing shareholders in proportion to their shareholdings.

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 AND SUPERVISORS

The following table sets forth information concerning the Directors and supervisors of the Company for the year ended 31 December 2014.

Name	Age	Appointment Date	Resignation Date	Re-designation Date
Executive Directors				
Mr. Lam Wo Ping (林和平)	57	29 June 2012	N/A	N/A
Mr. Lam Wing Ho (林榮河)	58	12 May 2013	N/A	2 April 2014
Mr. Lam Wo Sze (林和獅)	61	29 June 2012	N/A	26 August 2014
Mr. Lam Kwok Keung (林國強)	57	29 June 2012	N/A	26 August 2014
Ms. Han Ying (韓英)	60	29 June 2012	2 April 2014	N/A
Mr. Hong Huihuang (洪輝煌)	44	29 June 2012	N/A	N/A
Non-executive Directors				
Mr. Zhai Gang (翟剛)	40	29 June 2012	N/A	N/A
Independent non-executive Directors				
Mr. Wang Zhiqiang (王志強)	47	29 June 2012	N/A	N/A
Ms. Long Xiaoning (龍小寧)	43	29 June 2012	N/A	N/A
Mr. Li Yuzhong (李玉中)	48	29 June 2012	N/A	N/A
Mr. Zhang Huaqiao (張化橋)	51	12 May 2013	30 June 2014	N/A
Ms. Chan Wah Man, Carman (陳華敏)	46	30 June 2014	N/A	N/A
Supervisors				
Mr. Zhang Haimu (章海木)	38	29 June 2012	N/A	N/A
Mr. Zhou Xinyu (周新宇)	38	29 June 2012	N/A	N/A
Ms. Wang Xinhui (汪心慧)	41	29 June 2012	N/A	N/A

Ms. Chan Wah Man, Carman has been appointed as an independent non-executive Director of the Board with effect from 30 June 2014 to fulfill the vacancy of Mr. Zhang Huaqiao, and shall hold office until the forthcoming AGM and shall then be eligible for re-election.

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, supervisors and senior management of the Company are set out on pages 27 to 31 of this annual report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

In relation to the re-designation of Mr. Lam Wing Ho from a non-executive Director to be an executive Director, Mr. Lam Wing Ho entered into a new service contract in replace of his previous contract with the Company, commencing from 2 April 2014 and ending on the expiration of the term of the first session of the Board on 28 June 2015, subject to his retirement and re-election at annual general meeting of the Company.

In relation to the re-designations of Mr. Lam Wo Sze and Mr. Lam Kwok Keung, each of them entered into a new service contract in place of his previous service contract with the Company, commencing from 26 August 2014 and ending on the expiration of the term of the first session of the Board on 28 June 2015, subject to his retirement and re-election at annual general meeting of the Company.

In relation to the appointment of Ms. Chan Wah Man, Carman as an independent non-executive Director, Ms. Chan Wah Man, Carman entered into a service contract with the Company, pursuant to which she shall hold office as an independent non-executive Director until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Each of the other Directors and each of the supervisors of the Company has entered into a service contract with the Company for a term commencing on the Listing Date and ending on the expiration of the term of the first Board of Directors on 28 June 2015, subject to his retirement and re-election at annual general meeting of the Company.

Save as disclosed above, none of the Directors or supervisors of the Company has or is proposed to have a service contract with the Group (other than contracts expiring or determinable by any member of the Group within one year without payment of compensation, other than statutory compensation).

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details of the remuneration of the Directors and supervisors of the Company are set out in note 7 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2014.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2014, the interests or short positions of the Directors, supervisors and the chief executive in the Company's shares, underlying shares and debentures of the associated corporations of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), will be as follows:

(i) Interests of the Directors in the shares of our Company

Name of Director	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital[(1)]	Percentage in the total issued share capital[(1)]
Mr. Lam Wo Ping[(2)(3)]	H shares	351,200,000	Interest in a controlled corporation	72.25%	65.66%
Mr. Lam Wo Sze[(2)]	H shares	331,200,000	Interest in a controlled corporation	68.13%	61.92%
Mr. Lam Kwok Keung[(2)]	H shares	331,200,000	Interest in a controlled corporation	68.13%	61.92%
Mr. Lam Wing Ho[(2)]	H shares	331,200,000	Interest in a controlled corporation	68.13%	61.92%

(1) The calculation is based on the total number of 534,909,200 ordinary shares of the Company in issue as at 31 December 2014, which was comprised of 48,800,000 domestic shares and 486,109,200 H shares.

(2) As at 31 December 2014, Fuguiniao Group Limited (富貴鳥集團有限公司) (the "**Fuguiniao Holdco**") was owned as to 32.5% by Mr. Lam Wo Ping, 22.5% by Mr. Lam Wo Sze, 22.5% by Mr. Lam Kwok Keung and 22.5% by Mr. Lam Wing Ho. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are also cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho. Each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho was deemed to be interested in the H shares of the Company held by Fuguiniao Holdco for the purpose of the SFO.

(3) As at 31 December 2014, Wo Hing (China) Trading Limited (和興(中國)貿易有限公司) (the "**Wo Hing Trading**") was wholly-owned and controlled by Mr. Lam Wo Ping and Mr. Lam Wo Ping was therefore deemed to be interested in all the 20,000,000 H shares of the Company in which Wo Hing Trading was interested.

(ii) Interests of the Directors in the shares of Fuguiniao Holdco (being a holding company of our Company)

Name	Number of shares	Nature of interest	Percentage in issued share capital
Mr. Lam Wo Ping	3,250	Beneficial owner	32.50%
Mr. Lam Wo Sze	2,250	Beneficial owner	22.50%
Mr. Lam Kwok Keung	2,250	Beneficial owner	22.50%
Mr. Lam Wing Ho	2,250	Beneficial owner	22.50%

Saved as disclosed above, as at 31 December 2014, none of the Directors, supervisors and the chief executive of the Company and their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the persons or corporations who had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

(i) Interests of substantial shareholders of the Company

Shareholder	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital[1]	Percentage in the total issued share capital[1]
Fuguiniao Holdco[2]	H shares	331,200,000	Beneficial owner	68.13%	61.92%
Mr. Lam Wo Ping[2][3]	H shares	351,200,000	Interest in a controlled corporation	72.25%	65.66%
Mr. Lam Wo Sze[2]	H shares	331,200,000	Interest in a controlled corporation	68.13%	61.92%
Mr. Lam Kwok Keung[2]	H shares	331,200,000	Interest in a controlled corporation	68.13%	61.92%
Mr. Lam Wing Ho[2]	H shares	331,200,000	Interest in a controlled corporation	68.13%	61.92%

(1) The calculation is based on the total number of 534,909,200 ordinary shares in issue as at 31 December 2014, which was comprised of 48,800,000 domestic shares and 486,109,200 H shares.

(2) As at 31 December 2014, Fuguiniao Holdco was owned as to 32.5% by Mr. Lam Wo Ping, 22.5% by Mr. Lam Wo Sze, 22.5% by Mr. Lam Kwok Keung and 22.5% by Mr. Lam Wing Ho. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are also cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho. Each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho was deemed to be interested in the Shares held by Fuguiniao Holdco for the purpose of SFO.

(3) As at 31 December 2014, Wo Hing Trading was wholly-owned and controlled by Mr. Lam Wo Ping and Mr. Lam Wo Ping was therefore deemed to be interested in all the 20,000,000 H shares of the Company in which Wo Hing Trading was interested.

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 which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

Certain of the related party transaction for the year as disclosed in note 25 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules, which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. Details of such continuing connected transactions (as defined under the Listing Rules) are set out below in accordance with the requirements of the Listing Rules:

LEASE AGREEMENT WITH FUJIAN SHISHI FUGUINIAO GROUP CO., LTD.* (福建石獅市富貴鳥集團有限公司) ("SHISHI FUGUINIAO")

Shishi Fuguiniao is owned as to 25% by Mr. Lam Wo Ping, 25% by Mr. Lam Wo Sze, 25% by Mr. Lam Kwok Keung and 25% by Mr. Lam Wing Ho, with all of whom also as its directors. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are also cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho.

Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho are also Directors and substantial shareholders of the Company, and therefore are connected persons of the Group. Pursuant to Rule 14A.12(2)(b) of the Listing Rules, as Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho in aggregation hold the entire equity interest in Shishi Fuguiniao, Shishi Fuguiniao shall be deemed as an associate of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho, and therefore, a connected person of our Group.

Certain members of the Group have entered into the following lease agreements (the "**Lease Agreements**") with Shishi Fuguiniao, which constitute continuing connected transactions of the Group under the Listing Rules:

No.	Location	Member of the Group as Lessee	Lessor	Term and Rental (RMB)	Type of Premises
1.	Nos. 217–219, 1st Floor, Fulin Building, Changfu Road, Shishi City, Fujian Province	Fuguiniao (Fujian) Shoes Clothes Co., Ltd. (富貴鳥(福建)鞋服有限公司)	Shishi Fuguiniao	Term: from 1 July 2013 to 31 December 2015 Rental: 8,000/month	Retail store with a gross floor area of approximately 231.55 square meters
2.	Qianyuan Village, Baogai Town, Shishi City, Fujian Province	the Company	Shishi Fuguiniao	Term: from 1 November 2013 to 31 December 2015 Rental: 500,000/month	Office buildings, workshops and dormitories, with a gross floor area of 62,078.87 square meters
3.	Baqi Road, Shishi City, Fujian Province	the Company	Shishi Fuguiniao	Term: from 1 November 2013 to 31 December 2015 Rental: 750,000/month	Office facilities, workshops and dormitories, with a gross floor area of approximately 95,579.46 square meters

During the year ended 31 December 2014, total rental paid or payable by the Group under the Lease Agreements amounted to RMB15,096,000, which did not exceed the annual caps for these transactions.

OPINION FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDITOR ON THE CONTINUING CONNECTED TRANSACTIONS

The Directors (including all independent non-executive Directors) have reviewed the above mentioned continuing connected transactions and confirmed that these transactions were entered into:

(1) in the ordinary and usual course of business of the Group;
(2) on normal commercial terms or better; and
(3) in accordance with the relevant Lease Agreements and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

KPMG, the auditor of the Company, was engaged to report on the Group's continuing connected transactions 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 transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Save as disclosed in the paragraph headed "Continuing Connected Transactions" above and in note 25 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 or supervisor 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 ended 31 December 2014, save as disclosed in note 25 to the consolidated financial statements and in the paragraph headed "Continuing Connected Transactions" in this report, there had been no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

COMPETING BUSINESS

None of the Directors and their associates had any interest in any competing business with the Company or any of its subsidiaries during the year ended 31 December 2014.

COMPLIANCE WITH NON-COMPETE UNDERTAKING

Each of Fuguiniao Holdco, Wo Hing Trading, Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho (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 28 November 2013. The independent non-executive Directors of the Company have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with throughout the year ended 31 December 2014.

ARRANGEMENT FOR DIRECTORS AND SUPERVISORS TO PURCHASE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or supervisors of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

RETIREMENT SCHEMES

The Group participates in defined contribution retirement benefit schemes organized by the PRC municipal and provincial government authorities for the Group's eligible employees in the PRC, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 20 to the consolidated financial statements.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2014, the Company complied with all code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2014, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

EVENTS AFTER THE REPORTING PERIOD

On 12 January 2015, the Company received the official approval document from the China Securities Regulatory Commission (the "**CSRC**"), pursuant to which the Company is permitted to issue domestic corporate bonds to the public with an aggregate principal amount of not exceeding RMB800,000,000 in the PRC within the period of six months starting from the date of the approval. For details of the domestic corporate bonds, please refer to (i) the announcement of the Company dated 16 July 2014 on the proposed issue of domestic corporate bonds by the Company; (ii) the notice and the circular of the extraordinary general meeting of the Company dated 17 July 2014 in relation to the proposed issue of domestic corporate bonds; (iii) the poll results announcement of the extraordinary general meeting of the Company dated 1 September 2014 in relation to the approval of the issue of domestic corporate bonds by the shareholders of the Company; (iv) the announcement of the Company dated 11 December 2014 in relation to the approval of the issue of domestic corporate bonds by the Issuance Examination Committee of the CSRC; and (v) the announcement of the Company dated 12 January 2015 in relation to the approval of the issue of domestic corporate bonds by the CSRC.

Save as disclosed, there were no other significant events after the reporting period of the Group.

AUDIT COMMITTEE

The audit committee of the Board has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the review of the Group's consolidated annual results for the year ended 31 December 2014.

AUDITOR

The consolidated financial statements for the year ended 31 December 2014 have been audited by KPMG, who shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Group is to be proposed at the AGM.

By order of the Board
Fuguiniao Co., Ltd.
Lam Wo Ping
Chairman

Hong Kong, 12 March 2015

REPORT OF THE BOARD OF SUPERVISORS

The current session of the board of supervisors is comprised of three supervisors, namely Mr. Zhang Haimu, Mr. Zhou Xinyu and Ms. Wang Xinhui.

In the year ended 31 December 2014, for the Company's long term interests and shareholders' interests, the board of supervisors of the Company acted in strict compliance with relevant laws, regulations, rules, regulatory documents, the Articles of Association and Listing Rules and earnestly performed their duties of supervision as to the acts of the Directors and senior management of the Company. The main area of work of the board of supervisors in 2014 is summarised as follows:

I. MEETING CONDUCTED BY THE BOARD OF SUPERVISORS

The board of supervisors of the Company convened two meetings in the year ended 31 December 2014.

II. WORK OF THE BOARD OF SUPERVISORS

The work of the first session of the board of supervisors mainly comprised of the followings:

1. Inspection over implementation of resolutions of the general meetings

The board of supervisors of the Company exercised supervision and inspection of the implementation of the resolutions in general meetings by the Board and the senior management through observation and attendance at the board meetings and the general meetings. The board of supervisors is of the opinion that the Directors and senior management of the Company have diligently performed their duties in compliance with resolutions of the general meetings. No violation of any laws or regulations or Articles of Association or any act which jeopardises the interests of the Company or shareholders of the Company has been found in the performance of the Company's Directors and senior management.

2. Inspection over legal compliance of the Group's operations

The board of supervisors of the Company exercised supervision on a regular basis over the legal compliance and rationality of the Group's operation and management in its ordinary work. It has also exercised supervision over work performance of the Board and senior management. The board of supervisors is of the opinion that, the Group's operation is sound and rational, and is in compliance with all applicable laws, regulations and rules and the Articles of Association. The members of the Board and senior management of the Group have conscientiously and diligently performed their duties, and none of their act would prejudice the interests of the Group or the shareholders of the Company.

3. Inspection over the Group's daily operating activities

The board of supervisors of the Company exercised supervision over the Group's operating activities. The board of supervisors is of the opinion that the Group has a sound internal control system and has made great progress in the formulation and implementation of its internal work procedures, thus effectively controlled its exposure to various operating risks. The Group's operation is in compliance with the PRC laws and regulations and the Articles of Association.

4. **Inspection over the Group's financial condition**

   The board of supervisors of the Company has verified the Group's 2014 consolidated financial statements, supervised and inspected the Group's implementation of relevant financial policies and legislations as well as details on the Group's assets, financial income and expenditure and connected transactions. It is of the opinion that the financial report for 2014 fairly reflected its financial position and operating results of the Company, and all of the continuing connected transactions were entered into on a fair basis and the pricing of the transactions is determined on arm's length basis and did not impair the interests of the Group and the shareholders of the Company.

Looking forward, the board of supervisors of the Company will continue to carry out its duties in strict compliance with the Articles of Association and the relevant laws and regulations and protect the interests of the shareholders of the Company.

Chairman of the Board of Supervisors
Zhang Haimu

Hong Kong, 12 March 2015

CORPORATE GOVERNANCE REPORT

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

After reviewing the Company's corporate governance practices and the relevant regulations of the Corporate Governance Code and Corporate Governance Report (the "**CG code**") as set out in Appendix 14 to the Listing Rules, the Board is satisfied that the Company complied with the CG code provisions during the year ended 31 December 2014.

BOARD OF DIRECTORS

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

The Directors during the year ended 31 December 2014 were:

Executive Directors
Mr. Lam Wo Ping
Mr. Lam Wing Ho *(re-designated from a non-executive Director on 2 April 2014)*
Mr. Lam Wo Sze *(re-designated from a non-executive Director on 26 August 2014)*
Mr. Lam Kwok Keung *(re-designated from a non-executive Director on 26 August 2014)*
Ms. Han Ying *(resigned on 2 April 2014)*
Mr. Hong Huihuang

Non-executive Director
Mr. Zhai Gang

Independent non-executive Directors
Mr. Wang Zhiqiang
Ms. Long Xiaoning
Mr. Li Yuzhong
Mr. Zhang Huaqiao *(resigned on 30 June 2014)*
Ms. Chan Wah Man, Carman *(appointed on 30 June 2014)*

On 2 April 2014, Ms. Han Ying, our former executive Director tendered her resignation as an executive Director due to the Company's redeployment of human resources and restructuring of Board composition. And on the same date, Mr. Lam Wing Ho was re-designated from a non-executive Director to an executive Director.

On 30 June 2014, Mr. Zhang Huaqiao tendered his resignation as an independent non-executive Director and the chairman of the remuneration committee of the Board due to his other business and professional endeavors which require more of his attention and dedication. To fill the vacancy arising from the resignation of Mr. Zhang Huaqiao, Ms. Chan Wah Man, Carman was appointed as an independent non-executive Director and chairlady of the remuneration committee of the Board on the same date.

On 26 August 2014, each of Mr. Lam Wo Sze and Mr. Lam Kwok Keung was re-designated from non-executive Director to executive Director due to the Company's redeployment of human resources and restructuring of Board composition.

The biographical Details and (where applicable) their family relationships of the Directors are set out in the section headed "Biography of Directors, Supervisors and Senior Management" on pages 27 to 31 in the annual report. A list of the Directors identifying their role and function and whether they are independent non-executive Directors are available on the Company's website.

Mr. Lam Wo Ping, an executive Director and the Chairman of the Board, is the brother of Mr. Lam Wo Sze, an executive Director, as well as a cousin of both Mr. Lam Kwok Keung and Mr. Lam Wing Ho, both executive Directors.

Save as disclosed, there are no other financial, business, family or other material/relevant relationships among members of the Board.

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

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

All Board members have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request. Throughout the year ended 31 December 2014, 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.

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

DIRECTORS' AND OFFICERS' INSURANCE

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

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

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

Throughout the year ended 31 December 2014, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements in relation to continuous responsibilities of Hong Kong listed company and its directors and other relative compliance issues are provided and notified to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and Chief Executive Officer are separate and are not performed by the same individual as this ensures better checks and balances and hence better corporate governance. Mr. Lam Wo Ping holds the position of the Chairman, who is primarily responsible for the overall strategies, planning and business development of the Group. Mr. Lu Wenli serves as the Chief Executive Officer, who is primarily responsible for the operations of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

BOARD COMMITTEES

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

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

(i) Audit Committee

The Audit Committee was established on 27 April 2013. The Audit Committee consists of three Directors: Mr. Wang Zhiqiang (independent non-executive Director), Ms. Long Xiaoning (independent non-executive Director) and Ms. Chan Wah Man, Carman (independent non-executive Director). Mr. Wang Zhiqiang, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee.

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

Pursuant to the meeting of the Audit Committee on 12 March 2015, the Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2014, including the accounting principles and practices adopted by the Group, report prepared by the external auditors covering major findings in the course of the audit, and selection and appointment of the external auditors. two meetings were held by the Audit Committee during the year ended 31 December 2014 and all members of the Audit Committee attended each of these two meetings.

(ii) Remuneration Committee

The Remuneration Committee was established on 27 April 2013. The Remuneration Committee comprises three Directors: Ms. Chan Wah Man, Carman (independent non-executive Director), Mr. Li Yuzhong (independent non-executive Director) and Mr. Lam Wo Ping (executive Director). Ms. Chan Wah Man, Carman is the chairlady of the Remuneration Committee. The principal responsibilities of the Remuneration Committee are to review and make recommendations to the Board on the overall remuneration structure and policy for all Directors and senior management as well as the specific remuneration packages for the executive Directors and senior management and on the establishment of a formal and transparent process for developing such remuneration policy. No Director takes part in any discussion on his own remuneration. The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each director's workload, performance, responsibility, job complexity and the Group's performance are taken into account.

Pursuant to the meeting of the Remuneration Committee on 11 March 2015, the Remuneration Committee has reviewed the remuneration policy and structure relating to the Directors and senior management of the Company. One meeting was held by the Remuneration Committee during the year ended 31 December 2014 and all members of the Remuneration Committee attended the meeting.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2014 is set out below:

Remuneration bands (HK$)	Number of persons
Nil to 500,000	2
500,000 to 1,000,000	6

(iii) Nomination Committee

The Nomination Committee was established on 27 April 2013 and comprises three Directors: Mr. Lam Wo Ping (executive Director), Ms. Long Xiaoning (independent non-executive Director) and Mr. Li Yuzhong (independent non-executive Director). Mr. Lam Wo Ping is the Chairman of the Nomination Committee. The principal responsibilities of the Nomination Committee are to review the composition of the Board, including its structure, size and diversity, at least annually to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group. It is also responsible to consider and recommend to the Board suitably qualified persons to become a member of the Board, monitor the succession planning of Directors and assess the independence of independent non-executive Directors. The Nomination Committee will also give consideration to the Board Diversity Policy (as defined below) when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy (as defined below), so as to develop and review measurable objectives for the implementing the Board Diversity Policy (as defined below) and to monitor the progress on achieving these objectives.

Pursuant to the meeting of the Nomination Committee on 11 March 2015, the Nomination Committee has reviewed the structure, size and composition of the Board and assessed independence of the independent non-executive Directors. Four meetings were held by the Nomination Committee during the year ended 31 December 2014 and all members of the Nomination Committee attended the meetings.

(iv) Strategy Committee

The Strategy Committee was established on 9 July 2012 and comprises three Directors: Mr. Lam Wo Ping (executive Director), Mr. Zhai Gang (non-executive Director) and Mr. Li Yuzhong (independent non-executive Director). Mr. Lam Wo Ping is the Chairman of the Strategy Committee.

The primary function of the Strategy Committee is to make recommendations to the Board on the long-term development strategies of the Company.

One meeting was held by the Strategy Committee during the year ended 31 December 2014 and all members of the Strategy Committee attended the meeting.

CORPORATE GOVERNANCE FUNCTIONS

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

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

BOARD PROCEEDINGS

Pursuant to the Articles of Association, the Board is required to hold at least four Board meetings each year, to be convened and hosted by the Chairman of the Board. A notice of at least fourteen days shall be dispatched for a regular Board meeting. The notice shall state the time, venue and means by which the Board meeting will be convened.

The quorum for a Board meeting is the present of at least half of the total number of the Directors. A Director may attend the Board meeting in person, or appoint another Director in writing as his proxy to attend the Board meeting. The secretary to the Board of the Company is responsible for preparing and keeping the minutes of Board meetings and ensuring that such minutes are available for inspection by any Director.

During the year ended 31 December 2014, there were eight Board meetings held and each of the Directors then in position attended each of these meetings.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Pursuant to the Articles of Association, Directors shall be subject to election at general meetings with a term of office of three years and may be re-elected. The Company has implemented a set of effective procedures for the appointment of new Directors. The nomination committee shall, in accordance with provisions of the relevant laws and regulations and the Articles of Association, take into account the practical situations of the Company, consider the selection criteria, selection procedures and terms of office of the Directors of the Company, and record and submit the resolutions to the Board for approval. All newly nominated directors are subject to election and approval at general meetings. Where the number of vacancy of Directors is not more than the number specified by the Company Law of the PRC or not less than two thirds of the number of Directors prescribed by the Articles of Association, the Board has the power to appoint any person as a Director to fill the causal vacancy, and any person to be appointed as a Director to fill a casual vacancy of the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

In relation to the re-designation of Mr. Lam Wing Ho from a non-executive Director to be an executive Director, Mr. Lam Wing Ho entered into a new service contract in replace of his previous service contract with the Company, commencing from 2 April 2014 and ending on the expiration of the term of the first session of the Board on 28 June 2015, subject to his retirement and re-election at annual general meeting of the Company.

In relation to the re-designations of Mr. Lam Wo Sze and Mr. Lam Kwok Keung, each of them entered into a new service contract in place of his previous service contract with the Company, commencing from 26 August 2014 and ending on the expiration of the term of the first session of the Board on 28 June 2015, subject to his retirement and re-election at annual general meeting of the Company.

In relation to the appointment of Ms. Chan Wah Man, Carman as an independent non-executive Director, Ms. Chan Wah Man, Carman entered into a service contract with the Company, pursuant to which she shall hold office as an independent non-executive Director until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Each of the other Directors has entered into a service contract with the Company for a term commencing on the Listing Date and ending on the expiration of the term of the first Board of Directors on 28 June 2015, subject to his retirement and re-election at annual general meeting of the Company.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board adopted a board diversity policy (the "**Board Diversity Policy**") on 28 November 2013. The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

BOARD OF SUPERVISORS

The board of supervisors of the Company consists of three members. The employee representative supervisor, namely Mr. Zhang Haimu, was elected by employees, and the other supervisors were elected by the shareholders of the Company. Each of the supervisors has entered into a service contract with the Company for a term commencing on the Listing Date and ending on the expiration of the term of the first session of board of supervisors on 28 June 2015. The functions and duties of the board of supervisors include, but are not limited to: reviewing and verifying financial reports; and, if in doubt, appointing certified public accountants and practicing auditors to re-examine the Company's financial information; monitoring the business activities of the Company; supervising the performance of the Directors, the Chairman of the Board and other senior management members, and monitoring whether they had acted in violation of the laws, regulations and Articles of Association in the performance of their duties; requesting the Directors, the Chairman of the Board and senior management members to rectify actions which are damaging to the Company's interests; and exercising other rights given to them under the Articles of Association.

MODEL CODE FOR SECURITIES TRANSACTIONS

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' and supervisors' securities transactions ("**Model Code**"). Upon specific enquiries, all Directors and supervisors of the Company confirmed that they have complied with the relevant provisions of the Model Code throughout the year ended 31 December 2014.

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

COMPANY SECRETARY

Mr. Liu Guodong, 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. Mr. Liu is responsible for advising the Board through the Chairman and/or the Chief Executive Officer on governance matters.

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

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial Reporting

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

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

Internal Controls

The Board recognizes its responsibility to ensure the Company maintains a sound and effective internal control system and the Board has conducted a review of the effectiveness of the internal control system of the Group during the year ended 31 December 2014. The Group's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis based on the risk assessments of the operations and controls. No major issue but areas for improvement have been identified. The Board and the Audit Committee considered that the key areas of the Group's internal control systems are reasonably implemented.

EXTERNAL AUDITOR

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

During the year, the fee payable to KPMG in respect of statutory audit services provided by the Company is RMB2,600,000. Fees for other services for the same period comprise service charges for the following:

	2014 RMB'000
Review of interim results	800
Reporting accountant service in relation to the issuance of corporate bonds	350
Statutory audit of certain subsidiaries	80

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

NON-COMPETE UNDERTAKING BY CONTROLLING SHAREHOLDERS

Fuguiniao Group Limited, Wo Hing (China) Trading Limited, Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho are the controlling shareholders (within the meaning of the Listing Rules) of the Company (the "**Controlling Shareholders**"). Each of the Controlling Shareholders has confirmed to the Company that none of them is engaged in, or interested in any business (other than the Group) which directly or indirectly competes or may compete with the business of the Group. To protect the Group from any potential competition, the Controlling Shareholders have given an irrevocable non-compete undertaking in the Group's favour on 28 November 2013 (the "**Deed of Non-competition**"). Each of the Controlling Shareholders has confirmed to the Company that he/it has complied with the Deed of Non-competition, and the independent non-executive Directors of the Company have reviewed the status of compliance and enforcement of the Deed of Non-competition and confirmed that all the undertakings thereunder have been complied with for the year ended 31 December 2014.

In addition, during the year ended 31 December 2014, no decision was made by the independent non-executive Directors pursuant to the Offer Notice, Options for Acquisition or Pre-emptive Rights (each as defined in the prospectus of the Company dated 10 December 2013) under the Deed of Non-competition, as no relevant business opportunity in relation to such Offer Notice, Options for Acquisition or Pre-emptive Rights was offered to any of the Controlling Shareholders or referred to the Company by any of the Controlling Shareholders during the same period.

Actions and/or procedures taken by each of the Controlling Shareholders to ensure the Controlling Shareholders' compliance with the terms of the Deed of Non-competition include:

(a) upon the request of the independent non-executive Directors, the Controlling Shareholders provided all information necessary for the independent non-executive Directors to review the Controlling Shareholders' and their respective associates' (excluding the Company and its subsidiaries) compliance with and enforcement of the Deed of Non-competition; and

(b) each of them made a declaration to the Company and its independent non-executive Directors regarding his/its compliance with the Deed of Non-competition for the year ended 31 December 2014 for the Company to disclose in the annual report.

The relevant actions taken by the Company and its Directors include:

(a) The Company delegated the independent non-executive Directors with the authority to review the Controlling Shareholders' and their respective associates' (excluding the Company and its subsidiaries) compliance with and enforcement of the Deed of Non-competition and make relevant decisions pursuant to the Office Notice, Options for Acquisition or Pre-emptive Rights (each as defined in the Prospectus);

(b) the independent non-executive Directors made enquiries to and requested relevant information from each of the Controlling Shareholders in relation to their review of the Controlling Shareholders' and their respective associates' (excluding the Company and its subsidiaries) compliance with and enforcement of the Deed of Non-competition; and

(c) the independent non-executives Directors have also reviewed, among other things, business activities undertaken by each of the Controlling Shareholders (if any) outside of the Group.

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.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

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

(i) Participation at general meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the shareholders. The Company encourages the participation of the shareholders through annual general meetings and other general meetings where the shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the shareholders no less than 45 days before the meeting. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual Directors.

(ii) Enquiries and proposals to the Board

The Company encourages shareholders to attend shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board Committees at the general meetings or providing written notice of such proposals for the attention of the Company Secretary at the registered office of the Company in Hong Kong currently situated at Room 1908, 19/F, West Tower, Shun Tak Centre, 168–200 Connaught Road, Central, Hong Kong or via email to simonliu@fuguiniao.com.

(iii) Convening extraordinary general meetings

Pursuant to the Articles of Association, the Board shall convene an extraordinary general meeting or class meeting within two months where any shareholder holding, severally or jointly, 10% or more of the Company's issued shares carrying voting rights requests in writing for the convening of an extraordinary general meeting or class meeting. The shareholders holding, severally or jointly, 10% or more of voting shares at such proposed meeting may request the Board to convene an extraordinary general meeting or class meeting by signing and submitting one or several written requests with the same format and contents and specifying the agenda of the meeting. An extraordinary general meeting or class meeting shall be convened by the Board as soon as practicable upon receipt of the aforesaid written request. The aforesaid shareholding shall be calculated on the basis of the date on which the relevant shareholders submit the written request. If the Board fails to despatch a notice of convening such meeting within 30 days upon receipt of the aforesaid written request, the shareholders individually or jointly holding 10% or more of the shares of the Company may convene such a meeting by themselves within 4 months of the date of the receipt of such request by the Board. The procedures for convening such meeting should follow those for convening a general meeting or class meeting of shareholders by the Board as closely as practicable.

All reasonable expenses incurred by convening and holding the aforesaid meeting by shareholders due to the failure of the Board to hold such meeting in response to the aforesaid request shall be borne by the Company. Such expenses shall be deducted from the amounts due by the Company to the Director(s) who have defaulted their duties.

(iv) Procedures for putting forward proposals at a general meeting

In overseeing and monitoring the business operation of the Company, the shareholders of the Company have the right to put forward proposals and raise inquiries. Shareholders individually or together holding 3% or more of the Company's voting shares have the right to put up ad hoc proposals in writing to the Company 10 days before the holding of the general meeting, and the Company shall include such ad hoc proposals into the agenda for such general meeting.

The contents of the proposals to be raised shall be within the scope of duties of the general meetings. It shall have a clear topic and specific matters to be resolved on, and shall be in compliance with relevant requirements of the laws, administrative regulations and the Articles of Association of the Company.

CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution of the annual general meeting of the Company passed on 23 May 2014, article 21 of the Articles of Association of the Company has been amended to the effect that upon the completion of the issuance of the H shares in the aggregate number of 134,909,200 (including 1,569,200 H shares issued upon partial exercise of the over-allotment option), the number of the total issued ordinary shares of the Company shall be 534,909,200, comprising of 48,800,000 domestic shares and 486,109,200 H shares, and article 24 of the Articles of Association of the Company has accordingly been amended to the effect that the registered capital of the Company shall be RMB534,909,200 instead of RMB400 million. Please refer to the circular and the notice of the annual general meeting of the Company dated 7 April 2014.

Save as disclosed above, during the year ended 31 December 2014, there was no change in the Articles of Association of the Company.

The Articles of Association of the Company are available on the websites of the Stock Exchange and the Company.

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the shareholders of Fuguiniao Co., Ltd.
(Incorporated in the People's Republic of China with joint stock limited liability)

We have audited the consolidated financial statements of Fuguiniao Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 58 to 104, which comprise the consolidated and company statements of financial position as at 31 December 2014, and 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 Group and of the Company as at 31 December 2014 and of the Group's consolidated 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

12 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	2,322,982	2,294,287
Cost of sales		(1,405,644)	(1,408,016)
Gross profit		917,338	886,271
Other revenue	4	36,778	12,095
Other net (loss)/income	4	(5,180)	29,204
Selling and distribution expenses		(189,617)	(176,929)
Administrative and other operating expenses		(133,284)	(133,790)
Profit from operations		626,035	616,851
Finance costs	5(a)	(23,901)	(23,539)
Profit before taxation	5	602,134	593,312
Income tax	6	(150,912)	(149,583)
Profit for the year		451,222	443,729
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside the mainland China		130	(615)
Total comprehensive income		451,352	443,114
Basic and diluted earnings per share (RMB)	10	0.84	1.10

The notes on pages 63 to 104 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 21(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Fixed assets	*11*		
– Property, plant and equipment		101,011	113,079
– Interests in leasehold land held for own use under operating leases		8,847	9,055
Deferred tax assets	*13(b)*	12,627	6,465
		122,485	128,599
Current assets			
Inventories	*14*	250,586	246,135
Trade and other receivables	*15*	730,069	888,976
Pledged bank deposits	*16*	32,806	31,640
Fixed deposits at banks with maturity over three months and other financial assets	*17*	1,575,869	604,358
Cash and cash equivalents	*17*	401,634	843,353
		2,990,964	2,614,462
Current liabilities			
Bank loans	*18*	400,939	417,769
Trade and other payables	*19*	437,971	294,965
Current tax payable	*13(a)*	81,473	90,630
		920,383	803,364
Net current assets		2,070,581	1,811,098
Total assets less current liabilities		2,193,066	1,939,697
Net assets		2,193,066	1,939,697
Capital and reserves	*21*		
Share capital		534,909	533,340
Reserves		1,658,157	1,406,357
Total equity		2,193,066	1,939,697

Approved and authorised for issue by the board of directors on 12 March 2015.

Lam Wo Ping
Director

Lam Kwok Keung
Director

The notes on pages 63 to 104 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Fixed assets	*11*		
– Property, plant and equipment		93,672	105,301
– Interests in leasehold land held for own use under operating leases		8,847	9,055
Investments in subsidiaries	*12*	100,529	100,529
Deferred tax assets	*13(b)*	3,760	–
		206,808	214,885
Current assets			
Inventories	*14*	188,951	202,176
Trade and other receivables	*15*	1,657,880	1,604,484
Pledged bank deposits	*16*	32,806	31,640
Fixed deposits at banks with maturity over three months and other financial assets	*17*	726,483	204,358
Cash and cash equivalents	*17*	345,393	565,448
		2,951,513	2,608,106
Current liabilities			
Bank loans	*18*	360,756	417,769
Trade and other payables	*19*	519,184	368,430
Current tax payable	*13(a)*	78,880	89,634
		958,820	875,833
Net current assets		1,992,693	1,732,273
Total assets less current liabilities		2,199,501	1,947,158
Net assets		2,199,501	1,947,158
Capital and reserves	*21*		
Share capital		534,909	533,340
Reserves		1,664,592	1,413,818
Total equity		2,199,501	1,947,158

Approved and authorised for issue by the board of directors on 12 March 2015.

Lam Wo Ping
Director

Lam Kwok Keung
Director

The notes on pages 63 to 104 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

(Expressed in Renminbi)

	Note	Share capital RMB'000 21(d)	Capital reserve RMB'000 21(e)(i)	Statutory reserve RMB'000 21(e)(ii)	Exchange reserve RMB'000 21(e)(iii)	Retained profits RMB'000	Total RMB'000
As at 1 January 2013		400,000	143,135	45,741	–	212,666	801,542
Changes in equity for 2013:							
Profit for the year		–	–	–	–	443,729	443,729
Other comprehensive income for the year		–	–	–	(615)	–	(615)
Total comprehensive income for the year		–	–	–	(615)	443,729	443,114
Appropriation to statutory reserve	*21(e)(ii)*	–	–	43,745	–	(43,745)	–
Issue of H shares, net of listing expenses	*21(a)(i)*	133,340	761,701	–	–	–	895,041
Dividends declared	*21(c)*	–	–	–	–	(200,000)	(200,000)
As at 31 December 2013 and 1 January 2014		533,340	904,836	89,486	(615)	412,650	1,939,697
Changes in equity for 2014:							
Profit for the year		–	–	–	–	451,222	451,222
Other comprehensive income for the year		–	–	–	130	–	130
Total comprehensive income for the year		–	–	–	130	451,222	451,352
Appropriation to statutory reserve	*21(e)(ii)*	–	–	45,303	–	(45,303)	–
Issue of H shares, net of listing expenses	*21(a)(ii)*	1,569	9,062	–	–	–	10,631
Dividends declared	*21(c)*	–	–	–	–	(208,614)	(208,614)
As at 31 December 2014		534,909	913,898	134,789	(485)	609,955	2,193,066

The notes on pages 63 to 104 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	*17(b)*	922,709	147,950
Income tax paid		(166,231)	(116,164)
Net cash generated from operating activities		756,478	31,786
Investing activities			
Payment for the purchase of fixed assets		(3,613)	(3,337)
Proceeds from disposal of fixed assets		–	216,000
Placement of time deposits with original maturity over three months and purchase of other financial assets		(2,453,944)	(690,358)
Maturity of time deposits with original maturity over three months		1,482,355	187,000
Interest received from banks		17,079	7,899
Net cash used in investing activities		(958,123)	(282,796)
Financing activities			
Proceeds from bank loans		595,422	574,887
Repayment of bank loans		(611,906)	(515,826)
Proceeds from issue of H shares, net of issuing expenses		10,631	895,041
Net decrease/(increase) in pledged deposits for foreign currency loans		7,500	(7,500)
Dividends paid		(217,894)	(190,720)
Interest paid		(23,760)	(23,597)
Net cash (used in)/generated from financing activities		(240,007)	732,285
Net (decrease)/increase in cash and cash equivalents		(441,652)	481,275
Cash and cash equivalents at 1 January		843,353	362,784
Effect of foreign exchange rate changes		(67)	(706)
Cash and cash equivalents at 31 December	*17(a)*	401,634	843,353

The notes on pages 63 to 104 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Company was incorporated in the People's Republic of China (the "PRC") on 20 November 1995 as a limited liability company and was converted into a joint stock limited liability company on 29 June 2012. The foreign-invested shares ("H shares") of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2013.

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 International Accounting Standards Board ("IASB"). These financial statements also comply with 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 consolidated 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. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

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

These consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand which is the Group's presentation currency and the functional currency of the Company and its subsidiaries in mainland China.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that derivative financial instruments which are stated at their fair value as explained in the accounting policies set out below (see note 1(e)).

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) 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 and the Company. None of these developments are relevant to the Group's results and financial position. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences 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.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

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

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(f) 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)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment (Continued)

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 of 10%, 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 20 years after the date of completion.	
– Plant and machinery	10 years
– Leasehold improvements	3 years
– Motor vehicles	8 years
– Furniture, fixtures and equipment	5 years

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

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

(g) Operating lease charges

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 term, 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.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(h) Impairment of assets

(i) Impairment of trade and other receivables and other financial assets

Trade and other receivables and other financial assets that are stated at amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of assets (Continued)

(i) Impairment of trade and other receivables and other financial assets (Continued)

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

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

(ii) Impairment of other assets

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

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating leases; and

– investment in subsidiaries in the Company's statement of financial position.

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell 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 an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior year. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(h)(i) and (ii)).

(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 when 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 and other financial assets

Trade and other receivables and other financial assets are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(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 allowance for impairment of 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

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.

(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 business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax (Continued)

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 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.

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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 Company or 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Provision and contingent liabilities

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

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

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

(r) Translation of foreign currencies

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

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

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

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 period in which they are incurred.

(t) Research and development expenditure

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

(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 party 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 members of the family of a person are those family members who may be expected to influence, or be influenced by, that person 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.

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.

2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairments

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(b) Net realisable value of inventories

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

2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) 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 the end of the reporting period.

(d) Depreciation and amortisation

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

(e) Bank acceptance bills

As set out in notes 15(d) and 22(a)(i), the Group considers that the credit risk associated with bank acceptance bills with recourse issued by major banks in the PRC to be minimal. The Group monitors the credit risk of issuing banks and the judgement to de-recognise bank acceptance bills with recourse upon discounting or endorsement is reviewed when the credit risk of issuing banks deteriorates significantly.

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are manufacturing and trading of shoes and menswear in the PRC. Turnover represents the sales value of goods sold less returns, discounts and VAT.

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's turnover for the year ended 31 December 2013 and 2014. Details of concentrations of credit risk arising from major customers are set out in note 22(a).

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Design, manufacture and trading of shoes and accessories ("Shoes")

– Design and trading of menswear ("Menswear")

3 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results

In presenting the information on the basis of business segments, segment turnover and results are based on the turnover and gross profit of Shoes and Menswear.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2013 and 2014 is set out below:

	Shoes		Menswear		Total	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Turnover	1,837,359	1,820,783	485,623	473,504	2,322,982	2,294,287
Cost of sales	(1,116,138)	(1,120,991)	(289,506)	(287,025)	(1,405,644)	(1,408,016)
Reportable segment gross profit	721,221	699,792	196,117	186,479	917,338	886,271
Depreciation and amortisation	5,548	9,637	–	–	5,548	9,637

The Group does not allocate any specific assets or expenditures for property, plant and equipment to the operating segments as the Group's most senior executive management does not use the information to measure the performance of the reportable segments. The performance of the reportable segments is assessed by the Group's most senior executive management base on a measure of the gross profit.

(ii) Geographic information

The following table sets out information about the geographical location of the Group's turnover from external customers. The geographical location of customers is based on the location at which the goods are delivered.

	2014 RMB'000	2013 RMB'000
The PRC	1,988,597	1,948,599
Russia	99,159	124,997
Italy	82,298	97,360
Germany	52,756	15,884
Austria	50,686	61,696
Canada	37,012	38,458
Other countries	12,474	7,293
	2,322,982	2,294,287

4 OTHER REVENUE AND OTHER NET INCOME

	2014 RMB'000	2013 RMB'000
Other revenue		
Interest income	25,953	9,628
Government grants	10,712	1,969
Others	113	498
	36,778	12,095
Other net income		
Net foreign exchange loss	(5,730)	(4,501)
Gain on disposals of fixed assets	–	33,871
Unrealised gain on forward foreign exchange contracts	550	–
Others	–	(166)
	(5,180)	29,204

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2014 RMB'000	2013 RMB'000
(a)	Finance costs:		
	Interest on bank borrowings	23,901	23,539
(b)	Staff costs:		
	Contributions to defined contribution retirement plans *(note 20)*	7,853	6,827
	Salaries, wages and other benefits	229,802	216,738
		237,655	223,565

5 PROFIT BEFORE TAXATION (Continued)

		2014 RMB'000	2013 RMB'000
(c)	Other items:		
	Depreciation and amortisation	15,058	21,432
	Impairment losses		
	– Trade and other receivables *(note 15(b))*	15,590	–
	Auditor's remuneration	3,480	1,480
	Operating lease charges in respect of properties	21,844	8,423
	Research and development costs *(note (i))*	39,658	39,203
	Cost of inventories *(note (ii))*	1,405,644	1,408,016

Notes:

(i) Research and development costs for the year ended 31 December 2014 include staff costs of employees in the design, research and development department of RMB14,434,000 (2013: RMB14,840,000), which are also included in the staff costs as disclosed in note 5(b).

(ii) Cost of inventories for the year ended 31 December 2014 includes RMB143,064,000 (2013: RMB134,794,000) relating to staff costs, depreciation and amortisation and operating lease charges in respect of properties, which amounts are also included in the respective total amounts disclosed separately above or in notes 5(b) and (c) for each of these types of expenses.

6 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 – PRC Corporate Income Tax		
Provision for the year	155,667	147,951
Under/(over)-provision in respect of prior year	45	(824)
Current tax – Hong Kong Profits Tax		
Provision for the year	1,362	884
Deferred tax		
Origination and reversal of temporary differences *(note 13(b))*	(6,162)	1,572
	150,912	149,583

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

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

(i) The Company and its subsidiaries in mainland China are subject to the PRC Corporate Income Tax at the statutory rate of 25% for the year ended 31 December 2014 (2013: 25%).

(ii) The provision for Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits arising in Hong Kong for the year ended 31 December 2014.

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

	2014 RMB'000	2013 RMB'000
Profit before taxation	602,134	593,312
Notional tax on profit before taxation, calculated at the standard tax rates applicable to the respective tax jurisdictions	149,869	147,780
Non-deductible expenses	998	1,527
Reversal of temporary differences recognised	–	1,100
Under/(over)-provision in respect of prior year	45	(824)
Actual tax expense	150,912	149,583

7 DIRECTORS' AND SUPERVISORS' 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:

2014

	Directors' fee RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors					
Mr Lam Wo Ping	–	362	–	–	362
Mr Lam Wing Ho (a)	–	–	–	–	–
Mr Lam Wo Sze (b)	–	–	–	–	–
Mr Lam Kwok Keung (b)	–	–	–	–	–
Mr Hong Huihuang	–	521	3	–	524
Ms Han Ying (c)	–	151	–	–	151
Non-executive directors					
Mr Lam Wing Ho (a)	–	–	–	–	–
Mr Lam Wo Sze (b)	–	–	–	–	–
Mr Lam Kwok Keung (b)	–	–	–	–	–
Mr Zhai Gang	–	–	–	–	–
Independent non-executive directors					
Mr Wang Zhiqiang	80	–	–	–	80
Ms Long Xiaoning	80	–	–	–	80
Mr Li Yuzhong	80	–	–	–	80
Ms Chan Wah Man, Carman (d)	100	–	–	–	100
Mr Zhang Huaqiao (e)	100	–	–	–	100
Supervisors					
Mr Zhang Haimu	–	171	3	–	174
Mr Zhou Xinyu	–	249	3	–	252
Ms Wang Xinhui	–	–	–	–	–
Total	440	1,454	9	–	1,903

7 DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

2013

	Directors' fee RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors					
Mr Lam Wo Ping	–	362	–	–	362
Ms Han Ying	–	602	–	–	602
Mr Hong Huihuang	–	570	2	–	572
Non-executive directors					
Mr Lam Wo Sze	–	–	–	–	–
Mr Lam Wing Ho (a)	–	–	–	–	–
Mr Lam Kwok Keung	–	–	–	–	–
Mr Zhai Gang	–	–	–	–	–
Independent non-executive directors					
Mr Wang Zhiqiang	80	–	–	–	80
Ms Long Xiaoning	80	–	–	–	80
Mr Li Yuzhong	80	–	–	–	80
Mr Zhang Huaqiao (e)	128	–	–	–	128
Supervisors					
Mr Zhang Haimu	–	179	2	–	181
Mr Zhou Xinyu	–	250	2	–	252
Ms Wang Xinhui	–	–	–	–	–
Total	368	1,963	6	–	2,337

(a) Appointed as a non-executive director on 12 May 2013 and re-designated from a non-executive director to an executive director on 2 April 2014.

(b) Re-designated from non-executive directors to executive directors on 26 August 2014.

(c) Ceased to be an executive director on 2 April 2014.

(d) Appointed as an independent non-executive director on 30 June 2014.

(e) Appointed as independent non-executive director on 12 May 2013 and ceased to be an independent non-executive director on 30 June 2014.

8 INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2013: two) is director of the Company and another one has ceased to be a director of the Company from 2 April 2014. The emoluments of these directors, excluding the emoluments of the resigned director after her directorship, are disclosed in note 7 above. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2014* RMB'000	2013 RMB'000
Salaries and other emoluments	1,986	1,455
Contributions to retirement benefit scheme	10	2
	1,996	1,457

* The amounts for the year ended 31 December 2014 include emoluments to one of the five individuals with highest emoluments after the cease of her directorship on 2 April 2014.

The emoluments of all the individuals with the highest emoluments for the years ended 31 December 2013 and 2014 are within the band of HK$Nil to HK$1,000,000.

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profits attributable to equity shareholders of the Company include a profit of RMB450,326,000 (2013: RMB434,919,000) which has been dealt with in the financial statements of the Company.

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2014 is based on the profit for the year of RMB451,222,000 (2013: RMB443,729,000) and the weighted average of 534,849,000 (2013: 404,384,000 shares) shares in issue in 2014.

Weighted average number of ordinary shares

	2014 '000	2013 '000
Issued ordinary shares at 1 January	533,340	400,000
Effect of issuance of shares *(note 21(a))*	1,509	4,384
Weighted average number of ordinary shares at 31 December	534,849	404,384

(b) Diluted earnings per share

There were no dilutive potential ordinary shares for the years ended 31 December 2013 and 2014, and therefore, diluted earnings per share are the same as the basic earnings per share.

11 FIXED ASSETS

(a) The Group

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvement RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
1 January 2013	191,112	106,839	13,924	29,493	7,693	349,061	92,938	441,999
Additions	–	1,325	564	3,217	–	5,106	–	5,106
Disposals	(125,749)	(285)	–	–	–	(126,034)	(82,530)	(208,564)
At 31 December 2013	65,363	107,879	14,488	32,710	7,693	228,133	10,408	238,541
1 January 2014	65,363	107,879	14,488	32,710	7,693	228,133	10,408	238,541
Additions	–	767	271	1,939	–	2,977	–	2,977
Disposals	–	(119)	–	(219)	–	(338)	–	(338)
At 31 December 2014	65,363	108,527	14,759	34,430	7,693	230,772	10,408	241,180
Accumulated depreciation and amortisation:								
1 January 2013	19,060	72,245	8,190	14,596	786	114,877	6,533	121,410
Charge for the year	7,657	4,454	1,317	3,646	2,564	19,638	1,794	21,432
Written back on disposals	(19,205)	(256)	–	–	–	(19,461)	(6,974)	(26,435)
At 31 December 2013	7,512	76,443	9,507	18,242	3,350	115,054	1,353	116,407
1 January 2014	7,512	76,443	9,507	18,242	3,350	115,054	1,353	116,407
Charge for the year	2,941	4,382	1,087	3,876	2,564	14,850	208	15,058
Written back on disposals	–	(104)	–	(39)	–	(143)	–	(143)
At 31 December 2014	10,453	80,721	10,594	22,079	5,914	129,761	1,561	131,322
Net book value:								
At 31 December 2014	54,910	27,806	4,165	12,351	1,779	101,011	8,847	109,858
At 31 December 2013	57,851	31,436	4,981	14,468	4,343	113,079	9,055	122,134

11 FIXED ASSETS (Continued)

(b) The Company

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvement RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
1 January 2013	184,332	106,839	13,924	28,292	7,693	341,080	92,938	434,018
Additions	–	1,325	399	2,807	–	4,531	–	4,531
Disposals	(125,749)	(285)	–	–	–	(126,034)	(82,530)	(208,564)
At 31 December 2013	58,583	107,879	14,323	31,099	7,693	219,577	10,408	229,985
1 January 2014	58,583	107,879	14,323	31,099	7,693	219,577	10,408	229,985
Additions	–	767	6	1,825	–	2,598	–	2,598
Disposals	–	(119)	–	–	–	(119)	–	(119)
At 31 December 2014	58,583	108,527	14,329	32,924	7,693	222,056	10,408	232,464
Accumulated depreciation and amortisation:								
1 January 2013	18,884	72,245	8,190	14,524	786	114,629	6,533	121,162
Charge for the year	7,352	4,454	1,295	3,443	2,564	19,108	1,794	20,902
Written back on disposals	(19,205)	(256)	–	–	–	(19,461)	(6,974)	(26,435)
At 31 December 2013	7,031	76,443	9,485	17,967	3,350	114,276	1,353	115,629
1 January 2014	7,031	76,443	9,485	17,967	3,350	114,276	1,353	115,629
Charge for the year	2,634	4,382	1,028	3,602	2,566	14,212	208	14,420
Written back on disposals	–	(104)	–	–	–	(104)	–	(104)
At 31 December 2014	9,665	80,721	10,513	21,569	5,916	128,384	1,561	129,945
Net book value:								
At 31 December 2014	48,918	27,806	3,816	11,355	1,777	93,672	8,847	102,519
At 31 December 2013	51,552	31,436	4,838	13,132	4,343	105,301	9,055	114,356

11 FIXED ASSETS (Continued)

(c) The analysis of net book value of properties is as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
In Hong Kong				
– medium-term lease	5,992	6,299	–	–
In the PRC				
– medium-term leases	57,765	60,607	57,765	60,607
	63,757	66,906	57,765	60,607
Representing:				
Buildings carried at cost	54,910	57,851	48,918	51,552
Interests in leasehold land held for own use under operating leases	8,847	9,055	8,847	9,055
	63,757	66,906	57,765	60,607

Subsequent to the end of the reporting period, the Group entered into an agreement with a third party to dispose the building in Hong Kong at a consideration of HK$9,200,000 (equivalent to RMB7,280,880). The carrying amount of the building amounted to RMB5,992,000 as at 31 December 2014.

12 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2014 RMB'000	2013 RMB'000
Unlisted investments, at cost	100,529	100,529

12 INVESTMENTS IN SUBSIDIARIES (Continued)

Details of subsidiaries of the Group are set out below:

Name of company	Place of incorporation and business	Type of entity	Particulars of Issued/paid up capital	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by a subsidiary	
Fuguiniao (Fujian) Shoes Clothes Co., Ltd.* ("Fuguiniao Fujian") (富貴鳥(福建)鞋服有限公司)	PRC	Limited liability company	HK$30,000,000	100%	75%	25%	Trading of shoes and business casual wear
Hong Kong Anywalk International Fashions Limited ("Anywalk Hong Kong")	Hong Kong	Limited liability company	10,000 shares	100%	–	100%	Trading
Fuguiniao (HongKong) Limited ("Fuguiniao HongKong")	Hong Kong	Limited liability company	27,000,000 shares	100%	100%	–	Investment holding and trading
Fuguiniao Sales Company Limited* ("Fuguiniao Sales") (富貴鳥銷售有限公司)	PRC	Limited liability company	RMB50,000,000	100%	100%	–	Trading
Tibet Fuguiniao Health Products Development Company Limited* ("Fuguiniao Tibet") (西藏富貴鳥保健品研發有限公司)	PRC	Limited liability company	–#	100%	100%	–	Trading

* The English translation of these companies' names is for reference only. The official names of these companies are in Chinese.
# The subsidiary was established in September 2014 and the capital has not been paid up to the end of the reporting period.

13 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the statements of financial position

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
PRC Corporate Income Tax	79,227	89,746	78,880	89,634
Hong Kong Profits Tax	2,246	884	–	–
	81,473	90,630	78,880	89,634

13 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION (Continued)

(b) Net deferred tax assets recognised

The components of deferred tax assets/(liabilities) recognised in the statements of financial position and the movements in 2013 and 2014 are as follows:

	The Group				
	Provision for doubtful debts RMB'000	Unrealised profits RMB'000	Accrued expenses RMB'000	Derivative financial instruments RMB'000	Total RMB'000
At 1 January 2013	–	6,720	1,100	217	8,037
Charged to profit or loss *(note 6(a))*	–	(255)	(1,100)	(217)	(1,572)
At 31 December 2013	–	6,465	–	–	6,465
At 1 January 2014	–	6,465	–	–	6,465
Credited/(charged) to profit or loss *(note 6(a))*	3,897	2,402	–	(137)	6,162
At 31 December 2014	3,897	8,867	–	(137)	12,627

	The Company			
	Provision for doubtful debts RMB'000	Accrued expenses RMB'000	Derivative financial instruments RMB'000	Total RMB'000
At 1 January 2013	–	1,100	217	1,317
Charged to profit or loss	–	(1,100)	(217)	(1,317)
At 31 December 2013	–	–	–	–
At 1 January 2014	–	–	–	–
Credited/(charged) to profit or loss	3,897	–	(137)	3,760
At 31 December 2014	3,897	–	(137)	3,760

(c) Deferred tax liability not recognised

The Group is subject to PRC Corporate Income Tax on dividends receivable from its Hong Kong subsidiaries due to differential income tax rate. Deferred tax liability of RMB945,000 (2013: RMB455,000) relating to such undistributed profit of the Company's Hong Kong subsidiaries were not recognised as the Company controls the dividend policy of the subsidiary. Based on the assessment made by management as at the end of the reporting period, it was determined that the undistributed profits of the Company's Hong Kong subsidiaries would not be distributed in the foreseeable future.

14 INVENTORIES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Raw materials	**109,075**	108,112	**109,075**	108,112
Work in progress	**37,244**	50,677	**37,244**	50,677
Finished goods	**104,267**	87,346	**42,632**	43,387
	250,586	246,135	**188,951**	202,176

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2014 RMB'000	2013 RMB'000
Carrying amount of inventories sold	**1,405,644**	1,408,016

15 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Trade receivables				
– third parties	**683,794**	833,990	**592,206**	765,932
– subsidiary	**–**	–	**168,424**	136,410
Bills receivable *(note (d))*	**6,900**	1,200	**6,900**	1,200
Less: provision for doubtful debts *(note (b))*	**(15,590)**	–	**(15,590)**	–
Trade and bills receivables *(notes (a) and (c))*	**675,104**	835,190	**751,940**	903,542
Prepayments to suppliers	**27,026**	30,654	**23,970**	27,974
Amount due from a subsidiary	**–**	–	**865,746**	658,815
VAT deductible	**9,633**	6,329	**–**	–
Other prepayments	**3,818**	10,828	**3,008**	9,124
Other receivables	**13,938**	5,975	**12,666**	5,029
Derivative financial instruments *(note (e))*	**550**	–	**550**	–
	730,069	888,976	**1,657,880**	1,604,484

Trade and other receivables of the Group and the Company included deposits of RMB1,067,000 (2013: RMB4,246,000) which are expected to be recovered or recognised as expenses after more than one year. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

As at 31 December 2014, trade receivables with carrying amount of RMB54,930,000 (2013: Nil) were pledged as security for certain bank loans (see note 18).

15 TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivables (which are included in trade and other receivables), based on invoice date and net of allowance for doubtful debts, is as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within 3 months	491,022	649,525	561,225	702,877
More than 3 months but within 6 months	136,495	124,557	147,445	130,763
More than 6 months but within 1 year	42,550	59,878	38,275	68,672
More than 1 year	5,037	1,230	4,995	1,230
	675,104	835,190	751,940	903,542

Trade receivables are normally due within 90–120 days (2013: 90 days) from the date of billing. The Group sets a maximum revolving credit limit to each domestic distributor. In determining the amount of the credit limit and credit period, the Group takes into account the factors including the credit history, prior year's purchases, estimated purchases for the current year, funding required by that distributor to expand the retail network and market conditions. The Group generally evaluates the revolving credit limit of each domestic distributor annually upon renewal of the relevant distribution agreement. Further details on the Group's credit policy are set out in note 22(a).

(b) Impairment of trade and bills receivables

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

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

	The Group and the Company	
	2014 RMB'000	2013 RMB'000
At 1 January	–	–
Impairment loss recognised	15,590	–
At 31 December	15,590	–

As at 31 December 2014, the Group's trade receivables from two distributors of RMB15,590,000 (2013: Nil) were individually determined to be impaired, and provision for the amount was fully provided as these two distributors were under financial difficulties.

15 TRADE AND OTHER RECEIVABLES (Continued)

(c) Trade and bills receivables that are not impaired

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

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	575,396	649,525	659,955	702,877
Less than 3 months past due	86,762	124,557	82,777	130,763
More than 3 months past due	12,946	61,108	9,208	69,902
	675,104	835,190	751,940	903,542

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

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group.

Based on experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) Bills receivable

Bills receivable represented bank acceptance bills not matured.

As at 31 December 2014, the Group and the Company had discounted or endorsed bank acceptance bills with recourse of RMB306,617,000 (2013: RMB184,310,000). These bank acceptance bills matured within three or six months from the date of issue. As the Group only accepts bank acceptance bills from major banks in the PRC, management considered that the credit risk of these bills is minimal. Accordingly, the respective bills receivable are derecognised upon discounting or endorsement of the bills.

(e) The amount represented the fair value of the foreign currency forward contracts entered into by the Group and the Company (see note 23(e)).

16 PLEDGED BANK DEPOSITS

	The Group and the Company	
	2014 RMB'000	2013 RMB'000
Bank deposits pledged as security for:		
Bills payable *(note 19(a))*	32,806	24,140
Bank loans *(note 18)*	–	7,500
	32,806	31,640

17 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS AT BANKS AND OTHER FINANCIAL ASSETS

(a) Cash and cash equivalents and fixed deposits at banks and other financial assets comprise:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Deposits with banks within three months to maturity when placed	–	432,795	–	432,795
Cash at bank and in hand	401,634	410,558	345,393	132,653
Cash and cash equivalents	401,634	843,353	345,393	565,448
Deposits with banks with more than three months to maturity when placed	1,375,869	604,358	526,483	204,358
Other financial assets	200,000	–	200,000	–
	1,977,503	1,447,711	1,071,876	769,806

At 31 December 2014, the cash and deposits of the Group and the Company that were placed with banks in the mainland China amounted to RMB1,725,794,000 (2013: RMB898,465,000) and RMB870,934,000 (2013: RMB403,998,000), respectively.

Remittance of funds out of mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Other financial assets represented investments in wealth management products with fixed returns and would be recoverable within one year.

17 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS AT BANKS AND OTHER FINANCIAL ASSETS (Continued)

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

	2014 RMB'000	2013 RMB'000
Profit before taxation	602,134	593,312
Adjustments for:		
Depreciation and amortisation	15,058	21,432
Provision for impairment of trade receivables	15,590	–
Interest expense	23,901	23,539
Net unrealised foreign exchange gain	(69)	(201)
Interest income	(25,953)	(9,628)
Gain on disposals of fixed assets	–	(33,871)
Unrealised gain on forward foreign exchange contracts	(550)	–
Changes in working capital:		
Increase in inventories	(4,451)	(7,610)
Decrease/(Increase) in trade and other receivables	152,740	(459,253)
Increase in pledged deposits	(8,666)	(21,927)
Increase in trade and other payables	152,975	42,157
Cash generated from operations	922,709	147,950

18 BANK LOANS

As at 31 December 2014, the bank loans were repayable within one year as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Bank loans				
– secured *(note 15,16)*	49,356	7,369	49,356	7,369
– unsecured	351,583	410,400	311,400	410,400
	400,939	417,769	360,756	417,769

As at 31 December 2014, certain bank loans of the Group and the Company were secured by trade receivables of RMB54,930,000 (2013: Nil) (see note 15). As at 31 December 2013, a bank loan of the Group and the Company was secured by pledged bank deposits of RMB7,500,000 (see note 16).

19 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade payables				
– third parties	180,808	79,726	180,066	79,007
– subsidiaries	–	–	10,453	22,192
Bills payable *(note (a))*	164,030	120,700	164,030	120,700
Trade and bills payables *(note (b))*	344,838	200,426	354,549	221,899
Receipts in advance	34,353	10,499	33,310	7,706
Amounts due to subsidiaries	–	–	78,179	59,866
Amount due to a related party *(note 25(c))*	–	2,268	–	2,268
VAT and other taxes payable	15,500	24,838	15,291	24,682
Other payables and accruals	43,280	56,934	37,855	52,009
	437,971	294,965	519,184	368,430

(a) All of the bills payable of the Group and the Company as at 31 December 2014 were secured by pledged bank deposits of RMB32,806,000 (2013: RMB24,140,000) (see note 16).

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

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within 3 months	325,706	135,306	335,495	156,833
More than 3 months but within 6 months	17,289	62,803	17,211	62,851
More than 6 months but within 1 year	1,435	1,230	1,435	1,128
More than 1 year	408	1,087	408	1,087
	344,838	200,426	354,549	221,899

20 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Company and 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 Company and the PRC subsidiaries are required to make contributions at the rate of 14% to 21% (2013: 11% to 22%) of the eligible salaries of eligible employees to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

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

21 CAPITAL AND RESERVES

(a) Movements in components of equity of the Group

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 movements in components of equity of the Group in 2013 and 2014 are set out below:

(i) The H shares of the Company were listed on the Stock Exchange on 20 December 2013, with a total number of 484,540,000 H shares, among which 133,340,000 (25% of the enlarged total number of shares of the company) were issued at HK$8.81 per share upon the initial public offering. The Group raised approximately HK$1,134,069,000 (equivalent to RMB895,041,000) in total, net of related listing expenses.

(ii) On 15 January 2014, a total number of 1,569,200 H shares were issued at HK$8.81 per share upon the exercise of over-allotment option. The difference between the total amount of the par value of 1,569,200 H shares issued and the net proceeds received from the exercise of over-allotment option amounting to RMB10,631,000 is recorded as capital reserve.

21 CAPITAL AND RESERVES (Continued)

(b) Movements in components of equity of the Company

	Note	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
		21(d)	21(e)(i)	21(e)(ii)		
Balance at 1 January 2013		400,000	160,801	25,330	231,067	817,198
Changes in equity for 2013:						
Profit and total comprehensive income for the year		–	–	–	434,919	434,919
Appropriation to statutory reserve	21(e)(ii)	–	–	43,491	(43,491)	–
Issue of H shares, net of listing expenses	21(a)(i)	133,340	761,701	–	–	895,041
Dividends declared	21(c)	–	–	–	(200,000)	(200,000)
Balance at 31 December 2013 and 1 January 2014		533,340	922,502	68,821	422,495	1,947,158
Changes in equity for 2014:						
Profit and total comprehensive income for the year		–	–	–	450,326	450,326
Appropriation to statutory reserve	21(e)(ii)	–	–	45,033	(45,033)	–
Issue of H shares, net of listing expenses	21(a)(ii)	1,569	9,062	–	–	10,631
Dividends declared	21(c)	–	–	–	(208,614)	(208,614)
Balance at 31 December 2014		534,909	931,564	113,854	619,174	2,199,501

(c) 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 after the interim period of RMB0.15 per share (2013: RMB0.50 per share)	80,236	200,000
Final dividend proposed after the end of the reporting period of RMB0.35 per share (2013: RMB0.24 per share)	187,218	128,378
	267,454	328,378

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

21 CAPITAL AND RESERVES (Continued)

(c) Dividends (Continued)

(ii) Dividend payable to equity shareholders 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, approved and paid during the year, of RMB0.24 (2013: Nil) per share	128,378	–

(d) Share capital

	At 31 December 2014		At 31 December 2013	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid				
Domestic shares of RMB1 each	48,800	48,800	48,800	48,800
H shares of RMB1 each	486,109	486,109	484,540	484,540
	534,909	534,909	533,340	533,340

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

(e) Nature and purpose of reserves

(i) Capital reserve

Capital reserve mainly represented:

– the difference between the Group's interest in the net book value of an entity under common control of the shareholders that control the Group and the cost of consideration of acquisition of that entity;

– the difference between the nominal value of shares of the subsidiary acquired over the consideration paid by the Company thereafter;

– premium arising from capital injection from shareholders and conversion to joint stock limited liability company; and

– the share premium which is the difference between the total amount of the par value of shares issued and the net proceeds received.

21 CAPITAL AND RESERVES (Continued)

(e) Nature and purpose of reserves (Continued)

(ii) Statutory reserve

According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the Company Law of the PRC to its 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 shareholders. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the Company and is non-distributable other than in liquidation.

(iii) Exchange reserve

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

(f) Distributable reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Company Law of the PRC, was RMB619,174,000 (2013: RMB422,495,000). After the end of the reporting period, the directors proposed a final dividend of RMB0.35 (2013: RMB0.24) per ordinary share (note 21(c)(i)). This dividend has not been recognised as a liability at the end of the reporting period.

(g) Capital management

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

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

The Group monitors its capital structure with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there were adequate working capital to service its debt obligations. The Group's gearing ratio, being the Group's total bank loans over its total equity, at 31 December 2014 was 18% (2013:22%).

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

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

(a) Credit risk

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

(i) Trade and other receivables

Credit evaluations are performed on customers requiring credit terms. These evaluations focus on the customer's history of making payments and current abilities to pay and take into account information specific to the customer as well as to the economic environment. Normally, the Group does not obtain collateral from customers. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 15.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 5% (2013: 1%) and 23% (2013: 20%) of the total trade and bills 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 statement of financial position after deducting any impairment allowance. As at 31 December 2013, the Group does not provide any guarantees which would expose the Group to credit risk.

In addition, as set out in note 15(d), as at 31 December 2014, the Group had discounted or endorsed certain bank acceptance bills with recourse amounted to RMB306,617,000 (2013: RMB184,310,000) and the respective receivables were derecognised upon discounting or endorsement. The Group's maximum loss in case of default is the face value of the discounted bills. As the Group only accepts bank acceptance bills from major banks in the PRC, management considered that the credit risk of these bills is minimal.

(ii) Deposits with banks, other financial assets and forward contracts

The Group mitigates its exposure to credit risk by placing deposits and other financial assets with financial institutions with established credit rating and by entering into forward contracts with counterparties of sound credit standing and with whom the Group has a signed netting agreement. Given their high credit standing, management does not expect any counterparty to fail to meet its obligations.

(b) Liquidity risk

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

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

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

	The Group		The Company	
	Total contractual undiscounted cash flow/ within 1 year or on demand RMB'000	Carrying amount on consolidated statement of financial position RMB'000	Total contractual undiscounted cash flow/ within 1 year or on demand RMB'000	Carrying amount on statement of financial position RMB'000
At 31 December 2014				
Bank loans	**411,477**	**400,939**	**371,149**	**360,756**
Trade and bills payables	**344,838**	**344,838**	**354,549**	**354,549**
Amounts due to subsidiaries	**–**	**–**	**78,179**	**78,179**
Other payables and accruals	**43,280**	**43,280**	**37,855**	**37,855**
	799,595	**789,057**	**841,732**	**831,339**
At 31 December 2013				
Bank loans	431,050	417,769	431,050	417,769
Trade and bills payables	200,426	200,426	221,899	221,899
Amount due to a subsidiary	–	–	59,866	59,866
Amount due to a related party	2,268	2,268	2,268	2,268
Other payables and accruals	56,934	56,934	52,009	52,009
	690,678	677,397	767,092	753,811

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. Bank loans that are at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profiles as monitored by management is set out below.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

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

	The Group and the Company			
	2014		2013	
	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000
Fixed rate instruments:				
Bank loans	2.01%~6.30%	400,939	2.54%~6.30%	417,769

Fair value risk arising from these bank loans is considered insignificant given these loans have short maturities.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables and borrowings and cash balances that are denominated in a foreign currency other than RMB. The currencies giving rise to this risk are primarily Hong Kong dollars, United States dollars and Euros.

The Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rate, or entering into forward contracts to hedge against currency risk where necessary to address short-term imbalances. The forward contracts were entered in anticipation of forecasted export sale transactions.

(i) Exposure to currency risk

The following table details the Group's and the Company's major exposure as at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date.

	The Group							
	2014				2013			
	United States Dollars RMB'000	Euros RMB'000	Hong Kong Dollars RMB'000	RMB RMB'000	United States Dollars RMB'000	Euros RMB'000	Hong Kong Dollars RMB'000	RMB RMB'000
Cash and cash equivalents	61	6,338	798	32	187	7,127	397,200	500,007
Fixed deposits at banks with maturity over three months	61,190	–	–	849,386	–	–	–	–
Trade and other receivables	50,202	16,227	17,746	24,780	9,468	52,790	158,815	8,493
Bank loans	(49,356)	–	–	–	(7,369)	–	–	–
Trade and other payables	(24,462)	(13,075)	(7,138)	–	(32,842)	(14,693)	–	–
Notional amount of forward contracts	(165,213)	(3,728)	–	–	(42,678)	(37,885)	–	–
	(127,578)	5,762	11,406	874,198	(73,234)	7,339	556,015	508,500

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

	The Company					
	2014			2013		
	United States Dollars RMB'000	Euros RMB'000	Hong Kong Dollars RMB'000	United States Dollars RMB'000	Euros RMB'000	Hong Kong Dollars RMB'000
Cash and cash equivalents	61	73	796	187	2,645	397,198
Fixed deposits at banks with maturity over three months	61,190	–	–	–	–	–
Trade and other receivables	50,202	10,729	17,746	9,468	42,845	158,815
Bank loans	(49,356)	–	–	(7,369)	–	–
Trade and other payables	(24,462)	(2,275)	(7,138)	(32,842)	(5,104)	–
Notional amount of forward contracts	(165,213)	(3,728)	–	(42,678)	(37,885)	–
	(127,578)	4,799	11,404	(73,234)	2,501	556,013

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's and the Company's profit after tax and equity that would arise if the foreign exchange rates to which the Group and the Company has significant exposure as at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	The Group					
	2014			2013		
	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after tax RMB'000	Effect on equity RMB'000	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after tax RMB'000	Effect on equity RMB'000
United States Dollars	1	(957)	(957)	1	(549)	(549)
	(1)	957	957	(1)	549	549
Euros	1	54	54	1	67	67
	(1)	(54)	(54)	(1)	(67)	(67)
Hong Kong Dollars	1	86	86	1	4,170	4,170
	(1)	(86)	(86)	(1)	(4,170)	(4,170)
RMB	1	8,701	–	1	5,085	–
	(1)	(8,701)	–	(1)	(5,085)	–

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (Continued)

	The Company			
	2014		2013	
	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after tax and equity RMB'000	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after tax and equity RMB'000
United States Dollars	1	(957)	1	(549)
	(1)	957	(1)	549
Euros	1	36	1	19
	(1)	(36)	(1)	(19)
Hong Kong Dollars	1	86	1	4,170
	(1)	(86)	(1)	(4,170)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes. As the Hong Kong Dollars are pegged to the United States Dollars, which is the functional currency of an overseas subsidiary of the Company, the assets or liabilities of the subsidiary denominated in Hong Kong Dollars are not included in the above exposure for sensitivity analysis.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group and the Company which expose the Group and the Company to foreign currency risk as at the end of the reporting periods which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2013.

(e) Fair values

As at 31 December 2013 and 2014, the Group's and the Company's financial instruments are carried at amounts not materially different from their fair values because of the short maturities of these instruments.

The fair value of foreign currency forward contracts is categorised as level 2 of the fair value hierarchy as defined in IFRS 13 – Fair Value Measurement. The fair value of foreign currency forward contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period.

23 COMMITMENTS

(a) Operating leases commitments

At 31 December 2013 and 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within 1 year	20,738	20,311	16,523	17,035
After 1 year but within 5 years	6,335	23,525	1,632	19,213
	27,073	43,836	18,155	36,248

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

(b) Forward contracts

The Group and the Company have entered into the forward contracts with major banks in the PRC to hedge against the foreign currency risk. At 31 December 2013 and 2014, the notional amounts of the outstanding forward contracts have been disclosed in note 22(d)(i).

24 CONTINGENT LIABILITIES

	The Company	
	2014 RMB'000	2013 RMB'000
Guarantee given to a bank in respect of bank facility granted to a subsidiary	102,553	–

In addition, the Company and Fuguiniao Fujian, a subsidiary of the Company jointly provided corporate guarantee of HK$130,000,000 to Hang Seng Bank Limited in respect of bank loan facility of HK$170,000,000 granted to Fuguiniao HongKong, another subsidiary of the Company. The extent of the facility utilised as at 31 December 2014 by Fuguiniao HongKong amounted to US$6,567,000.

The Company closely monitors the conditions that are subject to the guarantee to identify whether it is probable that a loss has occurred. At 31 December 2014, it is not probable that the Company will be required to make payments under the guarantee, thus no liability has been accrued in the Company's statement of financial position for a loss related to the Company's obligation under the guarantee arrangement.

25 MATERIAL RELATED PARTY TRANSACTIONS

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

During the year, the directors are of the view that the following is a related party of the Group:

Name of party	Relationship
Fujian Shishi Fuguiniao Group Co., Ltd * ("Shishi Fuguiniao Group") 福建石獅市富貴鳥集團有限公司	Collectively owned by Mr Lam Wo Ping, Mr Lam Wo Sze, Mr Lam Kwok Keung and Mr Lam Wing Ho

* The English translation of the company's name is for reference only. The official name of the company is in Chinese.

(a) Key management personnel remuneration

Remuneration for senior management of the Group, excluding amounts paid to the directors and supervisors, is as follows:

	2014* RMB'000	2013 RMB'000
Salaries and other emoluments	2,843	1,819
Contributions to retirement benefit scheme	11	2
	2,854	1,821

* The amounts for the year ended 31 December 2014 include remuneration to a senior management personnel after the cease of her directorship on 2 April 2014. Remuneration of directors and supervisors is set out in note 7.

Total remuneration is included in "staff costs" (note 5(b)).

(b) Transactions with related parties

	2014 RMB'000	2013 RMB'000
Rental expenses in relation to property, plant and equipment	15,096	2,578

In addition to the transactions set out above, on 28 October 2013, the Company entered into an agreement with Shishi Fuguiniao Group to dispose certain buildings and interests in leasehold land held for own use under operating leases in the PRC at a consideration of RMB216,000,000.

Subsequent to the disposal, certain lease agreements were entered into between the Company and Shishi Fuguiniao Group on 1 November 2013 in relation to such buildings and interests in leasehold land.

25 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

The leases with total rental paid or payable of RMB15,096,000 (2013: RMB2,548,000) during the year 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" in the Report of the Directors.

(c) Balance with related party

	2014 RMB'000	2013 RMB'000
Non-trade related		
Rental payable to		
– Shishi Fuguiniao Group *(note 19)*	–	2,268

26 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) On 12 January 2015, the Company received the official approval document from China Securities Regulatory Commission, pursuant to which the Company is permitted to issue domestic corporate bonds to the public with an aggregate principal amount of not exceeding RMB800,000,000 in the PRC within the period of six months starting from the date of the approval.

(b) Subsequent to the end of the reporting period, the directors proposed a final dividend. Further details are set out in note 21(c).

27 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2014, the directors consider the immediate controlling party and ultimate controlling party to be Fuguiniao Group Limited which is incorporated in Hong Kong. This entity does not produce financial statements available for public use.

(Expressed in Renminbi unless otherwise indicated)

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of those financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual improvements to IFRSs 2010–2012 cycle	1 July 2014
Annual improvements to IFRSs 2011–2013 cycle	1 July 2014
Annual improvements to IFRSs 2012–2014 cycle	1 January 2016
Amendments to IAS 1, *Disclosure initiative*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018

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

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.