La Chapelle

Shanghai La Chapelle Fashion Co., Ltd.

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

(Stock Code: 06116)

ANNUAL REPORT 2014

CONTENTS

CORPORATE PROFILE

Shanghai La Chapelle Fashion Co., Ltd. (the "**Company**") was incorporated in the People's Republic of China (the "**PRC**") as a joint stock company on 23 May 2011 converting from its predecessor, Shanghai Xuhui La Chapelle Fashion Limited. The H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 9 October 2014 (the "**Listing Date**").

The Company and its subsidiaries (the "**Group**") are a fast-growing multi-brand fashion group in the PRC that designs, markets and sells apparel products with a focus on mass-market ladies' casualwear. The Group strives to offer customers the latest fashions at competitive prices through a wide range of apparel products under eight brands, namely La Chapelle, La Chapelle Sport, 7. Modifier, Candie's, La Chapelle Homme, La Babité, La Chapelle Kids and Pote.

The Group sells apparel products directly to retail customers through retail points (100% of which are directly controlled and operated by the Group) and, since August 2014, through online flagship store on Tmall (a well-known business-to-customer online shopping platform in the PRC). This direct retail sales model differentiates the Group from the majority of its competitors. As at 31 December 2014, the Group's extensive nationwide retail network comprised 6,887 retail points located in approximately 2,200 physical locations, comprising mainly department stores and shopping malls, across all 31 provinces, autonomous regions and municipalities in the PRC.

CORPORATE INFORMATION

REGISTERED CHINESE NAME
上海拉夏貝爾服飾股份有限公司

ENGLISH NAME
Shanghai La Chapelle Fashion Co., Ltd.

HEADQUARTERS AND REGISTERED OFFICE IN THE PRC
Room 3300, Level 3, Block 1
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Xuhui District, Shanghai, PRC

PLACE OF BUSINESS IN HONG KONG
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Wanchai, Hong Kong

COMPANY'S WEBSITE
www.lachapelle.cn

DIRECTORS
Executive Directors
Mr. Xing Jiaxing
Mr. Wang Yong
Mr. Hu Gang

Non-executive Directors
Mr. Li Jiaqing
Mr. Lu Weiming
Mr. Cao Wenhai
Ms. Wang Haitong

Independent non-executive Directors
Mr. Mao Jianong
Mr. Zhou Guoliang
Mr. Chen Wei
Professor Japhet Sebastian Law

AUDIT COMMITTEE
Mr. Zhou Guoliang *(Chairman)*
Mr. Cao Wenhai
Mr. Mao Jianong
Professor Japhet Sebastian Law

NOMINATION COMMITTEE
Mr. Mao Jianong *(Chairman)*
Mr. Xing Jiaxing
Mr. Lu Weiming
Mr. Chen Wei
Professor Japhet Sebastian Law

REMUNERATION AND APPRAISAL COMMITTEE
Mr. Chen Wei *(Chairman)*
Mr. Li Jiaqing
Mr. Zhou Guoliang

BUDGET COMMITTEE
Mr. Wang Yong *(Chairman)*
Ms. Wang Haitong
Mr. Lu Weiming
Mr. Li Jiaqing
Mr. Zhou Guoliang

STRATEGY AND DEVELOPMENT COMMITTEE
Mr. Xing Jiaxing *(Chairman)*
Mr. Wang Yong
Mr. Hu Gang
Mr. Li Jiaqing
Ms. Wang Haitong
Mr. Mao Jianong
Mr. Chen Wei

JOINT COMPANY SECRETARIES
Mr. Mao Jian
Ms. Wong Wai Ling *(ACS, ACIS)*

AUTHORIZED REPRESENTATIVES
Mr. Mao Jian
Mr. Wang Yong

LEGAL ADVISERS TO THE COMPANY
Grandall Law Firm (Shanghai) *(as to PRC Law)*
Herbert Smith Freehills *(as to Hong Kong Law)*

AUDITOR
PricewaterhouseCoopers
Shanghai My Whole Way CPAs

H SHARE REGISTRAR
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Wanchai, Hong Kong

COMPLIANCE ADVISER
REORIENT Financial Markets Limited

PRINCIPAL BANKER
Bank of Communications Co., Ltd.,
Zhabei Sub-branch

STOCK CODE
6116

FINANCIAL HIGHLIGHT

FINANCIAL SUMMARY

A summary of the consolidated results and of the consolidated assets, equity and liabilities of the Group for the last four financial years, is set as below:

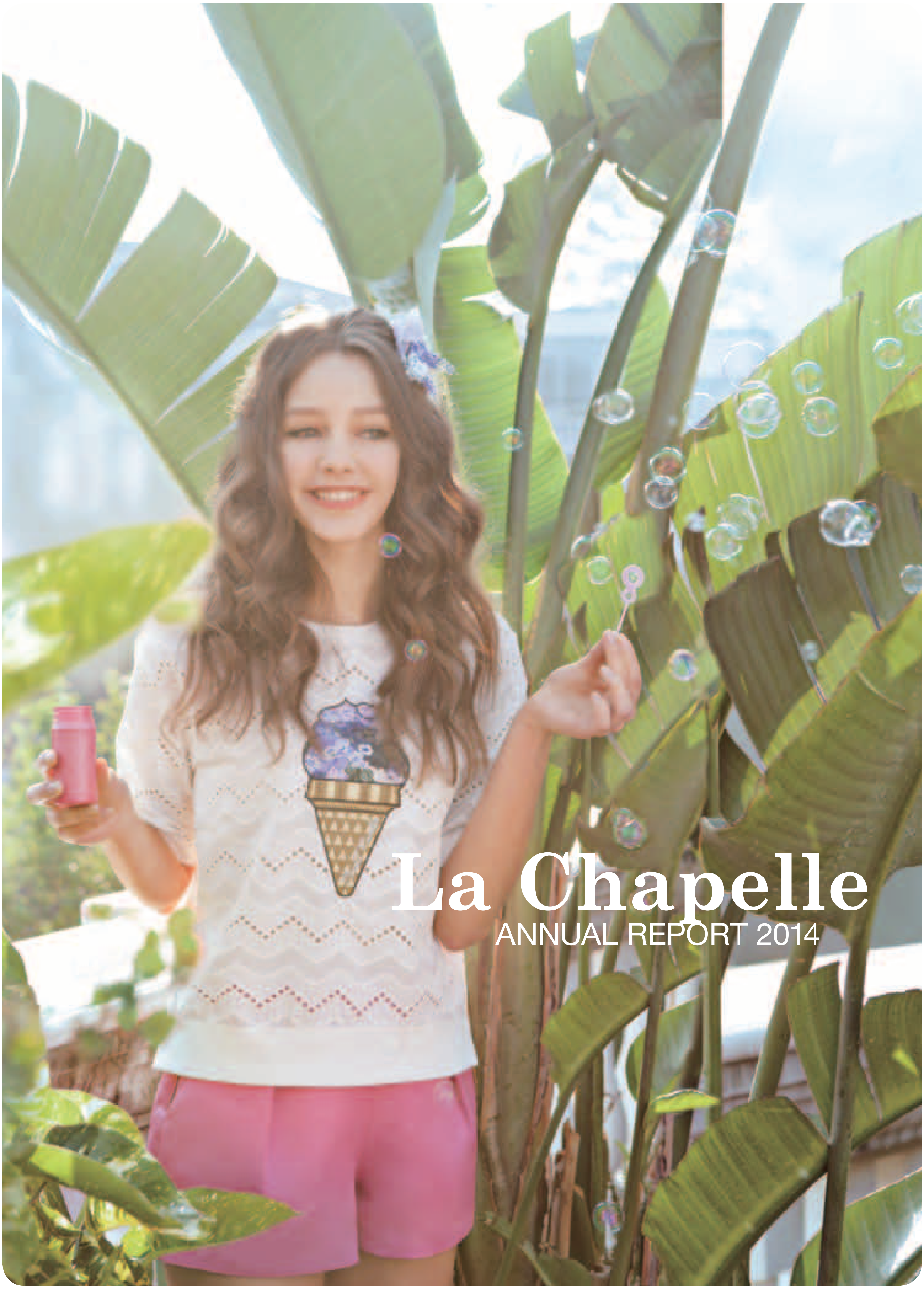
CONSOLIDATED RESULTS

	For the year ended 31 December			
	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**7,814,169**	6,225,087	3,872,118	1,864,167
Gross profit	**5,364,511**	4,283,377	2,776,941	1,316,919
Gross profit margin	**68.7%**	68.8%	71.7%	70.6%
Operating profit	**733,560**	589,530	364,477	170,285
Operating profit margin	**9.4%**	9.5%	9.4%	9.1%
Profit for the year	**511,211**	413,373	259,555	122,967
Profit attributable to:				
Equity owners of the Company	**503,452**	407,298	259,905	127,243
Non-controlling interests	**7,759**	6,075	(350)	(4,276)

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December			
	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets	**1,095,561**	957,731	532,654	201,593
Current assets	**4,635,506**	2,934,846	1,821,316	903,948
Total assets	**5,731,067**	3,892,577	2,353,970	1,105,541
EQUITY AND LIABILITIES				
Total equity	**3,107,142**	1,263,348	568,412	359,915
Non-current liabilities	**51,042**	6,725	3,641	1,029
Current liabilities	**2,572,883**	2,622,504	1,781,917	744,597
Total liabilities	**2,623,925**	2,629,229	1,785,558	745,626
Total equity and liabilities	**5,731,067**	3,892,577	2,353,970	1,105,541

The above summary does not form a part of the consolidated financial statements.



La Chapelle
ANNUAL REPORT 2014

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the audited annual results of the Group for the year ended 31 December 2014.

In 2014, a milestone in its history, the Group pooled all efforts to extend its presence to international capital market and further upgrade the corporate image through its successful listing of its H shares on the Main Board of the Stock Exchange on 9 October 2014.

Over recent years, China's clothing industry has witnessed softer growth paces amid the ongoing economic transformation and the shift in consumption attitude. Aligning its strategy timely with the changing market to address fierce industry competition, the Group strengthened management and boosted efficiency through reengineering its business process and management methodology while improving the business infrastructure. With these efforts, the Group managed to achieve significant growth both in scale and profit, consolidate its market share and enhance its market competitiveness.

For the year ended 31 December 2014, the Group's revenue was RMB7,814.2 million, representing an increase of 25.5% year-on-year, primarily due to the expansion of retail network and the growth in same store sales. The Group's operating profit for the year ended 31 December 2014 reached RMB733.6 million, representing an increase of 24.4% year-on-year. The operating margin for the year ended 31 December 2014 remained stable at 9.4%, compared to 9.5% as of 31 December 2013. Profit attributable to equity holders of the Company amounted to RMB503.5 million, representing an increase of 23.6% year-on-year. Earnings per share as of 31 December 2014 was RMB1.27, compared to RMB1.14 as of 31 December 2013. The Group continued to expand its self-operated retail network in mainland China. As of 31 December 2014, with net increase of 1,503 retail outlets in the year, including 478 standalone retail outlets and 1,025 concessionaire counters, the Group had a total of 6,887 self-operated retail outlets, covering all provinces, autonomous regions and municipalities of China other than Hong Kong, Macau and Taiwan.

Looking ahead, the demand for apparel products will be driven by the increasing spending power and the evolving consumption patterns of Chinese consumers, along with ongoing urbanization and steady economic growth of China. In view of the massive potential particularly in mass-market segment, the Group will further sharpen its core competitiveness to expand its market coverage.

Year 2015 will present both challenges and opportunities for the Group. As a fast growing multi-brand fashion group rooted in China, the Group expects to maintain rational expansion paces of the retail network in line with market and business needs, while pushing forward brand development and refinement, and leveraging upon the SPA (specialty retailer of private label apparel) model to upgrade the overall image of the Group's brand family. The Group will further tap on the omni-channel model and combine online and offline resources to increase customer traffic, enhance brand awareness and expand market share.

On behalf of the board ("**Board**") of directors of the Company, I would like to express my sincere gratitude to the shareholders, business partners, customers and employees of the Group for their unremitting supports. Going forward, the Group will continue to pursue innovative transformation to achieve long-term sustainable development and maximize shareholder value.

Xing Jiaxing
Chairman

11 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year of 2014, the Group's revenue and operating profit reached RMB7,814.2 million and RMB733.6 million respectively, representing an increase of 25.5% and 24.4% as compared with that of 2013. The profit attributable to shareholders of the Company in 2014 amounted to RMB503.5 million, representing an increase of 23.6% as compared with that of 2013.

Revenue

The revenue of the Group in 2014 saw a steady growth, increasing from RMB6,225.1 million in 2013 to RMB7,814.2 million in 2014, representing an increase of 25.5%. The growth in revenue was mainly attributable to both the expansion of retail network and the growth in same store sales. The number of retails points of the Group increased from 5,384 as at 31 December 2013 to 6,887 as at 31 December 2014. The Group achieved a same store sales growth of 1.7% in 2014.

Revenue by distribution channel

The following table sets out the revenue breakdown by type of retail points during the years indicated:

	Year ended 31 December			
	2014		2013	
	Revenue (RMB'000)	**% of total**	Revenue (RMB'000)	% of total
Concessionaire counters	**5,615,339**	**71.8**	4,602,621	73.9
Standalone retail outlets	**2,161,221**	**27.7**	1,622,466	26.1
Online platform	**37,609**	**0.5**	–	0.0
Total	**7,814,169**	**100.0**	6,225,087	100.0

The revenue from concessionaire counters increased from RMB4,602.6 million in 2013 to RMB5,615.3 million in 2014, representing an increase of 22.0%. The revenue from standalone retail outlets increased from RMB1,622.5 million in 2013 to RMB2,161.2 million in 2014, representing an increase of 33.2%. The growth in revenue from concessionaire counters and standalone retail outlets was mainly attributable to the increasing number of new retail points opened in 2014. The revenue from our standalone retail outlets increased at a faster pace than that from the concessionaire counters, primarily due to the increase in the proportion of new standalone retail outlets in the total new retail outlets opened in 2014. The newly launched online platform recorded revenue of RMB37.6 million in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by brand

The following table sets out the revenue breakdown by brand during the years indicated:

	Year ended 31 December			
	2014		2013	
	Revenue (RMB'000)	**% of total**	Revenue (RMB'000)	% of total
La Chapelle	**2,910,294**	**37.3**	2,560,936	41.1
La Chapelle Sport	**2,281,813**	**29.2**	2,031,666	32.6
Candie's	**651,472**	**8.3**	474,058	7.6
La Chapelle Homme/Pote	**312,078**	**4.0**	188,929	3.0
7.Modifier	**1,055,035**	**13.5**	701,308	11.3
La Babité	**565,414**	**7.2**	264,684	4.3
La Chapelle Kids	**38,063**	**0.5**	3,506	0.1
Total	**7,814,169**	**100.0**	6,225,087	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

In 2014, all the brands of the Group recorded an increase in revenue as compared to 2013, mainly attributable to the expansion of the retail network. The majority of revenue of the Group was contributed by the sales of La Chapelle and La Chapelle Sport brands in 2013 and 2014. However, the newer brands of the Group achieved faster growth in revenue than that of La Chapelle and La Chapelle Sport in 2014, mainly due to our decision to open more new retail points under the newer brands and a faster same store sales growth of new brands compared to that of old brands.

Revenue by tier of cities

The following table sets out the revenue breakdown by tier of cities during the years indicated:

	Year ended 31 December			
	2014		2013	
	Revenue (RMB'000)	**% of total**	Revenue (RMB'000)	% of total
First-tier cities	**1,035,775**	**13.3**	848,288	13.7
Second-tier cities	**3,198,464**	**40.9**	2,638,820	42.4
Third-tier cities	**1,893,521**	**24.2**	1,452,530	23.3
Other cities	**1,686,409**	**21.6**	1,285,449	20.6
Total	**7,814,169**	**100.0**	6,225,087	100.0

Note: In respect of the classification of the tier of cities, please refer to the prospectus of the Company dated 24 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded an increase in revenue from all tiers of cities in 2014, mainly attributable to the expansion of retail network of the Group nationwide. The revenue from first-tier cities increased by 22.1% in 2014 as compared to 2013 and accounted for 13.3% of the total revenue of the Group in 2014. The third-tier and other cities saw a faster growth in revenue than first-tier cities, mainly because third-tier and other cities have larger room for growth and we face less competition in those cities.

Revenue by product type

The following table sets out the revenue breakdown by product type during the years indicated:

	Year ended 31 December			
	2014		2013	
	Revenue (RMB'000)	**% of total**	Revenue (RMB'000)	% of total
Tops	**4,799,141**	**61.4**	3,622,189	58.2
Bottoms	**657,234**	**8.4**	536,714	8.6
Dresses	**2,337,322**	**29.9**	2,036,077	32.7
Accessories	**20,472**	**0.3**	30,107	0.5
Total	**7,814,169**	**100.0**	6,225,087	100.0

Cost of Sales

The cost of sales of the Group increased by 26.2% from RMB1,941.7 million in 2013 to RMB2,449.7 million in 2014. The increase was primarily attributable to sales growth and an increase in inventory provisions. The cost of inventories of the Group increased from RMB1,803.8 million in 2013 to RMB2,224.2 million in 2014. Losses in inventory provisions in 2014 amounted to RMB151.6 million, as compared to RMB92.1 million in 2013. The increase in inventory provisions was mainly a result of the increased inventory balances attributable to the increased sales of the Group and longer inventory age.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased from RMB4,283.4 million in 2013 to RMB5,364.5 million in 2014, up by 25.2%, mainly attributable to the expansion of retail network.

The gross profit of concessionaire counters of the Group increased from RMB3,252.7 million in 2013 to RMB3,963.3 million in 2014, up by 21.8%. The gross profit of standalone retail outlets increased from RMB1,061.4 million in 2013 to RMB1,381.5 million in 2014, up by 30.2%.

The overall gross profit margin of the Group remained stable at 68.8% and 68.7% in 2013 and 2014 respectively.

Selling and Marketing Expenses and Administrative Expenses

Selling and marketing expenses in 2014 amounted to RMB4,411.7 million (2013: RMB3,495.4 million), consisting primarily of sales staff salaries and benefits, concession and rental expenses relating to retail points, advertising and promotional expenses, transportation expenses and other expenses relating to selling and marketing activities. Administrative expenses in 2014 amounted to RMB270.4 million (2013: RMB230.1 million), consisting primarily of administrative employee benefit expenses, rental expenses for offices, charges, amortisation of the licensing of our computer information system, office utilities expenses and traveling expenses. Selling and marketing expenses and administrative expenses as a percentage of total revenue in 2014 were 56.5% (2013: 56.2%) and 3.5% (2013: 3.7%), respectively. Selling and marketing expenses as a percentage of total revenue saw a slight increase as compared with that of 2013, mainly attributable to the fact that firstly concession and rental expenses relating to retail points as a percentage

MANAGEMENT DISCUSSION AND ANALYSIS

of total revenue in 2014 slightly increased by 0.8 percentage point as compared with that of 2013, and secondly the Group carried out more marketing and promotional activities in 2014, resulting in the expenses as a percentage of total revenue ascending by 0.2 percentage point. Administrative expenses as a percentage of total revenue saw a year-on-year decline, mainly due to faster growth in revenue over the growth in administrative expenses.

Other Gains – Net

Other income in 2014 amounted to RMB51.2 million (2013: RMB31.6 million), consisting primarily of subsidies granted by the local governments in some cities where we operate and net of gains/(losses) on disposal of property, plant and equipment.

Finance Costs – Net

Finance costs – net increased from RMB36.1 million in 2013 to RMB49.2 million in 2014. The increase was mainly attributable to an increase in bank loans to finance the opening of retail outlets and the construction of our logistics centre in Taicang, the PRC. Interest expenses increased from RMB38.1 million in 2013 to RMB52.9 million in 2014, primarily due to the higher interest rate charged for the long-term borrowings obtained to finance the construction of the logistics centre in Taicang, the PRC.

Profit before Income Tax

Profit before income tax of the Group increased from RMB553.4 million in 2013 to RMB684.4 million in 2014, representing an increase of 23.7%. The increase was primarily attributable to growth in revenue as a result of the continued expansion of retail network of the Group. Operating profit margin in 2014 was 9.4%, while operating profit margin in 2013 was 9.5%, indicating that change in operating profit margin is in line with change in gross profit margin.

Income Tax Expense

Income tax expense amounted to RMB173.2 million in 2014 (2013: RMB140.0 million). The effective income tax rate in 2014 was 25.3%, same as that in 2013.

Profit for the period and Net Profit Margin

As a result of the foregoing, profit of the Group increased from RMB413.4 million in 2013 to RMB511.2 million in 2014, up by 23.7%. Net profit margin of the Group was 6.5% for 2014, compared to that of 6.6% in 2013.

Capital Expenditure

Capital expenditure of the Group was made in connection with purchase of properties, plants, equipment, intangible assets and land use right. In 2014, the total capital expenditure was RMB453.8 million (2013: RMB684.3 million).

Liquidity and financial resources

In 2014, cash flow generated from operating activities increased from RMB303.5 million in 2013 to RMB802.4 million in 2014, mainly due to the increase in profit before tax and changes in payment of inventory procurement.

In 2014, net cash used in investing activities was RMB1,898.1 million (2013: RMB489.5 million). During the period, the Group earmarked RMB1,378.2 million, RMB373.8 million and RMB120.8 million respectively to invest in term deposits, to purchase properties, plants and equipment (including shop renovation), and land use rights.

In 2014, net cash used in financing activities was RMB1,186.2 million (2013: RMB598.0 million), mainly attributable to net proceeds received from the global offering of the Company in 2014.

As at 31 December 2014, the Group held bank deposits and cash, structured deposits and term deposits with a term exceeding three months in the total amount of RMB1,983.4 million (31 December 2013: RMB521.0 million). After deducting borrowings of RMB641.3 million (31 December 2013: RMB780.0 million), net cash amounted to RMB1,342.1 million (31 December 2013: net liabilities of RMB259.0 million).

In 2014, average inventory turnover of the Group was 195 days (2013: 199 days), and average receivables turnover of the Group was 44 days (2013: 46 days).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's financial position remained solid. As at 31 December 2014, net current assets of the Group amounted to RMB2,062.6 million, up by 560.4% as compared to that at 31 December 2013. As at 31 December 2014, debt-to-asset ratio of the Group (Gearing ratio is calculated by using the following formula: Total Borrowings / Total Assets) was 11.2% (31 December 2013: 20.0%).

As the Group carries out its operations in mainland China, most of the transactions are settled in Renminbi. The Group has a portion of term deposits and cash and cash equivalents dominated in HKD and it declares dividends in HKD. The Group manages foreign exchange risk by monitoring foreign exchange rates on a regular basis. Please refer to Note 3.1(a)(i) to the consolidated financial statements for disclosures.

Bank loans and other borrowings

As at 31 December 2014, bank loans and other borrowings of the Group amounted to RMB641.3 million (31 December 2013: RMB780.0 million). RMB620.0 million is repayable on demand or within one year and RMB21.3 million is repayable after one year (31 December 2013: RMB780.0 million is repayable within one year and no borrowings are repayable after one year).

Pledge of assets

Save for the pledging of the Company's land use rights in respect of the land in Taicang, the PRC, as at 31 December 2014, no properties, plants and equipment, land use rights or investment properties have been pledged by the Group in respect of any available bank credit (31 December 2013: nil). For details, please refer to Note 17 to the financial statements.

Contingent liabilities

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

Subsequent events

In February 2015, the Company and Hangzhou Anshe E-Commerce Company Limited (renowned for its "Qigege" brand, "Qigege" hereinafter) entered into an equity interest transfer agreement and a capital injection agreement, pursuant to which the Company agreed to acquire approximately 45% of the registered capital of "Qigege" at a total consideration of RMB135,000,000. Immediately following the signing of the equity interest transfer agreement, the Company injected capital of RMB65,000,000 into "Qigege". Upon completion of the transaction, La Chapelle will hold 54.05% of the shares of "Qigege".

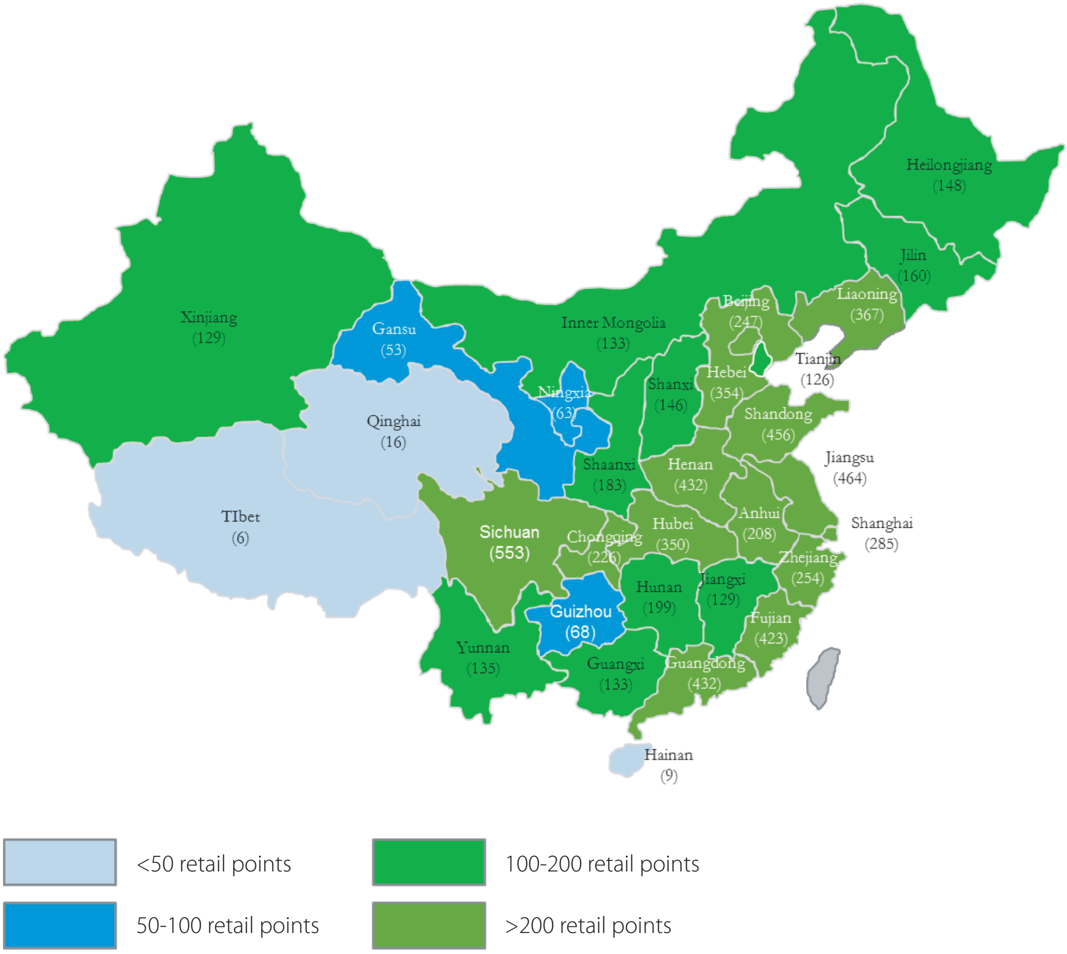
Human resources

As at 31 December 2014, the Group had 32,750 full-time employees in total (31 December 2013: 28,928 full-time employees). The Group offers competitive compensation package for its employees, including mandatory pension funds, insurance and medical benefits. In addition, discretionary bonus will be distributed to eligible employees based on the Group's financial performance and the performance of the respective employees. The Group also invests resources in continuing education and trainings for the management and other employees in order to improve their skills and knowledge on an ongoing basis.

BUSINESS REVIEW

Retail Network

The map below shows the geographical distribution of the Group's retail points in the PRC as at 31 December 2014.



For the year ended 31 December 2014, our retail network expanded considerably, with the number of retail points increasing from 5,384 as at 31 December 2013 to 6,887 as at 31 December 2014. These retail points were situated at approximately 2,200 physical locations. The gross floor area of the Group's retail network was 1.06 million square metres as at 31 December 2014, representing an increase of 17.8% as compared with that of 0.90 million square metres as at 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets out the distribution of the Group's retail points in the PRC as at 31 December 2014 and 2013 by tier of cities.

	As at 31 December			
	2014		2013	
	Number of retail points	% of total	Number of retail points	% of total
First-tier cities	**690**	**10.0%**	561	10.4%
Second-tier cities	**2,553**	**37.1%**	1,929	35.8%
Third-tier cities	**1,787**	**25.9%**	1,451	27.0%
Other cities	**1,857**	**27.0%**	1,443	26.8%
Total	**6,887**	**100.0%**	5,384	100.0%

Note: In respect of the classification of the tier of cities, please refer to the prospectus of the Company dated 24 September 2014.

The table below sets out the distribution of the Group's retail points in the PRC as at 31 December 2014 and 2013 by type of the retail points.

	As at 31 December			
	2014		2013	
	Number of retail points	% of total	Number of retail points	% of total
Concessionaire counter	**4,988**	**72.4%**	3,963	73.6%
Standalone retail outlet	**1,899**	**27.6%**	1,421	26.4%
Total	**6,887**	**100.0%**	5,384	100.0%

The table below sets out the distribution of the Group's retail points in the PRC as at 31 December 2014 and 2013 by brand.

	As at 31 December			
	2014		2013	
	Number of retail points	% of total	Number of retail points	% of total
La Chapelle	**1,881**	**27.3%**	1,773	32.9%
La Chapelle Sport	**1,842**	**26.7%**	1,527	28.4%
Candie's	**740**	**10.7%**	496	9.2%
La Chapelle Homme/Pote	**388**	**5.6%**	275	5.1%
7.Modifier	**1,157**	**16.8%**	755	14.0%
La Babité	**701**	**10.2%**	468	8.7%
La Chapelle Kids	**178**	**2.6%**	90	1.7%
Total	**6,887**	**100.0%**	5,384	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets out the distribution of the Group's net additional retail points in the PRC as at 31 December 2014 and 2013 by brand.

	As at 31 December			
	2014		2013	
	Number of net additional retail points	**% of total**	Number of net additional retail points	% of total
La Chapelle	**108**	**7.2%**	481	23.5%
La Chapelle Sport	**315**	**21.0%**	337	16.5%
Candie's	**244**	**16.2%**	229	11.2%
La Chapelle Homme/Pote	**113**	**7.5%**	101	4.9%
7.Modifier	**402**	**26.7%**	452	22.1%
La Babité	**233**	**15.5%**	354	17.3%
La Chapelle Kids	**88**	**5.9%**	90	4.4%
Total	**1,503**	**100.0%**	2,044	100.0%

Same store sales

Due to the general slow-down of the economy in the PRC and the relatively warm winter months during the several months at the beginning of 2014, same store sales for the first half of 2014 decreased by 3.4% as compared to that of the first half of 2013, while same store sales for the second half of 2014 increased by 5.3% as compared to that of the second half of 2013 due to different comparison baselines and better 2014 autumn/winter sales. For the whole year of 2014, the Group achieved a 1.7% growth in the same store sales.

Multi-brand strategy

During the year ended 31 December 2014, the Group continued to execute its multi-brand strategy. The Group offers a wide range of apparel products under eight brands, namely La Chapelle, La Chapelle Sport, 7. Modifier, Candies, La Chapelle Homme, La Babité, La Chapelle Kids and Pote. These brands cover ladieswear, menswear (such as La Chapelle Homme and Pote) and childrenswear (such as La Chapelle Kids), which have enabled the Group to access a wider customer base across all ages, professions, ethnicities and lifestyles and have provided the Group with an opportunity to diversify the sources of its revenue from different customer groups.

For the year ended 31 December 2014, 66.5% of the Group's revenue was generated from the sales of La Chapelle and La Chapelle Sport because these two brands have the longest history and the highest level of customer loyalty and recognition. That meant, revenue from the sales under the newer brands (i.e. brands other than La Chapelle and La Chapelle Sport) displayed a faster growth than the revenue from sales under La Chapelle and La Chapelle Sport. Contribution of the newer brands (i.e. brands other than La Chapelle and La Chapelle Sport) to the revenue of the Group increased from 26.3% in 2013 to 33.5% in 2014.

In addition, in collaboration with our strategic partner, Roland Berger Management Consultants (Shanghai) Co., Ltd., the Group has decided to launch a new brand based on the SPA (Specialty retailer of Private label Apparel) model (the "**New SPA Brand**"). The New SPA Brand will be a new brand independent of any existing brands of the Group, with its own design team as well as product lines and offering customers a wide range of apparel products including ladieswear, menswear and childrenswear at reasonable prices. A retail outlet of products under the New SPA Brand will typically have a large store size and will display products by category and style themes, making it easier for customers to locate the products they desire and thus enhancing their shopping experience. The Group expects to officially launch the New SPA Brand and open its first retail outlet in the first half of 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Customer-oriented approach

During the year ended 31 December 2014, the Group continued to optimize the retail channel management system and implemented a customer-oriented strategy to seize market opportunities. Capitalizing on the direct sales business model, the Group continued to obtain first-hand market intelligence in terms of market trends and customer preferences in different regions in the PRC and continued to collect direct customer feedback, which allowed the Group to promptly respond to market changes. In order to cater for customers' needs and to improve their shopping experience, the Group spent significant amount of time and resources in conducting product research and development, improving store and brand images, enhancing the management of inventories and supply chain, and ensuring the quality of the products it offers. With a view to increasing efficiency, the Group also required retail points to comply with and implement the Group's product and inventory management system to the fullest extent so that the Group can directly keep monitoring and improving the operating performance of individual retail points.

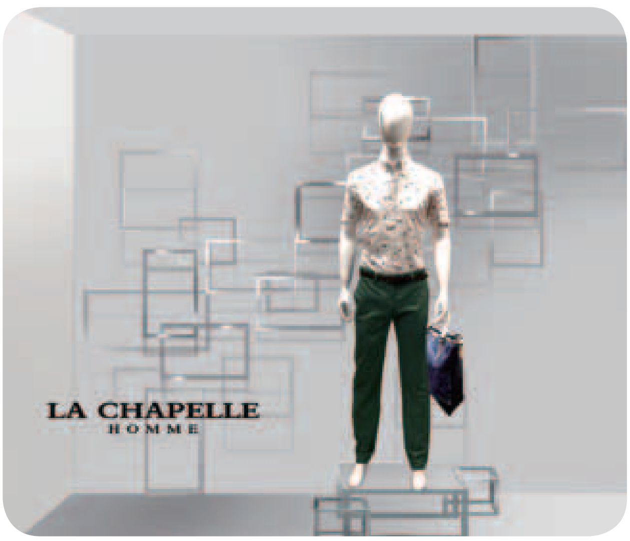
Management information system

The Group believes that our information systems are important to its ability to further expand the business and operate efficiently. During the year ended 31 December 2014, the Group rolled out a number of new systems to enhance the management of different stages of its operation. For example, the Group has introduced an Order Management System (OMS), which allowed it to coordinate and allocate orders from online retail channels and offline retail points. A warehouse management system (WMS) was also installed and partly put into operation in the newly-built warehouse and logistic center in Taicang. In addition, the Group upgraded the existing SAP ERP system, which enabled the Group to further increase its operation efficiency and management capabilities.

O2O business

During the year ended 31 December 2014, the Group invested significant amount of time and resource to implement our O2O (online to offline) strategy. The Group launched online flagship stores on Tmall and Suning Yigou (well-known business-to-customer online shopping platforms in the PRC) in August 2014 and December 2014, respectively. In order to raise brand awareness and conduct effective marketing, the Group also established a corporate mobile application platform on Wechat (a well-known messenger and social network mobile application), through which the Group is able to market directly to and interact with customers who subscribe to such Wechat platform. As a result of the above actions, the Group has achieved approximately RMB37.6 million of sales through its O2O channel in 2014.

As a further step to implement the O2O strategy, in February 2015, the Group made a strategic investment by acquiring a controlling interest of Hangzhou Anshe E-Commerce Co., Ltd. ("**Hangzhou Anshe**") through a series of transactions. Upon completion of the above transaction, the Group will hold 54.05% of the equity interest of Hangzhou Anshe. Hangzhou Anshe, which owns a well-known online retail brand named "QiGeGe", has a reputable team specializing in online marketing and sales, the members of which have experience operating online platforms to interact with customers and conduct effective online marketing and advertising. The acquisition of Hangzhou Anshe by the Group will strengthen the Group's ability to reach its strategic target of establishing an operating platform for apparel products in this new economical era, which focuses on brands and apparel products and covers both online and offline channels. Investing in Hangzhou Anshe, therefore, represents a unique opportunity for the Group. The Group believes Hangzhou Anshe will also benefit from the Group's strong supply chain and the Group's capability to execute the multi-brand strategy. Please refer to the announcement published by the Group on 13 February 2015 in connection with the acquisition of Hangzhou Anshe.



Partnership system for stores

To incentivize staff, which in turn increases their sales performance, the Group launched a partnership system for some of the stores in December 2014, under which the staff salary would be directly linked to their sales performance. Provided that the sales targets set by the Group have been met, the store manager will be given more discretion to determine the number of staff required of a retail point and the shift system according to the actual conditions of the store to maximize performance and the staff working in such store will be able to share the success of such store. The Group has implemented this pilot project in several hundred stores since December 2014 and expects to roll out this scheme to more retail outlets in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Supply chain management

The Group outsources the production of all the products to third parties. In order to provide customers with quality and value-for-money products, the Group further enhanced its own development and supply chain management capabilities. The Group continued to implement stringent supplier evaluation system when selecting third party manufacturers and raw material suppliers. As a measure to monitor the quality of products on an ongoing basis, the Group also evaluates existing suppliers on a periodic basis and categorizes them into different groups based on the results of our evaluation. In addition, the Group also established a new supply chain management synergistic system which allows it to control and monitor the operation process ranging from product development, design, production to delivery to warehouse as well as settlement of accounts.

Warehouse and logistics centre

The Group owns and directly operates a regional warehouse and logistics centre in Taicang City, Jiangsu Province (the "**Taicang Centre**"). The Taicang Centre commenced operation in August 2014 and occupies a gross floor area of approximately 89,000 square metres. It is responsible for providing centralized warehousing and logistics support to the Group. Moreover, the Group is planning to construct two additional warehouse and logistic centres in Tianjin and Chengdu. The parcels of land on which the warehouse and logistic centres in Tianjin and Chengdu are to be constructed were acquired by the Group in 2014 and 2015 respectively. Upon completion of the construction of the warehouse and logistic centres in Tianjin and Chengdu, the Group will possess a nationwide distribution network which will enable the Group to be more effective and efficient in distribution and to deliver efficient services for its retail points. The Group believes that the construction of self-built warehousing logistic centres are cost efficient and conducive to the long-term strategic development of the Group.

Use of Proceeds

The H shares of the Company became listed on the main board of the Stock Exchange on 9 October 2014 with net proceeds from the global offering of approximately HK$1,850.8 million (after deducting underwriting commissions and related expenses actually incurred). As at 31 December 2014, none of the net proceeds from the global offering have been utilised and all of the net proceeds were deposited into interest bearing bank accounts with licensed commercial banks and authorised financial institutions in Hong Kong.

BUSINESS OUTLOOK

Looking to the future, the Group will adopt the following strategies to enhance the overall competitiveness and to increase the market share in the future.

- The Group will continue to strategically expand its retail network and increase its penetration into the Group's existing markets. In particular, the Group plans to target regions and cities in the PRC with high population density, rising disposable income and established retail infrastructure. The Group plans to open more retail outlets in shopping centres going forward in response to the changing shopping patterns and habit of the consumers in the PRC. The Group also plans to open more multi-brand retail points with a view to increasing the brand image and reputation.

- The Group will continue to execute its multi-brand strategy. In particular, the Group plans to launch several new brands including the New SPA Brand in the first half of 2015. The Group will also focus on brand building by raising the brand image and brand awareness and increasing customer's loyalty and recognition of the Group's brands.

- The Group will also selectively pursue acquisition and strategic alliance opportunities to complement the Group's existing business and further solidify our market position.

- The Group will further improve its information system. For example, the Group plans to upgrade its POS system and launch a customer relationship management ("**CRM**") system for collecting and analyzing customer information in 2015.

- The Group will continue to motivate and capitalize on the experienced management team and dedicated work force to grow its business.

In addition, the Group is also exploring different ways to enhance shareholders' values and profile of the Company, including considering the feasibility of listing its securities on another stock exchange.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The board of directors (the "**Board**") consists of 11 directors (collectively the "**Directors**" each a "**Director**"), whose biographies are set forth below:

CHAIRMAN, EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr. Xing Jiaxing (邢加興), aged 42, established the Group in March 2001. Mr. Xing has been an executive Director of the Company since 9 May 2011 and is currently chief executive officer, chairman of the Board, chairman of the strategy and development committee of the Board (the "**Strategy and Development Committee**") and a member of the nomination committee of the Board (the "**Nomination Committee**").

Mr. Xing has more than 20 years of experience in the PRC fashion retailing industry. He was also involved in the apparel distribution business for Fuzhou Sophie Garment Co., Ltd. (福州蘇菲時裝有限公司) from July 1996 to July 1998. He established the predecessor of the Company and became the chairman of its board and its executive director in March 2001.

Mr. Xing is pursuing an Executive Master of Business Administration degree at Xiamen University and an Executive Master of Business Administration degree at China Europe International Business School.

EXECUTIVE DIRECTORS

Mr. Wang Yong (王勇), aged 41, is chairman of the budget committee of the Board ("**Budget Committee**"), a member of our Strategy and Development Committee and an executive Director of the Company, a position which he has held since 9 November 2012. Mr. Wang joined the Group in April 2012 and has been the executive vice president of the Company.

Mr. Wang had approximately eight years of experience in the investment business in the PRC. Prior to joining the Group in April 2012, Mr. Wang had worked at the investment department of ChinaVest Co., Ltd. (中創企業管理諮詢(上海)有限公司) from 2004 to 2007, and at Legend Capital Co., Ltd. (北京君聯資本管理有限公司, formerly 北京聯想投資顧問有限公司) from 2008 to 2012 as an investment manager, vice president and general director.

Mr. Wang obtained a Bachelor's degree in International Business Administration from Shanghai University of Finance and Economics in July 1995 and a Master of Business Administration degree from McMaster University, Canada in June 2004. Mr. Wang received his designation as a Chartered Financial Analyst from the CFA Institute in March 2007.

Mr. Hu Gang (胡剛), aged 39, was appointed as an executive Director of the Company on 26 June 2014 and is a member of the Strategy and Development Committee. Mr. Hu joined the Group in June 2014 as an executive Director, the assistant to chairman and senior executive vice president of the Company.

Mr. Hu has more than 12 years of experience in the investment and retail industry in the PRC. Prior to joining the Group in June 2014, Mr. Hu had worked at Gome Electrical Appliance Co. Ltd (國美電器有限公司) from May 2003 to July 2006 as the supervisor of the development strategy analysis division and the operational management studies division, and at United Auto Parts Retail Chain (China) Co. Ltd. (優配汽車零件連鎖銷售(中國)有限公司) from July 2006 to June 2007 as the senior assistant to the chief executive officer and director of the strategic management department. He also worked at Jiangsu New Day Electric Vehicle Co., Ltd. (江蘇新日電動車股份有限公司) from 2007 as the executive vice president.

Mr. Hu obtained a Bachelor's degree in Chemistry from Tianjin University of Technology in July 1997, a Master of Business Administration degree from University of International Business and Economics in December 2005, and is currently pursuing an Executive Master of Business Administration degree from China Europe International Business School.

NON-EXECUTIVE DIRECTORS

Mr. Li Jiaqing (李家慶), aged 41, is a member of the remuneration and appraisal committee of the Board ("**Remuneration and Appraisal Committee**"), Budget Committee, Strategy and Development Committee and a non-executive Director, a position which he has held since 9 May 2011. Mr. Li joined the Group in April 2010 as a non-executive director of the Company.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li had worked at Legend Capital Co., Ltd. (北京君聯資本管理有限公司, formerly 北京聯想投資顧問有限公司) from July 2001 to June 2013 as investment manager, senior investment manager, executive director and managing director. Mr. Li is currently managing director of Legend Capital Co., Ltd. (北京君聯資本管理有限公司, formerly 北京聯想投資顧問有限公司) and director of Good Factor Limited ("**Good Factor**"), which is one of the substantial shareholders of the Company. Legend Capital Co., Ltd. (北京君聯資本管理有限公司, formerly 北京聯想投資顧問有限公司) and Good Factor are engaged in portfolio investment and fund management. Mr. Li is currently also a supervisor of Shanghai Amarsoft Information and Technology Co., Ltd. (上海安碩信息技術股份有限公司) (a company listed on the Shenzhen Stock Exchange) and a director of Yunnan Hongxiang Yixintang Pharmaceutical Co., Ltd. (雲南鴻翔一心堂藥業(集團)股份有限公司) (a company listed on the Shenzhen Stock Exchange).

Mr. Li obtained a Bachelor's degree in Mechanical Engineering and a Bachelor of Business Administration degree from Tsinghua University in July 1996, and a Master's degree in Management Science and Engineering from Tsinghua University in July 1999.

Mr. Lu Weiming (陸衛明), aged 44, is a member of the Nomination Committee, Budget Committee and a non-executive Director, a position which he has held since 9 May 2011. Mr. Lu joined the Group in January 2008 as a non-executive director of the Company.

Mr. Lu is currently a partner of Boxin (Tianjin) Equity Investment Management Partnership (Limited Partnership) (博信(天津)股權投資管理合夥企業(有限合夥)), which is involved in private equity investment and is a general partner of one of the shareholders of the Company, Boxin First Phase (Tianjin) Equity Fund Partnership (Limited Partnership). Mr. Lu is currently also a director of Wuxi Xuelang Environment Technology Co., Ltd. (無錫雪浪環境科技股份有限公司) (a company listed on the Shenzhen Stock Exchange).

Mr. Lu was a director at Dalian East New Energy Development Co., Ltd. (大連易世達新能源發展股份有限公司) from November 2008 to February 2012 and at Shenzhen Tat Fook Technology Co., Ltd. (深圳市大富科技股份有限公司) from December 2009 to January 2013, both of which are listed on the Shenzhen Stock Exchange.

Mr. Lu obtained a Bachelor's degree in Management Information Systems from Tongji University, Shanghai in July 1992.

Mr. Cao Wenhai (曹文海), aged 47, is a member of our audit committee ("**Audit Committee**") and a non-executive Director, a position which he has held since 9 May 2011. Mr. Cao joined the Group in March 2010 as a non-executive Director of the Company.

Mr. Cao is currently the vice president of Shanghai Rongxi Venture Capital Management Co., Ltd. (上海融璽創業投資管理有限公司), which is involved in equity investment and fund management and is a minority shareholder of one of the shareholders of the Company, Shanghai Ronggao Venture Capital Co., Ltd. and has been working there since July 2009. He obtained his PRC legal qualification in June 1997.

Mr. Cao also obtained a Bachelor's degree in Philosophy from Lanzhou University in July 1990 and a Master's degree in Law from East China College of Political Science and Law (now known as East China University of Political Science and Law) in June 2003.

Ms. Wang Haitong (王海桐), aged 31, was appointed as a non-executive Director of the Company on 31 July 2014 and is a member of the Budget Committee and Strategy and Development Committee.

Ms. Wang has been an executive director at Goldman Sachs Broad Street (Beijing) Equity Investment Management Co., Ltd. (北京高盛寬街博華股權投資管理有限公司), which is engaged in investment management, since January 2014. Ms. Wang is also currently a non-executive director of Ozner Water International Holding Limited, a company listed on the Main Board of the Stock Exchange. Ms. Wang had worked at Morgan Stanley Dean Witter Asia Limited Beijing Representative Office from July 2005 to June 2006 as an analyst, at Morgan Stanley Dean Witter Asia Ltd., Investment Banking Division in Hong Kong, from August 2006 to August 2007 as an analyst, and at the Principal Investment Area of Goldman Sachs (Asia) L.L.C. from September 2007 to December 2013 as analyst, then associate and later executive director.

Ms. Wang obtained a joint Bachelor's degree in Finance and Statistics from Peking University in July 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mao Jianong (毛嘉農), aged 51, is chairman of our Nomination Committee, a member of our Audit Committee and Strategy and Development Committee, and an independent non-executive Director, a position which he has held since 9 May 2011.

Mr. Mao obtained a Bachelor's degree in Medicine from the Second Military Medical University in July 1984, a Master of Management Science and Engineering degree from the Dalian University of Technology in April 2002 and an Executive Master of Business Administration degree from the China Europe International Business School in October 2011.

Mr. Mao is the Deputy General Manager and chief operating officer of Harbin Gloria Pharmaceuticals Co.,Ltd (哈爾濱譽衡藥業股份有限公司) (a company listed on Shenzhen Stock Exchange), an independent non-executive director of Yonghui Superstores Co., Ltd. (a company listed on the Shanghai Stock Exchange), and an independent non-executive director of China Hainan Natural Rubber Industry Group Co., Ltd. (海南天然橡膠產業集團股份有限公司) (a company listed on Shanghai Stock Exchange).

In addition, Mr. Mao was an executive director of SinoChem International Corporation from November 2007 to December 2010, a non-executive director of Nantong Jiangshan Agrochemical and Chemicals Co., Ltd. from January 2008 to December 2009, and a non-executive director of China Hainan Rubber Industry Group Co., Ltd. from October 2008 to June 2011, all of which are companies listed on the Shanghai Stock Exchange.

Mr. Zhou Guoliang (周國良), aged 41, is the chairman of our Audit Committee and a member of our Remuneration and Appraisal Committee and Budget Committee, and an independent non-executive Director, a position which he has held since 23 May 2013.

Mr. Zhou has experience in reviewing or analysing audited financial statements of public companies. Mr. Zhou obtained a Bachelor's degree in Mathematical Statistics in July 1994, a Master's degree in Accounting in July 2003 and a Doctorate in Accounting in June 2008 from Shanghai University of Finance and Economics. Mr. Zhou is currently an Associate Professor in Accounting Faculty at the Shanghai University of Finance and Economics.

In addition, Mr. Zhou currently holds the following independent non-executive directorships: Yonghui Superstores Co., Ltd. (a company listed on the Shanghai Stock Exchange); Shanghai Bestway Marine Engineering Co., Ltd. (a company listed on the Shenzhen Stock Exchange); and Shanghai Haibo Co., Ltd. (a company listed on the Shanghai Stock Exchange).

Mr. Chen Wei (陳巍), aged 38, is the chairman of our Remuneration and Appraisal Committee, a member of our Nomination Committee and Strategy and Development Committee and an independent non-executive Director, a position which he has held since 9 May 2011.

Mr. Chen obtained a Bachelor's degree in International Business Law from East China University of Political Science and Law in July 1998, a Bachelor's degree in Information Management (self-learning) from Fudan University in April 2002 and an Executive Master in Business Administration degree from China Europe International Business School in October 2011.

Mr. Chen is currently a partner of Llinks Law Offices (通力律師事務所).

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Professor Japhet Sebastian Law (羅文鈺), aged 62, has been an independent non-executive Director of the Company since 11 August 2013. He is currently a member of the Nomination Committee and Audit Committee.

Professor Law obtained a Doctorate degree of Mechanical Engineering from the University of Texas at Austin in 1976. He joined the Chinese University of Hong Kong in 1986 and was a Professor in the Department of Decision Sciences and Managerial Economics until his retirement in 2012. He was the Associate Dean and subsequently the Dean of the Faculty of Business Administration of the Chinese University of Hong Kong from 1993 until 2002. Professor Law has provided consulting services to various corporations in Hong Kong and overseas. He is also active in public services, having served as a member of the Provisional Regional Council of The Government of the Hong Kong Special Administrative Region and various other committees, and is also active on the boards of a number of other organisations including non-profit and charitable organisations, in Hong Kong and elsewhere.

In addition, Professor Law currently holds the following independent non-executive directorships: Regal Hotels International Holdings Limited (a company listed on the Main Board of the Stock Exchange); Beijing Capital International Airport Company Limited (a company listed on the Main Board of the Stock Exchange); Tianjin Port Development Holdings Limited (a company listed on the Main Board of the Stock Exchange); Shougang Fushan Resources Group Limited (a company listed on the Main Board of the Stock Exchange); Binhai Investment Company Limited (a company listed on the Main Board of the Stock Exchange); Global Digital Creations Holdings Limited (a company listed on the Growth Enterprise Market on the Stock Exchange); and Tianjin Binhai Teda Logistics (Group) Corporation Limited (a company listed on the Growth Enterprise Market on the Stock Exchange).

Professor Law was an independent non-executive director of Cypress Jade Agricultural Holdings Limited (a company listed on the Main Board of the Stock Exchange) from December 2011 to July 2013.

SUPERVISORS

The Supervisory Committee of the Company (the "**Supervisory Committee**") consists of five supervisors (collectively the "**Supervisors**"; each "**Supervisor**"), whose biographies are set forth below:

Ms. Xie Hong (謝宏), aged 45, is general manager of human resources and chairman of our Supervisory Committee, a position which she has held since 9 May 2011. Ms. Xie joined the Group in August 2010 as director of human resources.

Prior to joining the Group, Ms. Xie had worked at Shanghai Metersbonwe Fashion & Accessories Co., Ltd. (上海美特斯邦威服飾股份有限公司) from May 2006 to October 2007 as head of human resources and at Shanghai Ten Fashion & Accessories Co., Ltd. (上海天恩服飾有限公司) from June 2008 to May 2010 as supervisor of human resources. Both are companies within the PRC fashion industry.

Ms. Xie obtained a Bachelor's degree in Technology Economics from Tianjin University in July 1992. She is currently pursuing an Executive Master of Business Administration degree at Xiamen University.

Ms. Yang Lin (楊琳), aged 49, is our Supervisor, a position which she has held since 9 May 2011.

Ms. Yang worked at Lenovo Group Limited, a technology company, from 1998 to March 2001 as vice general manager of the financial department and at Legend Capital Co., Ltd. (北京君聯資本管理有限公司, formerly 北京聯想投資顧問有限公司) from April 2001 to 2006 as senior financial advisor. Legend Capital Co., Ltd. (北京君聯資本管理有限公司, formerly 北京聯想投資顧問有限公司) is engaged in portfolio investment and fund management.

Ms. Yang is currently the chief financial advisor of Legend Capital Co., Ltd. (北京君聯資本管理有限公司, formerly 北京聯想投資顧問有限公司).

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Yang obtained a Bachelor's degree in Economics from Jiangxi University of Finance and Economics in July 1987 and a Master's degree in Economics from Renmin University of China in July 1990. Ms. Yang received her qualification as an accountant from the Ministry of Finance in November 1993.

Mr. Zhang Xueqing (張學慶), aged 48, is our Supervisor, a position which he has held since 28 January 2014.

Mr. Zhang worked at Shanghai Nong Gong Shang Supermarket Co., Ltd. (上海農工商超市(集團)有限公司) from June 2000 to September 2001 as head of finance, at Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (復星醫藥股份有限公司) from September 2001 to September 2002 as head of investment, at Bright Dairy & Food Co., Ltd. (光明乳業股份有限公司) from September 2002 to March 2006 as head of investment and manager in the UHT Division, at Global Children Supplies Co., Ltd. (上海全球兒童用品股份有限公司) from May 2006 to June 2014 as founder, chairman and general manager and at Shanghai Fosun High Technology (Group) Co., Ltd from July 2014 to present as managing director of Health Holding Business Department.

Mr. Zhang obtained a Bachelor's degree in Auditing from Shanghai University of Finance and Economics in July 1989.

Mr. Tang Zhen (唐震), aged 62, is our Supervisor, a position which he has held 9 May 2011.

Prior to joining the Group in August 2004, Mr. Tang had worked at Braun (Shanghai) Co., Ltd. (博朗電器(上海)有限公司), which is engaged in electronics manufacturing, from December 1994 to April 1996 and he was responsible for sales training, at Parfums Christian Dior (Shanghai) Co., Ltd. (克麗絲汀・迪奥(上海)香水化妝品有限公司), a perfume and cosmetics company, from May 1996 to October 1999 as national sales manager, and at Shanghai Intermoda Clothing Co., Ltd. (上海英模特製衣有限公司), which is engaged in the fashion industry, from March 2002 to June 2004 as sales supervisor.

Mr. Tang obtained a Bachelor's degree in Chinese from Shanghai Putuo Sparetime University in July 1987 and is pursuing an Executive Master of Business Administration degree from Xiamen University.

Mr. Zhang Tao (張濤), aged 44, is our Supervisor, a position which he has held since 28 January 2014.

Mr. Zhang worked at Rong An De Equity Investment Management Partnership (Limited Partnership) (熔安德股權投資基金管理有限合夥企業) from April 2011 to present as founding partner, and Qinghai Gelatin Company Limited (青海明膠股份有限公司) (a company listed on Shenzhen Stock Exchange) from March 2009 to present as independent non-executive director and Sichuan Kelun Pharmaceutical Co., Ltd (四川科倫藥業股份有限公司) from June 2014 to present as an independent non-executive Director(a company listed on Shenzhen Stock Exchange).

Mr. Zhang obtained a degree of Master of Business Administration from Boston University School of Management in January 2005, a degree of Executive Master of Business Administration from Cheung Kong Graduate School of Business in September 2013, and he completed the Global CEO Training Program from Shanghai Jiaotong University in June 2013.

SENIOR MANAGEMENT

The biographies of the senior management of the Company ("**Senior Management**") are set forth below:

Mr. Wang Baohai (王寶海), aged 49, was appointed as vice president of operations of the Company on 21 April 2013. He is responsible for the management of the Group's supply chain and products. Mr. Wang obtained a Bachelor's degree in Mathematics from AnQing Normal University in July 1988 and a Master of Business Administration degree (distance learning) from Asia International Open University (Macau) in July 2006.

Mr. Yin Xinzai (尹新仔), aged 43, was appointed as vice president of sales and marketing of the Company on 1 September 2013. He joined the Company in June 2013 and was designated as a general manager of sales and marketing in August 2013. Mr. Yin is responsible for the overall sales and marketing. Prior to joining the Company, Mr. Yin worked at Joeone Co., Ltd. (九牧王股份有限公司) from September 1998 to June 2012 and at Hangzhou Jiuxuan Fashion Co., Ltd. (杭州九軒服飾有限公司) from June 2012 to May 2013. Both companies are in the PRC fashion industry. Mr. Yin is pursuing an Executive Master of Business Administration degree from Xiamen University.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Quan Qiang (全強), aged 41, was appointed as chief financial officer of the Company on 22 September 2013. Prior to joining the Company, Mr. Quan worked at BNP Paribas Peregrine Securities Limited as a research analyst from 1996 to 2000. From 2002 to 2004, Mr. Quan worked as an associate at the Investment Banking department of Lehman Brothers Asia Holdings Limited. From 2005 to 2011, Mr Quan worked as the chief financial officer and the board secretary at Guangxi Fenglin Wood Industry Group Co., Ltd. From 2011 to 2013, Mr. Quan worked as the chief representative of RBS Asia Corporate Finance Limited Beijing and the branch manager of the RBS Shenzhen Branch.

Mr. Quan obtained a Bachelor's degree in International Political Science from Fudan University in July 1996 and obtained a degree of Master of Business Administration from University of Michigan in April 2002.

Ms. Zhang Danling (章丹玲), aged 36, was appointed as a general manager of brands on 1 July 2011. She joined the Company as a design director in March 2001, and was subsequently appointed as a general manager of the overall brand management centre of the Group in January 2007. Ms. Zhang was also a Director of the Company from May 2011 to November 2012. In her current role as a general manager of brands, Ms. Zhang is responsible for the management of the emerging brands, such as La Babité. Ms. Zhang obtained a junior college diploma in fashion design from Sichuan University in 1999 and she is now pursuing an Executive Master of Business Administration degree from Antai College of Economics & Management, Shanghai Jiao Tong University.

Ms. Dong Yan (董燕), aged 36, was appointed as a general manager of brands on 26 February 2011. She joined the Company as a designer in February 2004, and was subsequently appointed as a director of brands in February 2008. In her current role as a general manager of brands, Ms. Dong is responsible for the management of the brand, La Chapelle. Ms. Dong is pursuing an Executive Master of Business Administration degree from Xiamen University.

Ms. Zhang Ying (張瑩), aged 35, was appointed as a general manager of brands on 1 September 2011. She joined the Company as a designer in March 2003, and was subsequently appointed as an associate director of brands in January 2006, and a director of brands in June 2010. In her current role as a general manager of brands, Ms. Zhang is responsible for the management of the brand, La Chapelle Sport. Ms. Zhang obtained a Bachelor's degree in fashion design from Tianjin Polytechnic University in July 2002 and is pursuing an Executive Master of Business Administration degree from Xiamen University.

Ms. Shi Hai (石海), aged 40, was appointed as the general manager of development on 23 April 2012. Ms. Shi has more than 15 years of experience in the PRC fashion retailing industry. Prior to joining the Group, Ms. Shi had worked at Shanghai Itokin Fashion Centre Co., Ltd. (上海伊都錦時裝中心有限公司) from 1997 to 1999 as store manager. From 2001 to February 2008, Ms. Shi worked in the Group as store manager. From February 2008 to 2011, Ms. Shi worked at Shanghai Lagogo Fashion Co., Ltd. (上海拉谷谷時裝有限公司). In March 2012, Ms. Shi re-joined the Group and was subsequently appointed as the general manager of development in April 2012 and is responsible for strategic planning, in particular expansion of retail network. Ms. Shi was our executive Director from May 2013 to June 2014. Ms. Shi is now pursuing an Executive Master of Business Administration degree from Xiamen University.

Ms. Zhang Haiyun (張海雲), aged 36, was appointed as the deputy general manager of finance of the Company on 9 April 2014. She joined the finance department of the Group in March 2001, and was subsequently appointed as a financial manager in 2006, deputy director of the finance department from January 2010 to October 2010 and head of finance from November 2011. Ms. Zhang is responsible for the finance management. Ms. Zhang is now pursuing an Executive Master of Business Administration degree from Xiamen University.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Cai Jun Jian (蔡俊堅), aged 43, was appointed as the Company's vice president of operation centre on 2 February 2015. Prior to joining into the Company, Mr. Cai was a designer in Construction Design and Research Institute of Xiamen University (廈門大學建築設計研究院) from 1995 to 2000. From March 2000 to February 2015, Mr. Cai served as the deputy general manager of Shanghai branch, China Jingye Engineering Corporation Limited (中國京冶工程技術有限公司上海分公司), responsible for the business segment of architecture design and consultancy in Shanghai and East China and the development management of construction operations. Mr. Cai obtained his bachelor of architecture from Xiamen University in 1995 and EMBA degree from Xiamen University in 2014.

Mr. Wang Wen Ke (王文克), aged 44, was appointed as the executive vice president of the Company on 2 February 2015. Prior to joining into the Company, Mr. Wang served as credit manager in China Citic Industrial Bank (now known as China Citic Bank) Weihai Branch from July 1995 to February 1998. From February 1998 to February 2002, Mr. Wang held positions of head of human resources department and head of marketing department in Weihai Hamada Printing Presss Co., Ltd (Japan-owned enterprise) (威海濱田印刷機械有限公司（日資）). He worked in Sinochem International Corporation as assistant president from June 2002 to February 2015. Mr. Wang obtained his bachelor of investment management from Central University of Finance and Economics in July 1995. He is pursuing an EMBA degree at China Europe International Business School.

Mr. Mao Jian (茅健), aged 38, was appointed as secretary to the Board on 1 November 2011. He joined the Group in November 2009 as manager and vice supervisor of investment. Mr. Mao is responsible for managing the investment and financing of the Group, and the operations of the shareholders' meetings, the Board and the Supervisory Committee. Mr. Mao has more than 10 years of experience in managing the investment of an enterprise. Prior to joining the Group, Mr. Mao had worked at Shanghai Zhisheng Investment Management Co., Ltd. (上海智晟投資管理有限公司) from April 2008 to November 2009 as assistant to general manager. Mr. Mao obtained a junior college diploma in Computer Aided Design and Information Management from Suzhou University in July 1998 and is pursuing an Executive Master of Business Administration degree from Xiamen University.

JOINT COMPANY SECRETARIES

Mr. Mao Jian (茅健), one of the joint company secretaries of the Company, is also a member of the Senior Management. Please refer to "**Senior Management**" for his biography.

Ms. Wong Wai Ling (黃慧玲), one of the joint company secretaries, is assistant vice president of SW Corporate Services Group Limited and is responsible for assisting listed companies in professional company secretarial work. Prior to joining SW Corporate Services Group Limited, she worked in a corporate service provider and the company secretarial department of an international accounting firm. Ms. Wong has been awarded a Bachelor of Arts degree in Marketing and Public Relations from The Hong Kong Polytechnic University and Master of Corporate Governance degree from The Open University of Hong Kong, and is Associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Wong has approximately 10 years of experience in providing company secretarial services.

DIRECTORS' REPORT

The Board is pleased to present this report and the audited consolidated results of the Company and the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Group designs, markets and sells apparel products with a focus on mass-market ladies' casualwear in the PRC.

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 63 to 132 of this 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 report.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2014 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements of the share capital of the Company are set out in note 14 to the consolidated financial statements.

FINAL DIVIDENDS

For the year ended 31 December 2014, the Board has proposed a final dividend of RMB0.60 (before tax) per ordinary share and RMB302,027,905.2 in aggregate (the "**Final Dividends**") to shareholders whose names appear on the register of members of the Company on 14 May 2015, subject to approval by the shareholders of the Company at the upcoming annual general meeting of the Company to be held on 5 May 2015 (the "**AGM**"). Dividends on domestic shares and unlisted foreign shares will be paid in Renminbi and dividends on H shares will be paid in Hong Kong dollars (at the average exchange rate of the medium rate of converting Renminbi into Hong Kong dollars as quoted by the People's Bank of China for 5 business days immediately prior to the date of AGM).

Pursuant to the Corporate Income Tax Law of the PRC and its implementation rules and other relevant rules, where the Company distributes the 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. The applicable tax rate is generally 10% and can be reduced to 5%, depending on the tax treaties between the PRC and those countries or regions where the non-resident enterprises reside if certain criteria are met. 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 non-resident 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. 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. Dividends and other payments payable by the Company to Foreign Shareholders shall follow relevant requirements on foreign exchange stipulated by the Country.

DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from 5 April 2015 to 4 May 2015 (both days inclusive), during which period no transfer of shares of the Company can be registered. In order to be qualified to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's H Shares Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holder(s) of H shares), or the registered office of the Company in the PRC at Room 3300, Level 3, Block 1, 270 Cao Xi Road, Xuhui District, Shanghai, PRC (for holder(s) of domestic shares and unlisted foreign shares) for registration not later than 4:30 p.m. on 2 April 2015.

Shareholders whose names appear on the register of members of the Company at the close of business on 4 May 2015 are entitled to attend and vote at the AGM.

In order to determine the shareholders who are entitled to receive the Final Dividends, the register of members of the Company will be closed from 9 May 2015 to 14 May 2015 (both days inclusive), during which period no transfer of shares can be registered. In order to be qualified to receive the Final Dividends, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's H Shares Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holder(s) of H shares), or the registered office of the Company in the PRC at Room 3300, Level 3, Block 1, 270 Cao Xi Road, Xuhui District, Shanghai, PRC (for holder(s) of domestic shares and unlisted foreign shares) for registration not later than 4:30 p.m. on 8 May 2015.

Shareholders whose names appear on the register of members of the Company at the close of business on 14 May 2015 are entitled to receive the Final Dividends.

FIXED ASSETS

Details of the fixed assets of the Group are set out in note 6 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

Bank loans and other borrowings of the Company and the Group as at 31 December 2014 are set out in note 17 to the consolidated financial statements in this report.

DONATIONS

As a corporate citizen, the Group actively takes part in charitable activities motivated by the group's desire to bring maximum value to the communities in which it operates, the Group and its staff make direct donations to a number of charities for the year ended 31 December 2014, details of which are set out below.

Clothes Donation in 2014

Beneficiary	Time	Pieces of apparel products donated	Value (RMB)
China Foundation for Disabled Persons	March 2014	262,867	80,467,343
Shanghai Charity Foundation	March 2014	20,667	7,227,383
Shanghai Municipal Welfare Foundation for the Disabled	April 2014	15,778	4,235,122
Shanghai Municipal Welfare Foundation for the Disabled	August 2014	30,218	13,334,402
China Foundation for Disabled Persons	September 2014	180,000	53,295,390
Total		**509,530**	**158,559,640**

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Directors confirmed that based on information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained sufficient amount of public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from Listing Date to 31 December 2014.

PRE-EMPTIVE RIGHTS

Pursuant to the articles of association of the Company ("**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.

DIRECTORS AND SUPERVISORS

The Directors during the year ended 31 December 2014 and as of the date of this report are as follows:

Name	Position	Roles and responsibilities	Date of appointment as Director	Date of joining the Group
Mr. Xing Jiaxing (邢加興)	Chairman, Executive Director and chief executive officer	Overall management of the Group, strategic planning and decision making	9 May 2011	March 2001
Mr. Wang Yong (王勇)	Executive Director and executive vice president	Strategic planning and investment business	9 November 2012	April 2012
Mr. Hu Gang (胡剛)	Executive Director, assistant to the chairman and senior executive vice president	Strategic planning and O2O business	26 June 2014	June 2014
Ms. Shi Hai (石海)[1]	Executive Director and the general manager of development	Strategic planning, in particular expansion of retail network	12 May 2013	March 2012[2]
Mr. Li Jiaqing (李家慶)	Non-executive Director	As a non-executive Director	9 May 2011	April 2010
Mr. Lu Weiming (陸衛明)	Non-executive Director	As a non-executive Director	9 May 2011	January 2008
Mr. Cao Wenhai (曹文海)	Non-executive Director	As a non-executive Director	9 May 2011	March 2010
Ms. Wang Haitong (王海桐)	Non-executive Director	As a non-executive Director	31 July 2014	July 2014
Ms. Liu Qing (柳青)[3]	Non-executive Director	As a non-executive Director	23 May 2013	May 2013
Mr. Mao Jianong (毛嘉農)	Independent non-executive Director	As an independent Director	9 May 2011	May 2011
Mr. Zhou Guoliang (周國良)	Independent non-executive Director	As an independent Director	23 May 2013	May 2011
Mr. Chen Wei (陳巍)	Independent non-executive Director	As an independent Director	9 May 2011	May 2011
Professor Japhet Sebastian Law (羅文鈺)	Independent non-executive Director	As an independent Director	11 August 2013	August 2013

1 Ms. Shi Hai resigned as an executive Director of the Company in June 2014.
2 Ms. Shi Hai worked in the Group as store manager from 2001 to February 2008, and served at Shanghai Lagogo Fashion Co., Ltd. (上海拉谷谷時裝有限公司) from February 2008 to 2011. In March 2012, Ms. Shi Hai re-joined the Group.
3 Ms. Liu Qing resigned as a non-executive Director of the Company in July 2014.

DIRECTORS' REPORT

The Supervisors during the year ended 31 December 2014 and as of the date of this report are as follows:

Name	Position	Roles and responsibilities	Date of appointment as Supervisor	Date of joining the Group
Ms. Xie Hong (謝宏)	Chairperson of the Supervisory Committee and general manager of human resources	Management of the Group's human resources and supervision of the Board and senior management	9 May 2011	August 2010
Ms. Yang Lin (楊琳)	Supervisor	Supervision of the Board and senior management	9 May 2011	May 2011
Mr. Zhang Xueqing (張學慶)	Supervisor	Supervision of the Board and senior management	13 January 2014	January 2014
Mr. Tang Zhen (唐震)	Supervisor	Supervision of the Board and senior management	9 May 2011	August 2004
Mr. Zhang Tao (張濤)	Supervisor	Supervision of the Board and senior management	13 January 2014	January 2014

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and senior management of the Company are set out in the section headed "**Profiles of Directors, Supervisors and Senior Management**" in this report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

The Company has entered into a service contract with each Director and Supervisor pursuant to Rule 19A.54 and 19A.55 of the Listing Rules on 10 September 2014. Save as disclosed above, the Company has not entered into any service contracts with any of the Directors and Supervisors. As disclosed in the announcement published by the Company on 11 March 2015, subject to the approval by its shareholders of the Company at the AGM, the Company proposes to enter into a service contract with Mr. Luo Bin, who was nominated by the Board to be a non-executive Director of the Company. Details of Mr. Luo Bin's proposed appointment are set out in the announcement of the Company dated 11 March 2015 and the circular to the shareholders of the Company on 18 March 2015.

For the year ended 31 December 2014, none of the Directors or Supervisors had entered or proposed to enter into a service contract with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

None of the Director or Supervisor had a material interest, whether directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries was a party as of and during the year ended 31 December 2014.

DIRECTORS', SUPERVISORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, AND UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2014, the interests and short positions of the Directors, Supervisors and the chief executive officers' of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such positions of the SFO; or (ii) recorded in the register required to be kept under section 352 of the SFO, or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (the "**Model Code**") were as follows:

DIRECTORS' REPORT

Long position in the shares of the Company

Name of Director, Supervisor and Chief Executive	Nature of interest and capacity	Number of shares interested	Approximate percentage of shareholding in the relevant class of shares as at 31 December 2014	Approximate percentage of shareholding in the total issued share capital of the Company at 31 December 2014
Mr. Xing Jiaxing[1]	Beneficial owner, interest in a controlled corporation, deemed interest pursuant to section 318 of the SFO	187,078,815 Domestic Shares	72.32%	37.16%

Note 1

Mr. Xing Jiaxing was the beneficial owner of 141,874,425 domestic shares of the Company ("**Domestic Shares**"), which represent approximately 28.18% of the total issued share capital of the Company as at 31 December 2014. As Mr. Xing Jiaxing holds more than one-third of the equity interest in the registered capital of Shanghai Hexia Investment Co., Ltd. (上海合夏投資有限公司) ("**Shanghai Hexia**"), he is deemed, pursuant to section 316 of the SFO, to be interested in the Company's shares in which Shanghai Hexia is interested (being 45,204,390 Domestic Shares), which represented approximately 8.98% of the total issued share capital of the Company as at 31 December 2014. In addition, Mr. Xing Jiaxing and Shanghai Hexia entered into an Act-in-Concert Agreement (the "**New Concert Agreement**") on 9 January 2014. As the New Concert Agreement is an agreement to which section 317 of the SFO applies, Mr. Xing Jiaxing is also deemed, pursuant to section 318 of the SFO, to be interested in the Company's shares in which Shanghai Hexia is interested (being the 45,204,390 Domestic Shares mentioned above), which represents approximately 8.98% of the total issued share capital of the Company as at 31 December 2014.

Save as disclosed above, as at 31 December 2014, so far as is known to any Director, Supervisor or the chief executive officers' of the Company, none of the Directors, Supervisors, or the chief executive officers' of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such positions of the SFO; or (ii) recorded in the register required to be kept under section 352 of the SFO, or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Director, Supervisor or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate since the Listing Date.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2014, the following persons (not being a Director, Supervisor or chief executive officers' of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Nature of interest and capacity	Number of shares interested	Approximate percentage of shareholding in the relevant class of shares as at 31 December 2014	Approximate percentage of shareholding in the total issued share capital of the Company at 31 December 2014
Shanghai Hexia[1]	Beneficial owner, deemed interest pursuant to section 318 of the SFO	187,078,815 Domestic Shares	72.32%	37.16%
The Goldman Sachs Group Inc[2]	Interest in controlled corporation	18,236,842 Domestic Shares	6.56%	3.62%
Gabriel Li[3]	Interest in controlled corporation	21,655,200 H shares	9.61%	4.30%
Lam Lai Ming[3]	Interest in controlled corporation	21,655,200 H shares	9.61%	4.30%
Tung Sun Tat Clement[4]	Interest in controlled corporation	19,927,000 H shares	8.84%	3.96%
LC Fund IV GP Limited[5]	Interest in controlled corporation	86,625,000 H shares	38.45%	17.21%

1 Shanghai Hexia was interested 45,204,390 Domestic Shares, which represented approximately 8.98% of the total issued share capital of the Company as at 31 December 2014. In addition, Shanghai Hexia and Mr. Xing Jiaxing entered into the New Concert Agreement on 9 January 2014, which is an agreement to which section 317 of the SFO applies. As a result, Shanghai Hexia is also deemed, pursuant to section 318 of the SFO, to be interested in the Company's shares in which Mr. Xing Jiaxing is interested (being the 141,874,425 Domestic Shares, representing approximately 28.18% of the total issued share capital as at 31 December 2014 held by Mr. Xing Jiaxing as at 31 December 2014).

2 The Goldman Sachs Group, Inc is a company listed on the New York Stock Exchange. The Goldman Sachs Group, Inc through its various entities controls Beijing Goldman Sachs Investment Center (Limited Partnership), which was beneficially interested in 18,236,842 Domestic Shares and The Goldman Sachs Group, Inc was deemed to be interested in such shares by virtue of the SFO.

3 Mr. Gabriel Li was deemed to be interested in an aggregate of 21,655,200 H shares of the Company by virtue of the SFO. Those interests comprised deemed interests in 20,574,800 H shares of the Company held by Orchid Asia VI, L.P. and 1,080,400 H shares of the Company held by Orchid Asia V Co-Investment, Limited. As a spouse of Mr. Gabriel Li, Ms. Lam Lai Ming was deemed to be interested in an aggregate of 21,655,200 H shares of the Company held by Mr. Gabriel Li by virtue of the SFO.

4 These H shares of the Company were held by Tristate Investments Ltd, which was ultimately wholly owned by Mr. Tung Sun Tat Clement.

5 These H share of the Company were held by Good Factor Limited, the equity interest of which is owned by LC Fund IV as to 78.5%, LC Parallel Fund IV, L.P. as to 8.2%, Favor Mega Holdings Limited as at 5.3%, and Grandsun International Investment Limited as to 8%.

DIRECTORS' REPORT

Other than as disclosed above, as at 31 December 2014, the Directors have not been notified by any person (not being the directors, supervisors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2014, none of the Directors or their respective associates had any business or interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST EMOLUMENTS

The Directors' emoluments are determined by the Board with reference to their duties, responsibilities and performance and the results of the Group. Details of the Directors' emoluments and the five highest paid individuals are set out in note 25 to the financial statements.

EMOLUMENT POLICY

A Remuneration and Appraisal Committee was set up to develop the Group's emolument policy and structure for remuneration of the Directors, Supervisors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors, Supervisors and senior management and comparable market practices.

PENSION SCHEMES

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "**Schemes**") organized by the local authorities whereby the subsidiaries are required to make contributions to the Schemes based on a percentage of the eligible employees' salaries. Contributions to the Schemes vest immediately. Under the Schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

The Group's contributions to retirement benefit schemes charged to the consolidated statement of profit or loss for the year ended 31 December 2014 were RMB155,638,000.

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.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, purchases from the Group's five largest suppliers accounted for less than 10% of the Group's total purchases; and the combined revenue from the five largest customers did not exceed 10% of the total revenue of the Group. None of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers and customers.

CONNECTED TRANSACTIONS

From the Listing Date to 31 December 2014, the Group has not entered into any connected transactions (as defined under the Listing Rules). During the year ended 31 December 2014, save for the provision of financial guarantee by Mr. Xing Jiaxing to the Group (which was subsequently released in March 2014), which constitutes a connected transaction exempt from disclosure requirements under the Listing Rules, the related party transactions as set out in note 34 of consolidated financial statements do not constitute connected transaction under the Listing Rules.

SHARE OPTION SCHEME

There is no share option scheme operated by the Company.

AUDIT COMMITTEE

During the year ended 31 December 2014, the Audit Committee met three times to review the annual financial results in respect of the year ended 31 December 2013 and the interim financial results in respect of the six months ended 30 June 2014 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and scope of work and appointment of external auditors. The Audit Committee also met the external auditors once without the presence of the executive Directors during the year ended 31 December 2014.

REMUNERATION AND APPRAISAL COMMITTEE

During the year ended 31 December 2014, the Remuneration and Appraisal Committee met once to review and make recommendations to the Board the policy and structure of the remuneration of directors and senior management of the Company and other related matters.

NOMINATION COMMITTEE

During the year ended 31 December 2014, the Nomination Committee met three times to review the structure, size and composition of the Board and the independence and diversity of the independent non-executive Directors.

AUDITORS

PricewaterhouseCoopers has been appointed as international auditors of the Company for the year ended 31 December 2014. PricewaterhouseCoopers shall retire in the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as international auditors of the Company will be proposed at the forthcoming AGM.

In accordance with the first extraordinary general meeting for the year 2014 held by the Company on 7 March 2014, Shanghai My Whole Way CPAs (上海浩威會計師事務所) was appointed as the PRC statutory auditors of the Company to replace China Shu Lun Pan Certified Public Accountants LLP which retired as the auditors of the Company. The resolution regarding the re-appointment of Shanghai My Whole Way CPAs (上海浩威會計師事務所) as the PRC auditors of the Company will be tabled at the forthcoming AGM.

The remuneration paid to PricewaterhouseCoopers and Shanghai My Whole Way CPAs (上海浩威會計師事務所) in respect of the audit services rendered for the year ended 31 December 2014 was RMB2,600,000 and RMB400,000 respectively. There was no non-audit service provided by PricewaterhouseCoopers and Shanghai My Whole Way CPAs (上海浩威會計師事務所) to the Company for the year ended 31 December 2014.

POST BALANCE SHEET EVENTS

Details of the events after the reporting period are set out in note 36 to the financial statements.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND SUPERVISORS

Save as disclosed in the section headed "**Profiles of Directors, Supervisors and Senior Management**" in this report, there was no change to any of the information required to be disclosed in relation to any director or supervisors pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules since the Listing Date.

For and on behalf of the Board
Xing Jiaxing (邢加興)
Chairman

Shanghai, PRC, 11 March 2015

REPORT OF THE SUPERVISORY COMMITTEE

In 2014, the Supervisory Committee of the Company continued to carry out its duties to safeguard the interests of the Company and the shareholders and performed its function by monitoring all aspects of the Company in 2014 in accordance with the relevant provisions of the Company Law and other applicable laws and regulations of the PRC, the Articles of Association, and the Rules of Procedure of the Supervisory Committee. The Supervisory Committee is of the opinion that during the year ended 31 December 2014 all Board members have performed their duties diligently and implemented fully the resolutions passed at general meetings, and no act prejudicial to the interests of shareholders occurred. The report of the Supervisory Committee for the year ended 31 December 2014 is as follows:

I. WORK PERFORMED BY THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the reporting period, the Company convened four meetings of the Supervisory Committee: namely the seventh meeting of the first session of the Supervisory Committee, the eighth meeting of the first session of the Supervisory Committee, the first meeting of the second session of the Supervisory Committee, and the second meeting of the second session of the Supervisory Committee. The convening and voting procedures of the meetings complied with the relevant provisions of the Company Law of the PRC and Articles of Association. Specific details are as follows:

(I) The seventh meeting of the first session of the Supervisory Committee

On 13 January 2014, the Company convened the seventh meeting of the first session of the Supervisory Committee in Shanghai. All 3 Supervisors who were entitled to attend the meeting were present. The meeting was convened and chaired by the chairman of the Supervisory Committee Resolution on the Appointment of Two Additional Independent Supervisors was considered and passed at the meeting.

(II) The eighth meeting of the first session of the Supervisory Committee

On 16 February 2014, the Company convened the eighth meeting of the first session of the Supervisory Committee in Shanghai. All 5 Supervisors who were entitled to attend the meeting were present. The meeting was convened and chaired by the chairman of the Supervisory Committee. The following resolutions were considered and passed at the meeting: Report of the Supervisory Committee 2013, Financial Report 2013, Annual Report 2013 and Summary of Annual Report 2013, Audit Report 2013, Self-evaluation Report on Internal Control of the Company 2013, Resolution on the Appointment of the Financial Auditors of the Company for the year ended 31 December 2014.

(III) The first meeting of the second session of the Supervisory Committee

On 11 June 2014, the Company convened the first meeting of the second session of the Supervisory Committee in Shanghai. All 5 Supervisors who were entitled to attend the meeting were present. The election of Ms Xie Hong as chairman of the second session of the Supervisory Committee was approved.

(IV) The second meeting of the second session of the Supervisory Committee

On 10 September 2014, the Company convened the second meeting of the second session of the Supervisory Committee in Shanghai. All 5 Supervisors who were entitled to attend the meeting were present. The meeting was convened and chaired by the chairman of the Supervisory Committee. The following resolutions were considered and passed at the meeting: Resolution on the Interim Report of the Company 2014 and its Summary.

During the reporting period, in addition to holding meetings of the Supervisory Committee, members of the Supervisory Committee also observed the Board meetings and attended the general meetings of the Company and became aware of various important proposals and resolutions of the Company. With a better understanding of the decision-making process of the Company regarding important issues and the operating results of the Company, the Supervisory Committee was able to perform its supervision and inspection functions on an informed basis.

II. INDEPENDENT OPINIONS EXPRESSED BY SUPERVISORY COMMITTEE WITH REGARDS TO COMPLIANCE BY THE COMPANY WITH LAWS

In 2014, the Supervisory Committee of the Company carried out its supervisory responsibilities in accordance with the relevant provisions of the Company Law and other applicable laws and regulations of the PRC, Law and Articles of Association and expressed the following independent opinions on relevant aspects of the Company:

Pursuant to the relevant provisions of the Company Law and applicable laws and regulations of the PRC and Articles of Association, the Supervisory Committee of the Company inaugurated the second session of Supervisory Committee on 11 June 2014, after duly considered and approved by the shareholders' general meeting. In accordance with the laws, the Supervisory Committee conducted supervision on the operations of the Company, observed or attended the Board meetings and general meetings of the Company, conducted supervision on the decision-making process and the performance of duties by members of the Board and the senior management of the Company in 2014.The Supervisory Committee is of the opinion that the general meetings and Board meetings of the Company were convened and held pursuant to relevant provisions of the Company Law, and applicable laws and regulations of the PRC and Articles of Association; the decision-making process was in compliance with the provisions of the relevant laws and regulations and the Articles of Association, and the content of the resolutions were legitimate and valid. No violation of laws and regulations has been detected by the Supervisory Committee. The Company has established a more comprehensive corporate governance structure and internal control system in accordance with its practical circumstances and the requirements of laws and regulations. Members of the Board and the senior management have performed their duties loyally and diligently in accordance with the relevant provisions of national laws and regulations and the Articles of Association. During the reporting period, members of the Board and the senior management of the Company have not committed any acts that were in breach of laws and regulations or the Articles of Association, nor have they engaged in any act prejudicial to the interests of the Company and shareholders.

III. INDEPENDENT OPINIONS EXPRESSED BY SUPERVISORY COMMITTEE WITH REGARDS TO FINANCIAL POSITION OF THE COMPANY

In 2014, in accordance with the applicable laws and regulation of the PRC and the Articles of Association, the Supervisory Committee conducted supervision on areas including the financial position and financial management of the Company. The Supervisory Committee is of the opinion that the Company has a well-established financial system and sound financial position, and that the Financial Report 2014 gives a true and fair view of the financial position and operating results of the Company. A standard unqualified Auditor's Report has been prepared by PricewaterhouseCoopers.

IV. INDEPENDENT OPINIONS EXPRESSED BY SUPERVISORY COMMITTEE WITH REGARDS TO ACQUISITION, DISPOSAL OF ASSETS BY THE GROUP

The Supervisory Committee is of the opinion that related transactions of the Company during the reporting period are on fair terms and of no harm to the interest of the Company.

CORPORATE GOVERNANCE REPORT

The Board of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2014.

The Company strives for a high standard of corporate governance with an emphasis on upholding a strong and balanced Board and maintaining a transparent and creditable communication channel.

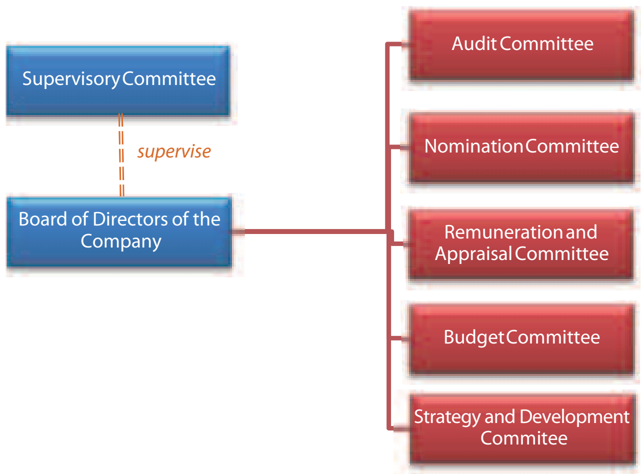
From the Listing Date up to 31 December 2014, the Company has been complying with the Corporate Governance Code set out in Appendix 14 of the Listing Rules (the "**CG Code**"), except the deviation mentioned below, making corporate governance rules and recommendations in respect with Board composition, Board diversity policy, duties and procedures, salary structure of the Directors and Senior Management and appraisal of the Board, internal control and auditing, communication between the Company and Shareholders and joint company secretaries.

In particular, the Chairman assumes the major responsibility for ensuring sound corporate governance practices and procedures. The Company has adopted a corporate governance policy, stating terms of reference for the Board to perform, including but not limited: formulation and review of the corporate governance policy and practices; review and monitoring of the training and continuous professional development of the Directors and Senior Management; review and monitoring of the policies and practices of the Company in relation to compliance with laws and regulatory requirements; formulation, review and monitoring of compliance by staff and Directors with code of conduct and compliance manual; and review of the compliance of the Company with the CG Code.

CORPORATE GOVERNANCE PRACTICES

The Group recognizes the vital importance of good corporate governance to the Group's success and sustainability. The Group is committed to achieving a high standard of corporate governance as an essential component of quality and have introduced corporate governance practices appropriate to the conduct and growth of the business.

As of 31 December 2014, the governance structure of the Company is as follow:



The H shares of the Company were listed on the Stock Exchange with effect from the Listing Date, therefore, the CG Code has been applicable to the Company since the Listing Date.

CORPORATE GOVERNANCE REPORT

In the opinion of the Board, the Company has been in compliance with the mandatory code provisions of the CG Code since the Listing Date, save as to the deviation from the code provision A.2.1. Code A.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Xing Jiaxing is currently the chairman and chief executive officer of the Company, responsible for the overall management of the Group. Mr. Xing Jiaxing is the founder of the Group and has extensive experience in the industry. The Directors consider that vesting the roles of both chairman and chief executive officer in the same person facilitates the execution of the business strategies, decision-making and maximises the effectiveness of the Group's operations. The Directors also believe that the presence of four independent non-executive Directors provides added independence to the Board. In addition, the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for overall management and control of the Company. The Board's main roles are to provide leadership and to approve strategic policies and plans with a view to enhancing shareholder value. All Directors carry out their duties in good faith and in compliance with applicable laws and regulations, and acting in the interests of the Company and its shareholders at all times.

All Directors have full and timely access to all relevant information as well as the advice and services of the Joint Company Secretaries and senior management, with a view to ensuring that Board procedures and all applicable laws and regulations are followed.

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

Directors have full and timely access to consult with the Company's senior management independently. Any Director and Board Committee may request independent professional advice in appropriate circumstances at the Company's expense, upon making reasonable request to the Board.

The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the management of the Group. The respective functions of the Board and management of the Company was established and will be reviewed from time to time as appropriate. To oversee particular aspects of the Company's affairs, the Board has established five Board committees, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, the Budget Committee and the Strategy and Development Committee (altogether the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

Board Composition

As at the date of this report, the Directors of the Company were as follows:

Executive Directors

Xing Jiaxing *(Chairman and chief executive officer)*
Wang Yong
Hu Gang

Non-executive Directors

Li Jiaqing
Lu Weiming
Cao Wenhai
Wang Haitong

Independent Non-executive Directors

Mao Jianong
Zhou Guoliang
Chen Wei
Professor Japhet Sebastian Law

Biographical details of the Directors of the Group are set out in the section headed "**Profiles of Directors, Supervisors and Senior Management**" in this report.

There are no relationships among the Directors, Supervisors and Senior Management, including financial, business, family or other material relationships.

Since the Listing Date and up to the date of this report, the Company has been in compliance with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications of accounting or related financial management expertise. The Company has also complied with the requirement of Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

Each of the independent non-executive Director has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

All Directors have brought a wide range of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Moreover, through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board Committees, all non-executive Directors make various contributions to the effective direction of the Company.

Induction and Continuous Professional Development

Directors confirmed that they have complied with code provision A.6.5 relating to the director training. In this year, all directors have participated in continuous professional development by means of attending seminars and/or reading materials in the following aspects to develop and refresh their knowledge and skills. All Directors have provided their training record to the Company.

Name of Directors	Corporate Governance	Rules and Regulations	Financial Management	Business Management
Mr. XING Jiaxing	√			√
Mr. WANG Yong		√		√
Mr. HU Gang	√	√		√
Mr. LI Jiaqing			√	
Mr. LU Weiming		√		
Mr. CAO Wenhai	√		√	√
Ms. WANG Haitong		√		
Mr. MAO Jianong		√		
Mr. ZHOU Guoliang		√	√	
Mr. CHAN Wei				√
Professor Japhet Sebastian LAW	√	√		

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Xing Jiaxing is currently the chairman and chief executive officer of the Company, responsible for the overall management of the Group. Mr. Xing Jiaxing is the founder of the Group and has extensive experience in the industry. The Directors consider that vesting the roles of both chairman and chief executive officer in the same person facilitates the execution of the business strategies, decision-making and maximises the effectiveness of the Group's operations. The Directors also believe that the presence of four independent non-executive Directors provides added independence to the Board. In addition, the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Appointment and Re-Election of Directors

Pursuant to the Articles of Association, Directors (including executive Directors, non-executive Directors and independent non-executive Directors) shall be subject to election at general meetings with a term of office of three years and may be re-elected. However, an independent non-executive Director shall not serve more than six years consecutively. 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. Each of the Directors has entered into a service contract with the Company for a term commencing on the date of establishment of the second session of the Board of Directors and ending on its expiration, which is for a period of three years from May 2014. The Company also proposes to enter into a service contract with Mr. Luo Bin, subject to approval for his appointment from the shareholders on the forthcoming AGM, with effect from the date of his appointment and ending on the second anniversary of his appointment.

Board Committees

Audit Committee

The Company has established a Audit Committee with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls.

The Audit Committee currently consists of four non-executive Directors, three of whom are independent. The members of the Audit Committee are currently Mr. Zhou Guoliang, Mr. Cao Wenhai, Mr. Mao Jianong and Professor Japhet Sebastian Law. It is currently chaired by Mr. Zhou Guoliang, an independent non-executive Director. Professor Japhet Sebastian Law joined the Board Audit Committee on 11 March 2015 upon approval by the Board.

During the year ended 31 December 2014, the Audit Committee met three times to review the annual financial results in respect of the year ended 31 December 2013 and the interim financial results in respect of the six months ended 30 June 2014 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and scope of work and appointment of external auditors. The Audit Committee also met the external auditors once without the presence of the executive Directors during the year ended 31 December 2014.

Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, assess the independence and diversity of the independent non-executive Directors and to make recommendations to the Board on the appointment and removal of Directors. The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the Company's Board Diversity Policy, such individuals' skills, experience, professional knowledge and time commitments, the Company's needs and other relevant statutory requirements and regulations.

The Nomination Committee currently consists of one executive Director, four non-executive Directors, three of whom are independent. The members of the Nomination Committee are currently Mr. Mao Jianong, Mr. Lu Weiming, Mr. Chen Wei, Mr. Xing Jiaxing and Professor Japhet Sebastian Law. It is currently chaired by Mr. Mao Jianong, an independent non-executive Director. Mr. Xing Jiaxing and Professor Japhet Sebestian Law joined the Board Nomination Committee on 11 March 2015 upon approval by the Board.

During the year ended 31 December 2014, the Board Nomination Committee met three times to review the structure, size and composition of the Board and the independence and diversity of the independent non-executive Directors.

Board Diversity Policy

With a view to achieving sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

The Company is committed to selecting the best person for the role. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Remuneration and Appraisal Committee

The Company has established a Remuneration and Appraisal Committee with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration and Appraisal Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The Remuneration and Appraisal Committee currently consists of three non-executive Directors, two of whom are independent. The members of the Remuneration and Appraisal Committee are currently Mr. Chen Wei, Mr. Li Jiaqing and Mr. Zhou Guoliang. It is currently chaired by Mr. Chen Wei, an independent non-executive Director.

During the year ended 31 December 2014, the Remuneration and Appraisal Committee met once to review and make recommendations to the Board on the policy and structure of the remuneration of Directors and senior management of the Company and other related matters.

Budget Committee

The Company has established a Budget Committee. The primary duties of the Budget Committee are to make recommendations to the Board on budgeting.

The Budget Committee currently consists of one executive Director, three non-executive Directors and one independent non-executive Director. The members of the Budget Committee are currently Mr. Wang Yong, Ms. Wang Haitong, Mr. Lu Weiming, Mr. Li Jiaqing and Mr. Zhou Guoliang. It is currently chaired by Mr. Wang Yong, an executive Director.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2014, the Budget Committee met 2 times to review and make recommendations to the Board on budgeting for the upcoming financial year.

Strategy and Development Committee

The Company has established a Strategy and Development Committee. The primary duties of the Strategy and Development Committee are to make recommendations to the Board on matters such as the Company's development plans, strategic investments and business innovations.

The Strategy and Development Committee currently consists of three executive Directors, two non-executive Directors and two independent non-executive Directors. The members of the Strategy and Development Committee are currently Mr. Xing Jiaxing, Mr. Wang Yong, Mr. Hu Gang, Mr. Li Jiaqing, Ms. Wang Haitong, Mr. Mao Jianong and Mr. Chen Wei. It is currently chaired by Mr. Xing Jiaxing, an executive Director. With effect from 11 March 2015, Professor Japhet Sebastian Law has stepped down as a member of the Strategy and Development Committee.

During the year ended 31 December 2014, the Strategy and Development Committee met 5 times to review and make recommendations to the Board on the Group's latest strategy plans and development.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

(a) to develop, review and implement the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and Management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;

(e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report; and

(f) to develop, review and monitor the implementation of the shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance shareholders' relationship with the Company.

During the year ended 31 December 2014, the above corporate governance function has been performed and executed by the Board and the Board has reviewed the Company's compliance with the Code as disclosed herein.

Board Meetings and Board Committee Meetings

The Board intends to hold Board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings.

For other Board and Board committee meetings, reasonable notice will generally be given. The agenda and accompanying board papers are dispatched to the Directors or Board committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or the Chairmen of the Committees prior to the meeting.

Minutes of the Board meetings and Board committee meetings are/will be recorded in sufficient detail to include the matters considered by the Board and the Board committee and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board committee meeting will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

According to the Articles of Association, a Director shall not vote nor be counted in the quorum on any resolution of the Board approving any contract or arrangement in which he or his associates is materially interested.

Directors' Attendance Records at Board Meetings, Board Committee Meetings and General Meetings

The attendance records of each Director at the meetings of the Board, Board Committees and general meeting of the Company held during the year ended 31 December 2014 are set out below:

	Attendance/Numbers of meetings held						
Name of Director	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration and Appraisal Committee meeting	Budget Committee meeting	Strategy and Development Committee meeting	General meeting
Xing Jiaxing	8/8	N/A	N/A	N/A	N/A	5/5	4/4
Wang Yong	8/8	N/A	N/A	N/A	2/2	5/5	4/4
Hu Gang (appointed on 26 June 2014)	3/3	N/A	N/A	N/A	N/A	4/4	2/2
Li Jiaqing	8/8	N/A	N/A	1/1	2/2	5/5	4/4
Lu Weiming	8/8	N/A	3/3	N/A	2/2	N/A	4/4
Cao Wenhai	8/8	3/3	N/A	N/A	N/A	N/A	4/4
Wang Haitong (appointed on 31 July 2014)	2/2	N/A	N/A	N/A	2/2	2/2	1/1
Mao Jianong	8/8	3/3	3/3	N/A	N/A	5/5	4/4
Zhou Guoliang	8/8	3/3	N/A	1/1	2/2	N/A	4/4
Chen Wei	8/8	N/A	3/3	1/1	N/A	1/2	4/4
Professor Japhet Sebastian Law	8/8	N/A	N/A	N/A	N/A	3/5	4/4
Liu Qing (resigned on 31 July 2014)	6/6	N/A	N/A	N/A	1/1	1/3	4/4
Shi Hai (resigned on 26 June 2014)	5/5	N/A	N/A	N/A	N/A	N/A	3/3

Attendance at the above meetings by an alternate director has not be counted as attendance by the director himself.

COMPLIANCE WITH NON-COMPETE UNDERTAKING

Each of Mr. Xing Jiaxing and Shanghai Hexia (the controlling shareholders of the Company as defined in the Listing Rules) has confirmed to the Company and declared that he/it has complied with the non-compete undertaking given by them to the Company on 10 September 2014 during the year ended 31 December 2014. The independent non-executive Directors of the Company have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with throughout the period from the Listing Date to 31 December 2014.

SENIOR MANAGEMENT'S REMUNERATIONS

The Senior Management's remunerations are determined by the Board with reference to their duties, responsibilities and performance and the results of the Group. Remunerations paid to a total of nine Senior Management (excluding Directors and Supervisors) by bands for the year ended 31 December 2014 is set out below:

Remuneration bands	Number of individuals
RMB1,000,000 and below	3
RMB1,000,001 to RMB2,000,000	4
RMB2,000,001 to RMB3,000,000	2

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted its own policies for securities transactions (the "**Company Code**") by Directors, Supervisors and relevant employees on terms no less exacting than the Model Code. Specific enquiry has been made of all the Directors and the Supervisors and all Directors and Supervisors have confirmed that they have complied with the Model Code and the Company Code throughout the period from the Listing Date to 31 December 2014.

INTERNAL CONTROLS

The Company has set up an internal monitoring system that aims to protect the assets of the Company, to preserve accounting and financial information, to ensure the accuracy of financial statements, and to protect the interest of the shareholders. The Board is responsible for maintaining an adequate internal control system. The Audit Committee is charged with the duties of reviewing internal controls, directing monitoring activities. Aside from reviewing the annual reporting by external auditors, the Audit Committee also reviews the effectiveness of internal control system and risk management mechanism through reviewing the internal audit report on the Company's various core businesses prepared by internal audit department on a regular basis.

During the year ended 31 December 2014, the Directors had carried out a review on the effectiveness of the Company's internal control system, covering all material aspects of internal control, including financial control, operational control, compliance control and risk management functions. The Board also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. There were no major breaches in the internal control system that may have had an impact to Shareholders' interests, and the internal control system was deemed to be effective and sufficient.

JOINT COMPANY SECRETARIES

During the year ended 31 December 2014, Mr. Mao Jian and Ms. Wong Wai Ling, the joint company secretaries of the Company, have complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. Ms. Wong Wai Ling is the assistant vice president of SW Corporate Services Group Limited and Mr. Mao is her primary contact person at the Company. The biographical details of the joint company secretaries are set out in the section headed "**Profiles of Directors, Supervisors and Senior Management**".

Mr. Mao Jian, the joint company secretary of the Company, is a staff of the Company and participates into its operational matters. For the year ended 31 December 2014, Mr. Mao attended the 36th ECPD Seminars for Affiliated Person organized by Hong Kong Institute of Chartered Secretaries and have already accomplished professional trainings of over 15 hours. Mr. Mao reports to the Chief Executive Officer and the joint company secretaries play a key role in the formulation of appropriate Board procedures to meet business needs of the Company and the compliance with all applicable laws and rules. The Directors can seek for advice and services from the joint company secretaries with regards to any latest update and development on corporate governance, applicable laws and rules.

Having been authorized by the Chairman, the joint company secretaries are responsible for working out meeting agenda, organising board meeting, and offering relevant documents to the Directors in advance, so as to ensure that Directors have obtained sufficient and accurate information for making effective and well-grounded policies.

The joint company secretaries assist the board meetings to be convened and held in accordance with all applicable laws and rules and procedures specified in the Articles of Association. In addition, the joint company secretaries would prepare relevant minutes and to give them away to the Directors for expressing opinions.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company in accordance with statutory requirements and applicable accounting standards for the year ended 31 December 2014.

The Board is accountable to the shareholders for a clear and balanced assessment of the Company's financial position and prospects. The management of the Company provides all relevant information and records to the Board, which enable it to prepare the accounts of the Company and to make the above assessments.

The Audit Committee had reviewed and recommended the Board to adopt the audited accounts for the year ended 31 December 2014. The Board is not aware of any material uncertainties relating to the events or condition that may undermine the Company's ability to continue as a going concern.

The report of the independent auditor of the Company on its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 61 to 62.

AUDITORS

PricewaterhouseCoopers has been appointed as international auditors of the Company for the year ended 31 December 2014. PricewaterhouseCoopers shall retire in the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as international auditors of the Company will be proposed at the forthcoming AGM.

In accordance with the first extraordinary general meeting for the year 2014 held by the Company on 7 March 2014, Shanghai My Whole Way CPAs (上海浩威會計師事務所) was appointed as the PRC statutory auditors of the Company to replace China Shu Lun Pan Certified Public Accountants LLP which retired as the auditors of the Company. The resolution regarding the re-appointment of Shanghai My Whole Way CPAs (上海浩威會計師事務所) as the PRC auditors of the Company will be tabled at the forthcoming AGM.

The remuneration paid to PricewaterhouseCoopers and Shanghai My Whole Way CPAs (上海浩威會計師事務所) in respect of the audit services rendered for the year ended 31 December 2014 was RMB2,600,000 and RMB400,000 respectively. There was no non-audit service provided by PricewaterhouseCoopers and Shanghai My Whole Way CPAs (上海浩威會計師事務所) to the Company for the year ended 31 December 2014.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company's shareholders' communication policy is to maintain transparency and provide timely information of the Group's material developments to shareholders and investors.

General meetings of the Company are formal channels for communication between shareholders and the Board. The chairman of the Board and the chairmen of the Board Committees (or, in their absence, other members of the respective committees) will make themselves available at the general meetings to have direct communication with the shareholders.

Shareholders may also send their enquiries and concerns to the Board by sending them to the investor relations department of the Company to the following address:

Address: 6F, No.81 Caodong Road, Xuhui District, Shanghai, P.R.China 200235
Email: ir@lachapelle.cn

SHAREHOLDERS' RIGHTS

Convening Extraordinary General Meeting by Shareholders

Pursuant to the Articles of Association, two or more shareholders who hold, in aggregate, 10% or more of the shares carrying the right to vote at the proposed meeting may sign one or several written requisitions of the same format and contents, requesting the Board to convene an extraordinary general meeting or a class meeting. The agenda of the proposed meeting shall be stated therein.

If the Company is to convene a general meeting, it shall deliver written notices in 45 days before the time designated for the meeting, informing Shareholders whose names appear on the register of the Company of matters to be considered and the time and venue for the meeting to be convened. Shareholders who intend to make their presence at the general meeting shall return written replies for the meeting in 20 days before the meeting is convened.

Putting Forward Proposals at General Meetings

When the Company decides to convene an annual general meeting, any shareholders that severally or jointly holding 3% or more of the shares of the Company shall be entitled to put forward proposals to the Company, and may raise interim proposals and submit them in writing to the Board of Directors twenty days prior to the general meeting. The Board shall, within two days after receipt of such proposal or fourteen days prior to the original date of the general meeting, issue a circular and a public announcement to all shareholders and submit such interim proposal to the general meeting for discussion and approval.

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.

CONSTITUTIONAL DOCUMENTS

Pursuant to the resolutions of the shareholders of the Company on 11 August 2013, the Articles of Association were adopted with effect from the Listing Date. Save as disclosed above, during the period from the Listing Date to 31 December 2014, there was no change in the Articles of Association.

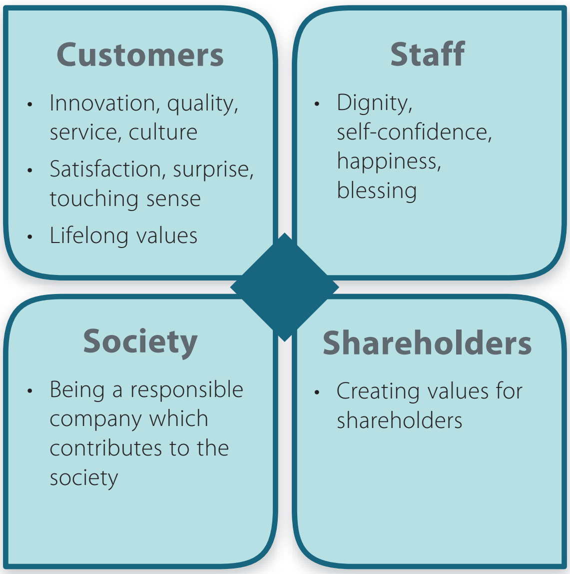
The Articles of Association are available on the websites of the Stock Exchange and the Company.

CORPORATE SOCIAL RESPONSIBILITY

The Company places great emphasis on corporate social responsibility and has been warm and compassionate towards the community through actions. The Company considers that implementing the company undertaking on "corporate social responsibility" is instrumental in bringing long-term benefits to its staff, the society and the environment.

1. CORE VALUES

The Company's core values:

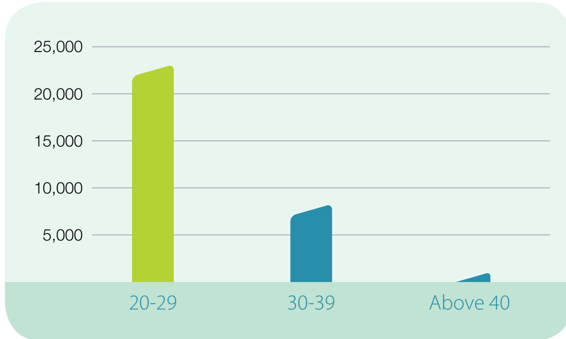


Through internal platforms such as management workshops, coordinated office system, internal publication "La Chapellians" and different types of training courses, communication between the management and the staff is strengthened. The Company also encourages its staff to hold a positive attitude, strive for excellence and innovation and actively participate in the corporate development and transformation of the Group.

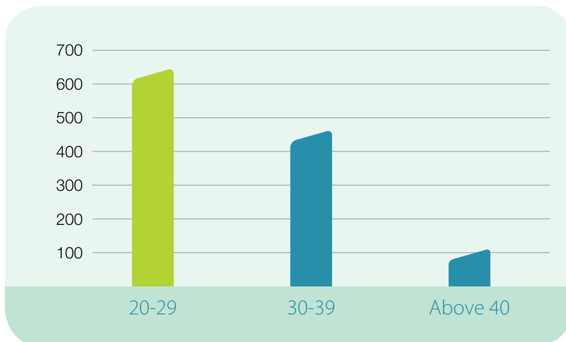
2. OUR STAFF

Talents are our most precious and important resources. Nurturing talents and fostering team spirits have been our key to success over the years.

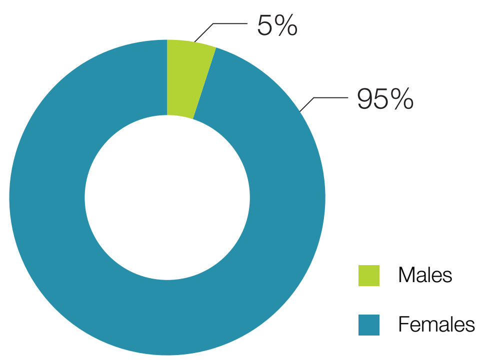
Age of Employees of the Group



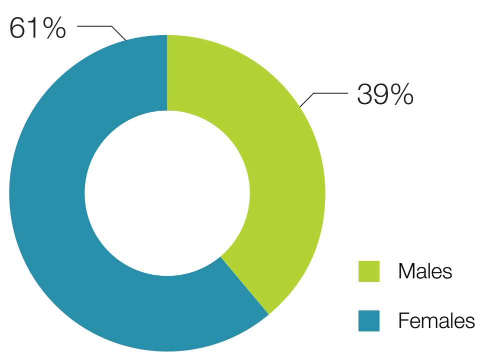
Age of Employees in Group Headquarters



Ratio of Male and Female Employees of the Group



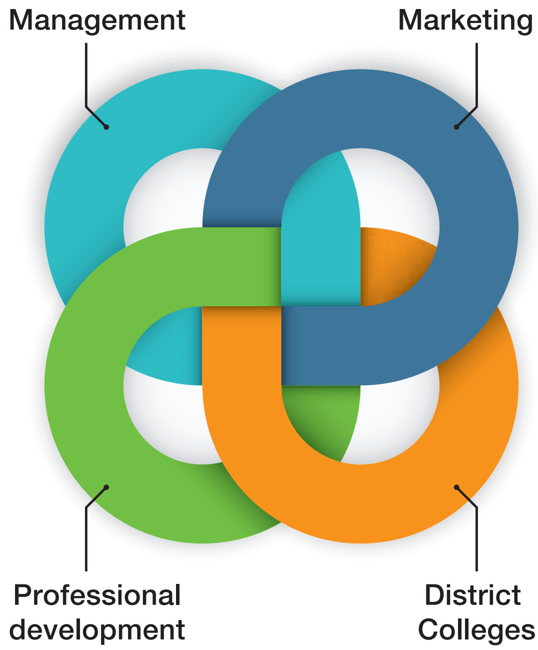
Ratio of Male and Female Employees in Group Headquarters



CORPORATE SOCIAL RESPONSIBILITY

3. NURTURING TALENTS AND THEIR DEVELOPMENT

The Company relies on corporation strategies to meet the needs of corporate development, focuses on nurturing talents, devotes itself to staff training, spreads corporate culture among its staff, creates a learning atmosphere and nurtures specialists in the Company. La Chapelle Fashion Management School, established by the Company, upholds the education philosophy of "**inheritance, development, effectiveness**". The school supports the strategies, business development and talent pooling initiatives of the Company through customised training which targets different kinds of staff members. Sharing knowledge, refiring skills, inheriting Corporate spirits and culture, designing the path of growth for its staff, supporting the development of its staff, achieving simultaneous growth of the Company and its staff – these are the Company's attitudes towards nurturing talents and helping them develop.



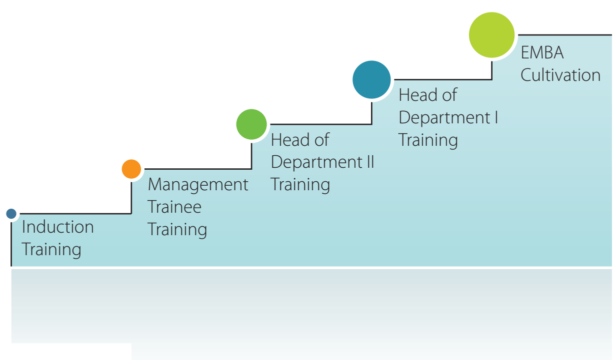
In 2014, La Chapelle Fashion Management School focused on four aspects, i.e. management, marketing, professional development and district colleges, and recorded remarkable achievements.

1) Management

1,317 attendances:

The total attendance figure for leadership training reached 1,317 for the year ended 31 December 2014. The training comprised induction training, management trainee training, head of department I/II training, newly-joined senior management job rotation, sharing campaigns (a platform for staff sharing and exchange) and quality improvements.

Diagram of management training:



2) Marketing

291 issues:

291 issues of "La Chapelle on WeChat" were published on WeChat in 2014.

1,080 staff members:

1,080 staff members from 16 districts – Sichuan, Suzhou, Dalian, Shenyang, Yunnan, Shanghai, Heilongjiang, Jilin, Beijing, Jinan, Qingdao, Henan, Xinjiang, Ningbo, Fujian, Jiangxi – attended live classes in 2014.

3) Professional development

Management trainees:

In 2014, 21 departments in the headquarters and 18 retailing districts partook in the management trainee programme, admitting over 200 management trainees with 113 recruited.

4) District Colleges

2,332 training sessions:

A total of 2,332 training sessions were organised for new staff members, shop assistants, shop supervisors, marketing supervisors/managers, teaching assistants and management trainees. These sessions recorded attendance figures of 44,577 from teams of various sales districts for 2014.

4,637 hours of supervision in the shops:

Supervision in shops was offered regarding product management and marketing techniques across all regions nationwide, totalling 4,637 hours.

1,558 follow-ups in the shops:

1,558 follow-ups in shops were performed to standardise the operation and service of outlets and to make rectification.

The measures above not only foster staff development and improve overall team capabilities, but also pave the way for forming a sustainable internal talent pool displaying strong potential and competitiveness.

4. SOCIAL CHARITY

As corporate citizens, the Group actively takes part in charity events to contribute to society. The Group and staff directly donate to charitable organisations with sincerity, passion, service and care.

Clothes Donation in 2014

Beneficiary	Time	Quantity (Piece)	Value (RMB)
China Foundation for Disabled Persons	March, 2014	262,867	80,467,343
Shanghai Charity Foundation	March, 2014	20,667	7,227,383
Shanghai Municipal Welfare Foundation for the Disabled	April, 2014	15,778	4,235,122
Shanghai Municipal Welfare Foundation for the Disabled	August, 2014	30,218	13,334,402
China Foundation for Disabled Persons	September, 2014	180,000	53,295,390
Total		**509,530**	**158,559,640**

The Company and the Chairman of Board, Mr. Xing Jiaxing, are concerned about and supports the career of disabled persons in China and the development of China Foundation for Disabled Persons. Since 2009, the Company has actively donated new clothes and accessories to improve the quality of life of disabled persons, making substantial contributions to their careers. As at December 2014, the Company donated 846,000 brand new clothes and accessories to China Foundation for Disabled Persons. These donations were sent to approximately 300 thousand disabled persons in 25 provinces, districts and cities, such as Beijing, Jiangxi, Gansu and Wuhan.

CORPORATE SOCIAL RESPONSIBILITY

5. MAKE GOOD USE OF RESOURCES

The Group is committed to use environmentally friendly materials with a view to creating a healthy and quality environment for both its employees and customers.

In order to ensure effective use of resources, the Group introduces environmental protection elements as well, including the use of energy-saving light bulbs, reduction in the use of paper and the conservation of water and electricity. In the mean time, the Group forbid its employees from consuming wildlife animals and their products so as to heighten their environmental protection awareness.

The shopping paper bags the Group has been using are made from recyclable raw materials (recycled paper).

6. PROFESSIONAL ETHICS

With a view to creating a fair, efficient business operation and work environment, the Group places strong emphasis on the responsibility for professional ethics. Under no circumstances can any staff member seek improper personal gains, offer bribes or accept bribes, and staff member shall resist the temptation of improper interests. Upholding integrity and honesty are the bottom line of every staff member. It is the professional aspiration for every staff member to stick to professional ethics, maintain integrity, create a positive atmosphere and hold a positive attitude. Committed to the establishment of a transparent mechanism, the Group seeks to prevent any work-related crimes and helps employees adhere to their principles at work through the Staff Manual, business values, business operation, etc. It is the Group's belief that the staff could best be protected by such measures.

The Group has signed an agreement of transparency for cooperation with every supplier. Through open procedures for tender invitation and submission, the requirements of anti-corruption and anti-bribery are clearly enshrined, and various reporting channels are provided (including the mailbox and hotline made available to the public for reporting set up by the Audit Department). This agreement is an important legally binding attachment to any procurement cooperation agreement. Not only does this safeguard the benefits of both the purchaser and the supplier, but this also strongly promotes respect for contractual spirit. Apart from safeguards in terms of the system, the Group metes out punishments to employees who violate the rules irrespective of their ranks and rewards people who report any proven misconduct. The Group adopts a zero-tolerance attitude towards non-compliant behaviour.

Independent Auditor's Report

TO THE SHAREHOLDERS OF SHANGHAI LA CHAPELLE FASHION CO., LTD.

(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司, the "Company") and its subsidiaries (together, the "Group") set out on pages 63 to 132, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated statement of 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 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. We conducted our audit in accordance with International Standards on Auditing. 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 judgment, 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 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.

Independent Auditor's Report

Opinion

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

Other Matters

This report, including the opinion, has been prepared for and only for 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 11 March 2015

Consolidated balance sheet

As at 31 December 2014

	Note	As at 31 December	
		2014	2013
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**793,791**	791,493
Land use rights	7	**136,346**	15,941
Intangible assets	8	**32,593**	36,319
Deferred income tax assets	9	**132,831**	113,978
		1,095,561	957,731
Current assets			
Inventories	10	**1,327,442**	1,292,927
Trade receivables	11	**1,028,901**	873,591
Deposits, prepayments and other receivables	12	**295,444**	245,922
Prepaid current income tax		**335**	1,370
Term deposits	13	**1,372,777**	–
Restricted cash	13	**–**	486
Cash and cash equivalents	13	**610,607**	520,550
		4,635,506	2,934,846
Total assets		**5,731,067**	3,892,577
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	**503,380**	364,737
Other reserves	15	**1,805,447**	386,174
Retained earnings	16		
– Proposed final dividends	30	**302,028**	–
– Others		**482,453**	506,362
		3,093,308	1,257,273
Non-controlling interests		**13,834**	6,075
Total equity		**3,107,142**	1,263,348

Consolidated balance sheet

As at 31 December 2014

	Note	As at 31 December	
		2014	2013
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income	20	**29,776**	6,725
Borrowings	17	**21,266**	–
		51,042	6,725
Current liabilities			
Deferred income	20	**19,454**	8,144
Trade and bill payables	18	**911,041**	915,225
Other payables, accruals and other current liabilities	19	**866,753**	778,908
Current income tax liabilities		**155,635**	140,227
Borrowings	17	**620,000**	780,000
		2,572,883	2,622,504
Total liabilities		**2,623,925**	2,629,229
Total equity and liabilities		**5,731,067**	3,892,577
Net current assets		**2,062,623**	312,342
Total assets less current liabilities		**3,158,184**	1,270,073

The notes on pages 70 to 132 are an integral part of these consolidated financial statements.

The financial statements on pages 63 to 132 were approved by the Board of Directors on 11 March 2015 and were signed on its behalf.

Xing Jiaxing	**Wang Yong**
Director	*Director*

Balance sheet

As at 31 December 2014

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**144,320**	218,977
Intangible assets	8	**30,301**	35,012
Investments in subsidiaries	35	**143,400**	143,400
Deferred income tax assets	9	**43,259**	33,823
		361,280	431,212
Current assets			
Inventories	10	**438,777**	427,251
Trade receivables	11	**879,760**	789,060
Deposits, prepayments and other receivables	12	**1,992,368**	915,649
Term deposits	13	**1,372,777**	–
Restricted cash	13	**–**	486
Cash and cash equivalents	13	**581,544**	473,003
		5,265,226	2,605,449
Total assets		**5,626,506**	3,036,661
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	**503,380**	364,737
Other reserves	15	**1,711,594**	336,757
Retained earnings	16		
– Proposed final dividends	30	**302,028**	–
– Others		**103,042**	199,460
Total equity		**2,620,044**	900,954

Balance sheet

As at 31 December 2014

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income	20	**2,174**	882
Current liabilities			
Deferred income	20	**3,526**	2,873
Trade and bill payables	18	**671,170**	585,231
Other payables, accruals and other current liabilities	19	**1,727,186**	720,423
Current income tax liabilities		**2,406**	46,298
Borrowings	17	**600,000**	780,000
		3,004,288	2,134,825
Total liabilities		**3,006,462**	2,135,707
Total equity and liabilities		**5,626,506**	3,036,661
Net current assets		**2,260,938**	470,624
Total assets less current liabilities		**2,622,218**	901,836

The notes on pages 70 to 132 are an integral part of these consolidated financial statements.

The financial statements on pages 63 to 132 were approved by the Board of Directors on 11 March 2015 and were signed on its behalf.

Xing Jiaxing
Director

Wang Yong
Director

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
		Year ended 31 December	
Revenue	21	**7,814,169**	6,225,087
Cost of sales	23	**(2,449,658)**	(1,941,710)
Gross profit		**5,364,511**	4,283,377
Selling and marketing expenses	23	**(4,411,708)**	(3,495,431)
Administrative expenses	23	**(270,448)**	(230,053)
Other gains – net	22	**51,205**	31,637
Operating profit		**733,560**	589,530
Finance income		**9,563**	1,937
Finance costs		**(58,741)**	(38,075)
Finance costs – net	26	**(49,178)**	(36,138)
Profit before income tax		**684,382**	553,392
Income tax expense	27(a)	**(173,171)**	(140,019)
Profit for the year		**511,211**	413,373
Other comprehensive income		**–**	–
Total comprehensive income for the year		**511,211**	413,373
Profit attributable to:			
Equity owners of the Company		**503,452**	407,298
Non-controlling interests		**7,759**	6,075
Profit for the year		**511,211**	413,373
Total comprehensive income attributable to:			
Equity owners of the Company		**503,452**	407,298
Non-controlling interests		**7,759**	6,075
Total comprehensive income for the year		**511,211**	413,373
Earnings per share attributable to owners of the Company during the year (expressed in RMB per share)			
Basic and diluted earnings per share	29	**1.27**	1.14

The notes on pages 70 to 132 are an integral part of these consolidated financial statements.

	Note	2014	2013
Dividends			
– Dividends distributed within the year	30	**142,247**	25,000
– Proposed final dividend: RMB0.60 per ordinary share	30	**302,028**	–
		444,275	25,000

Consolidated statement of changes in equity

For the year ended 31 December 2014

	Note	Equity attributable to owners of the Company					
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2013		210,000	72,058	286,354	568,412	–	568,412
Comprehensive income							
Profit for the year		–	–	407,298	407,298	6,075	413,373
Total comprehensive income for the year		–	–	407,298	407,298	6,075	413,373
Transactions with owners							
Appropriation to statutory reserve	15(a)	–	46,790	(46,790)	–	–	–
Dividends	30	–	–	(25,000)	(25,000)	–	(25,000)
Increase in share capital by way of capitalization of other reserve and retained earnings	14(a)	136,500	(21,000)	(115,500)	–	–	–
Issue of shares to an investor	14(b)	18,237	281,763	–	300,000	–	300,000
Contributions from a shareholder by awarding its equity instruments to the employees	15(b)(i)	–	6,563	–	6,563	–	6,563
Total transactions with owners		154,737	314,116	(187,290)	281,563	–	281,563
As at 31 December 2013		364,737	386,174	506,362	1,257,273	6,075	1,263,348
As at 1 January 2014		**364,737**	**386,174**	**506,362**	**1,257,273**	**6,075**	**1,263,348**
Comprehensive income							
Profit for the year		**–**	**–**	**503,452**	**503,452**	**7,759**	**511,211**
Total comprehensive income for the year		**–**	**–**	**503,452**	**503,452**	**7,759**	**511,211**
Transactions with owners							
Appropriation to statutory reserve	15(a)	**–**	**83,086**	**(83,086)**	**–**	**–**	**–**
Issue of new shares pursuant to global initial public offering, netting off listing expenses	14(c)	**138,643**	**1,328,029**	**–**	**1,466,672**	**–**	**1,466,672**
Dividends	30	**–**	**–**	**(142,247)**	**(142,247)**	**–**	**(142,247)**
Contributions from a shareholder by awarding its equity instruments to the employees	15(b)(i)	**–**	**8,158**	**–**	**8,158**	**–**	**8,158**
Total transactions with owners		**138,643**	**1,419,273**	**(225,333)**	**1,332,583**	**–**	**1,332,583**
As at 31 December 2014		**503,380**	**1,805,447**	**784,481**	**3,093,308**	**13,834**	**3,107,142**

The notes on pages 70 to 132 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

For the year ended 31 December 2014

	Note	Year ended 31 December	
		2014	2013
		RMB'000	RMB'000
Cash flow from operating activities			
Cash generated from operations	31(a)	**1,030,927**	469,831
Interest paid		**(52,981)**	(37,632)
Income tax paid		**(175,581)**	(128,730)
Net cash generated from operating activities		**802,365**	303,469
Cash flow from investing activities			
Proceeds from disposal of property, plant and equipment	31(b)	**1,041**	374
(Increase)/decrease in bidding deposit for purchase of land use rights	12	**(17,900)**	2,800
Net decrease in bank deposits secured for issuance of bill payables and borrowings	13	**486**	523
Placement of term deposits		**(1,378,233)**	–
Purchases of land use rights	7	**(120,836)**	(16,184)
Purchases of property, plant and equipment		**(373,759)**	(461,443)
Purchases of intangible assets		**(8,912)**	(15,579)
Net cash used in investing activities		**(1,898,113)**	(489,509)
Cash flows from financing activities			
Issue of new shares pursuant to global initial public offering, netting off listing expenses	14(c)	**1,472,540**	–
Cash received from capital contributions		**–**	300,000
Prepayment for listing expenses		**–**	(5,868)
Proceeds from borrowings		**1,516,166**	939,500
Repayments of borrowings		**(1,654,900)**	(584,500)
Dividends paid to the Company's shareholders		**(147,591)**	(51,156)
Net cash generated from financing activities		**1,186,215**	597,976
Net increase in cash and cash equivalents	13	**90,467**	411,936
Exchange losses on cash and cash equivalents		**(410)**	–
Cash and cash equivalents at beginning of the year		**520,550**	108,614
Cash and cash equivalents at end of the year		**610,607**	520,550

The notes on pages 70 to 132 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1 GENERAL INFORMATION OF THE GROUP

Shanghai La Chapelle Fashion Co., Ltd. ("the Company"), initially known as Shanghai Xuhui La Chapelle Fashion Limited (上海徐匯拉夏貝爾服飾有限公司), was incorporated in the People's Republic of China ("PRC") on 14 March 2001 as a limited liability company. On 26 February 2004, the Company changed its name to Shanghai La Chapelle Fashion Limited (上海拉夏貝爾服飾有限公司). On 23 May 2011, the Company was converted into a joint stock company with limited liabilities under the Company Law of the PRC and changed its name to Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司).

The Company and its subsidiaries (together the "Group") are principally engaged in designing, marketing and selling apparel products in the PRC. The address of the Company is Room 3300, Level 3, Block 1, 270 Cao Xi Road, Xuhui District, Shanghai, the PRC.

The English names of companies mentioned in this report represented the best effort by directors of the Company in translating their Chinese names as they may not have official English names.

The Company completed its global initial public offering and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 9 October 2014 (the "Listing").

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 11 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap.32) for this financial year and the comparative period.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

Amendment to IAS 32, "Financial instruments: Presentation" on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the consolidated financial statements.

Amendments to IAS 36, "Impairment of assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units which had been included in IAS 36 by the issue of IFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

IFRIC 21 "Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 "Provisions". The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The adoption of this new standard has no material impact on the consolidated financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

(b) *New and amended standards issued but are not effective and not yet adopted by the Group*

Amendment to IAS 19 regarding defined benefit plans: employee contributions, effective for the annual period beginning on or after 1 July 2014.

Some amendments included in Annual Improvements 2012 and 2013 are effective for the annual period beginning on or after 1 July 2014, including:

– Amendments to IFRS 8 "Operating segments"

– Amendments to IAS 16 "Property, plant and equipment" and Amendments to IAS 38 "Intangible assets"

– Amendments to IAS 24 "Related Party Disclosures"

– Amendments to IFRS 3 "Business combinations"

– Amendment to IFRS 13 "Fair value measurement"

– Amendment to IAS 40 "Investment property"

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) *New and amended standards issued but are not effective and not yet adopted by the Group (continued)*

IFRS 14 "Regulatory Deferral Accounts", effective for the accounting period beginning on or after 1 January 2016.

Amendment to IFRS 11 on accounting for acquisitions of interests in joint operation, effective for the accounting period beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortization, effective for the accounting period beginning on or after 1 January 2016.

Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture, effective for the accounting period beginning on or after 1 January 2016.

Amendment to IAS 27 on the equity method, effective for the accounting period beginning on or after 1 January 2016.

Some amendments included in Annual Improvements 2014 which are effective for the accounting period on or after 1 January 2016, including:

– Amendment to IFRS 5 "Non-current assets held for sale and discontinued operations"

– Amendment to IFRS 7 "Financial instruments: Disclosures"

– Amendment to IAS 19 "Employee benefits"

– Amendment to IAS 34 "Interim financial reporting"

Amendments to IFRS 10, IFRS 12 and IAS 28 on investment entities: applying the consolidation exception, effective for the accounting period beginning on or after 1 January 2016.

Amendments to IAS 1 for the disclosure initiative, effective for the accounting period beginning on or after 1 January 2016.

IAS 15 "Revenue from Contracts with Customers", effective for the accounting period beginning on or after 1 January 2017.

IFRS 9 "Financial Instruments" replace the whole of IAS 39, effective for the accounting period beginning on or after 1 January 2018.

Management anticipates that the adoption of these new standards, amendments to standards and interpretation to standards will not result in a significant impact on the results and financial position of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(c) New Hong Kong Companies Ordinance (Cap. 622)

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

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Intra-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as senior executive management that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net invest hedges.

Foreign exchange gain and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within "Finance income or costs". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "Other gains – net".

2.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less depreciation and provision for impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Buildings and facilities	20 years
Machinery and equipment	5 years
Office and electronic equipment	3 to 5 years
Vehicles	5 years
Leasehold improvements	2 to 5 years

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

Construction in progress represents buildings, plant and machinery under construction or pending installation and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition and capitalised borrowing costs. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gain and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains – net" in the consolidated statement of comprehensive income.

2.6 Land use rights

Land use rights represent upfront prepayments made for the land use rights at historical cost, and are expensed in the consolidated statement of comprehensive income on a straight-line basis over 50 years. Whenever there is impairment, the impairment is recognised in the consolidated statement of comprehensive income (Note 2.8).

2.7 Intangible assets

(a) Acquired trademark

Separately acquired trademark is carried at cost less accumulated amortization and accumulated impairment losses (Note 2.8), if any. Amortization of trademark that has definite useful lives is calculated using the straight-line method to allocate the costs of acquired trademark over its estimated useful lives over 9 years.

(b) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire the specific software. These costs are amortized over periods ranging from 2 to 5 years.

2.8 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group only has financial assets classified as "loans and receivables" for the years ended 31 December 2014 and 2013.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "deposits, prepayments and other receivables" with exclusion of prepayment, "term deposits", "restricted cash" and "cash and cash equivalents" in the consolidated balance sheets (Notes 11, 12 and 13).

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs. Loans and receivables are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.10 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, sub-contracting costs that have been incurred in bringing the inventories to their present condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Receivables

Receivables primarily include trade receivables and deposits, prepayments and other receivables.

(a) Trade receivables and other receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection of trade receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(b) Deposits

Deposits are recorded at their historical value. Impairment is recorded if the net present value is higher than the estimated recoverable amount.

A provision for impairment of deposits is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of deposits.

2.13 Cash and cash equivalents

In the consolidated cash flow statements, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.14 Restricted cash and term deposits

Restricted cash represents guaranteed deposits held in a separate bank account for issuance of bill payables. Such restricted cash are released when the Group repays the related bill payables.

Term deposits represent guaranteed deposits placed at designated bank accounts with more than three months to maturity when places. Such term deposits are released when they mature.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Share capital

Share capital is classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Payables

Payables primarily include trade and bill payables and other payables, accruals and other current liabilities.

(a) Trade and bill payables and other payables

Trade and bill payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and bill payable and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and bill payables and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(b) Liabilities linked to operating leases

In negotiating a new or renewed operating lease, certain lessors provide incentives to enter into the agreement. Such incentives are generally in the forms of granting rent-free or reduced rent for the initial periods of the lease term. The aggregate benefits of the incentives which are considered as part of the net rental consideration shall be recognised as a reduction of rental expense over the lease term, on a straight-line basis. Accordingly, the accounting periods in which this net rental consideration is recognised may be different with the periods, upon which the payments of rental consideration are settled, which in turn, may result in "liabilities linked to operating leases".

2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Contributions from a shareholder by awarding its equity instruments to the employees

Shanghai Hexia Investment Co., Ltd. (上海合夏投資有限公司, hereafter referred to as "Shanghai Hexia"), a company which was set up for the benefits of the Group's employees and holds certain equity interests in the Company, adopted a series of share-based compensation plans in exchange for employee services to the Group.

(a) Accounting treatment under Shanghai Hexia

Under each of the share-based compensation plan, an employee has the right to choose settlement either in cash or by Shanghai Hexia's issuing equity instruments, with different length of vesting periods. Accordingly, Shanghai Hexia is considered to have issued compound instruments with debt component (to the extent that the employees have rights to demand cash) and equity component (to the extent that the employees have rights to demand settlement in Shanghai Hexia's issuing equity instruments by giving up their rights to demand cash). The fair value of the debt component at the grant date is determined as the present value of the future cash outflow. The equity component is then measured at the difference between the fair value of compound instrument as a whole and the debt component. The fair value of compound instruments is determined by the discounted cash flow method under the income approach. The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market.

(b) Accounting treatment under the Group

In the Group's consolidated financial statements, the share-based compensation plans are treated as equity-settled share-based payments, as the Group does not have any obligation to settle these awards. An expense for the grant date fair value of each of the equity-settled share-based payments is recognised over the different length of vesting periods with a credit recognised in equity. The credit to equity is treated as a capital contribution from Shanghai Hexia.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

(a) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (continued)

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Bonus entitlements

The expected cost of bonus payments are recognized as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2.22 Provision and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the Group's consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

2.23 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

For a component of the lease payment which is not fixed but is based on future amount of a factor, other than the passage of time, such as percentage of sales or concessionaire fees, the amount is recognized as "selling and marketing expenses" as it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for products supplied, stated net of discounts returns and value added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of products

Revenue from the sales of products is recognized when the risk and reward of the products have been transferred to the customer, which is usually at the time when a group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Accumulated experience is used to estimate and provide for sales returns at the time of sale.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.25 Government incentives

Incentives from the government are recognized at their fair value where there is a reasonable assurance that the incentives will be received and the Group will comply with all attached conditions.

Government incentives relating to income are deferred and recognized in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government incentives relating to assets are included in non-current liabilities as deferred income and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders, where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Research and development

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects relating to design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not use any derivative financial instruments to hedge risk exposures for the years ended 31 December 2014 and 2013.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from foreign currency exposures, primarily with respect to Hong Kong dollar ("HKD"). Foreign exchange risk arises from recognized assets and liabilities in foreign currencies. The Group did not use forward contracts to hedge against its foreign currency risk for the years ended 31 December 2014 and 2013.

As at 31 December 2014, if RMB had strengthened/weakened by 5% against HKD with all other variables held constant, the Group's net profit for the year would have been approximately RMB45,142,000 (2013: nil) lower/higher as a result of foreign exchange gain/losses on translation of HKD denominated cash and cash equivalents and term deposits.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets (other than cash and cash equivalents, term deposits and restricted cash, details of which have been disclosed in Note 13), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 17. The Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk for the years ended 31 December 2014 and 2013. Management will continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arises.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

Bank borrowings obtained at fixed rates exposed the Group to fair value interest-rate risk. The fixed interest rates are based on the market interest rate. Since borrowings obtained in 2014 were with the maturity dates within eighteen months, the fair value of the borrowings approximated their carrying amount.

Bank borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. If the interest rate on borrowings obtained at variable rates had been higher/lower by 5%, the Group's net profit for the year ended 31 December 2013 would have approximately RMB691,000 lower/higher as a result of higher/lower interest expenses. There were no borrowings at variable rates at 31 December 2014.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits, prepayments and other receivables with exclusion of prepayment, cash and cash equivalents, restricted cash and term deposits with banks included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has policies in place to ensure that appropriate credit terms granted to the department stores with good credit history and the Group performs regular credit evaluations of the department stores. The Group's concessionaire sales through department stores are generally collected within 90 days from the invoice date. Management makes monthly assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial position of the debtors and whether there are any trade disputes with the debtors. Management is of the opinion that no additional allowance for the debtors is required.

The Group also makes rental deposits for certain retail outlets with relevant landlords. Management does not expect any loss arising from non-performance by these counterparties.

As at 31 December 2014 and 2013, substantially all the bank balances, restricted cash and term deposits with banks as detailed in Note 13 are deposited at state-owned banks and other medium or large size listed banks. Management does not expect any loss arising from non-performance by these counterparties.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for additions of property, plant and equipment, including leasehold improvements, repayment of borrowings and payment for purchases and operating expenses. The Group finances its working capital requirements through a combination of internal generated funds, bank borrowings and issuing new shares, as necessary.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has readily available funding through adequate amount of committed credit facilities to meet its working capital requirements.

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2014					
Borrowings and interest payable	**648,536**	**21,989**	**–**	**–**	**670,525**
Trade and bill payables	**911,041**	**–**	**–**	**–**	**911,041**
Financial liabilities as included in other payables, accruals and other current liabilities	**582,072**	**–**	**–**	**–**	**582,072**
	2,141,649	**21,989**	**–**	**–**	**2,163,638**
As at 31 December 2013					
Borrowings and interest payable	804,381	–	–	–	804,381
Trade and bill payables	915,225	–	–	–	915,225
Financial liabilities as included in other payables, accruals and other current liabilities	568,011	–	–	–	568,011
	2,287,617	–	–	–	2,287,617

The estimated amount of interest payments on borrowings were arrived based on the principal borrowing balance and prevailing interest rates at respective balance sheet dates up to the final maturity dates of the borrowing agreements.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group also monitors capital on basis of the gearing ratio. This ratio is calculated as total borrowings divided by equity as shown in the consolidated balance sheets.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (continued)

The gearing ratios as at 31 December 2014 and 2013 were as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Total borrowings (Note 17)	**641,266**	780,000
Total equity	**3,107,142**	1,263,348
Gearing ratio (%)	**21%**	62%

The decrease in the gearing ratio for the year ended 31 December 2014 was resulted primarily from issuing of new shares pursuant to the global initial public offering.

3.3 Fair value estimation

(a) The Group adopts the amendment to IFRS 7 for financial instruments that are measured in the consolidated balance sheets at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group did not have any financial assets or liabilities that are measured at fair value for the years ended 31 December 2014 and 2013.

(b) Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade receivables;
- Deposits, prepayments and other receivables (except for prepayments);
- Cash and cash equivalents (including restricted cash and term deposits);
- Trade and bill payables;

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(b) Fair value of financial assets and liabilities measured at amortised cost (continued)

- Other payables, accruals and other current liabilities (except for staff salaries and welfare payables and accrued taxes other than income tax);

- Borrowings.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives, residual values and depreciation charges of property, plant and equipment and useful lives and amortization of intangible assets

The Group's management determines the estimated useful lives, residual values and related depreciation or amortization charges for the Group's property, plant and equipment and intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Depreciation with respect to the concessionaire counters is calculated based on an estimated useful life of two years. This assumption is made based on the facts that the Group normally conduct renovation of the concessionaire counters once every two years and that the Group is typically able to renew its concessionaire agreements upon expiry. Depreciation with respect to the standalone retail outlets is calculated based on an estimated useful life of the shorter of five years and the terms of the leases. Management will revise the depreciation and amortization charges where useful lives are different from that of previously estimated. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in useful lives and residual values and therefore depreciation/amortization expense in future periods.

(b) Impairment of non-financial assets

Non-financial assets including property, plant and equipment, land use rights and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Impairment of non-financial assets (continued)

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and the future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

(c) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(d) Current and deferred income tax

The Group is subject to income taxes in different areas in the PRC. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(e) Provision for impairment of receivables

The Group's management determines the provision for impairment of trade receivables, deposits, prepayments and other receivables based on an assessment of the recoverability of these receivables. This assessment is based on the credit history of department stores and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provision at each balance sheet date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5 SEGMENT INFORMATION

The Group operates as a single operating segment. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors that makes strategic decisions.

The Group is principally engaged in designing, marketing and selling apparel products and 100% of its revenue are derived in the PRC for the years ended 31 December 2014 and 2013.

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue for the years ended 31 December 2014 and 2013.

6 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings and facilities RMB'000	Machinery and equipment RMB'000	Office and electronic equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2013							
Cost	–	1,474	26,416	2,959	638,202	338	669,389
Accumulated depreciation	–	(318)	(6,923)	(1,132)	(219,046)	–	(227,419)
Net book amount	–	1,156	19,493	1,827	419,156	338	441,970
Year ended 31 December 2013							
Opening net book amount	–	1,156	19,493	1,827	419,156	338	441,970
Additions	–	5	27,043	1,759	522,546	99,238	650,591
Disposals	–	–	(105)	(205)	–	–	(310)
Depreciation (Note 23)	–	(272)	(11,596)	(825)	(288,065)	–	(300,758)
Closing net book amount	–	889	34,835	2,556	653,637	99,576	791,493
At 31 December 2013							
Cost	–	1,479	53,234	4,258	1,122,432	99,576	1,280,979
Accumulated depreciation	–	(590)	(18,399)	(1,702)	(468,795)	–	(489,486)
Net book amount	–	889	34,835	2,556	653,637	99,576	791,493

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (Continued)

	Buildings and facilities RMB'000	Machinery and equipment RMB'000	Office and electronic equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2014							
Opening net book amount	–	889	34,835	2,556	653,637	99,576	791,493
Transferred from construction in progress	172,635	–	–	–	–	(172,635)	–
Additions	–	7,002	15,443	2,029	202,542	98,964	325,980
Disposals	–	(1)	(189)	(1,673)	–	–	(1,863)
Depreciation (Note 23)	(2,858)	(549)	(17,485)	(998)	(299,929)	–	(321,819)
Closing net book amount	169,777	7,341	32,604	1,914	556,250	25,905	793,791
At 31 December 2014							
Cost	172,635	8,480	68,164	3,329	1,274,739	25,905	1,553,252
Accumulated depreciation	(2,858)	(1,139)	(35,560)	(1,415)	(718,489)	–	(759,461)
Net book amount	169,777	7,341	32,604	1,914	556,250	25,905	793,791

As at 31 December 2014, certain buildings and facilities with carrying amount of RMB168,636,000 (31 December 2013: nil) were pledged as collaterals for the Group's bank borrowings (Note 17).

Depreciation of property, plant and equipment has been charged to the consolidated statement of comprehensive income (Note 23) as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Administrative expenses	**9,273**	5,944
Selling and marketing expenses	**312,546**	294,814
	321,819	300,758

In 2014, the Group has capitalised borrowing costs of RMB2,826,000 (2013: RMB1,327,000) in construction in progress. Borrowing costs were capitalised using the weighted average interest rate of 6.00% (2013: 6.06%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Machinery and equipment RMB'000	Office and electronic equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2013						
Cost	1,474	20,005	2,264	316,408	–	340,151
Accumulated depreciation	(318)	(6,159)	(949)	(155,076)	–	(162,502)
Net book amount	1,156	13,846	1,315	161,332	–	177,649
Year ended 31 December 2013						
Opening net book amount	1,156	13,846	1,315	161,332	–	177,649
Additions	5	15,628	–	150,002	–	165,635
Disposals	–	(25)	–	–	–	(25)
Depreciation	(272)	(7,743)	(387)	(115,880)	–	(124,282)
Closing net book amount	889	21,706	928	195,454	–	218,977
At 31 December 2013						
Cost	1,479	35,533	2,264	451,216	–	490,492
Accumulated depreciation	(590)	(13,827)	(1,336)	(255,762)	–	(271,515)
Net book amount	889	21,706	928	195,454	–	218,977
Year ended 31 December 2014						
Opening net book amount	**889**	**21,706**	**928**	**195,454**	**–**	**218,977**
Additions	**251**	**5,983**	**748**	**30,260**	**868**	**38,110**
Disposals	**–**	**(44)**	**(337)**	**–**	**–**	**(381)**
Depreciation	**(287)**	**(11,166)**	**(332)**	**(100,601)**	**–**	**(112,386)**
Closing net book amount	**853**	**16,479**	**1,007**	**125,113**	**868**	**144,320**
At 31 December 2014						
Cost	**1,730**	**41,174**	**1,812**	**458,034**	**868**	**503,618**
Accumulated depreciation	**(877)**	**(24,695)**	**(805)**	**(332,921)**	**–**	**(359,298)**
Net book amount	**853**	**16,479**	**1,007**	**125,113**	**868**	**144,320**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7 LAND USE RIGHTS

Group

Land use rights represent prepaid operating lease payments for land located in the PRC, which are held on leases of 50 years.

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Opening net book value	**15,941**	–
Additions	**120,836**	16,184
Amortization charges (Note 23)	**(431)**	(243)
Closing net book value	**136,346**	15,941

As at 31 December 2014, certain land use rights with a carrying amount of RMB15,617,000 were pledged as collaterals for the Group's bank borrowings (31 December 2013: nil) (Note 17).

The amortization of land use rights has been charged to administrative expenses in the consolidated statement of comprehensive income (Note 23).

8 INTANGIBLE ASSETS

Group

	Acquired trademark RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2013			
Cost	1,776	27,711	29,487
Accumulated amortization	(268)	(3,111)	(3,379)
Net book amount	1,508	24,600	26,108
Year ended 31 December 2013			
Opening net book amount	1,508	24,600	26,108
Additions	–	17,537	17,537
Amortization charge (Note 23)	(201)	(7,125)	(7,326)
Closing net book amount	1,307	35,012	36,319
At 31 December 2013			
Cost	1,776	45,248	47,024
Accumulated amortization	(469)	(10,236)	(10,705)
Net book amount	1,307	35,012	36,319

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

8 INTANGIBLE ASSETS (CONTINUED)

Group (Continued)

	Acquired trademark RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2014			
Opening net book amount	**1,307**	**35,012**	**36,319**
Additions	**–**	**6,954**	**6,954**
Amortization charge (Note 23)	**(201)**	**(10,479)**	**(10,680)**
Closing net book amount	**1,106**	**31,487**	**32,593**
At 31 December 2014			
Cost	**1,776**	**52,202**	**53,978**
Accumulated amortization	**(670)**	**(20,715)**	**(21,385)**
Net book amount	**1,106**	**31,487**	**32,593**

The amortization of intangible assets has been charged to administrative expenses in the consolidated statement of comprehensive income (Note 23).

Company

	Computer software RMB'000
At 1 January 2013	
Cost	27,711
Accumulated amortization	(3,111)
Net book amount	24,600
Year ended 31 December 2013	
Opening net book amount	24,600
Additions	17,537
Amortization charge	(7,125)
Closing net book amount	35,012
At 31 December 2013	
Cost	45,248
Accumulated amortization	(10,236)
Net book amount	35,012

8 INTANGIBLE ASSETS (CONTINUED)

Company (Continued)

	Computer software RMB'000
Year ended 31 December 2014	
Opening net book amount	**35,012**
Additions	**5,660**
Amortization charge	**(10,371)**
Closing net book amount	**30,301**
At 31 December 2014	
Cost	**50,908**
Accumulated amortization	**(20,607)**
Net book amount	**30,301**

9 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset when the deferred income taxes relate to the same tax jurisdiction. The net deferred income taxes balance after offsetting were as follows:

Group

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Deferred income tax assets:		
– to be recovered within 12 months	**140,357**	133,059
– to be recovered after more than 12 months	**31,705**	33,096
	172,062	166,155
Deferred income tax liabilities:		
– to be recovered within 12 months	**14,267**	18,821
– to be recovered after more than 12 months	**24,964**	33,356
	39,231	52,177
Deferred income tax assets – net	**132,831**	113,978

9 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

The analysis of deferred tax assets and deferred tax liabilities without taking into consideration of offsetting of balance within the same jurisdiction was as follows:

Deferred income tax assets	Tax losses carried forward	Inventory write-down	Accruals	Unrealized profit (a)	Rental incentives recognized on a straight-line basis	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	9,573	11,588	41,329	15,521	22,205	100,216
(Debited)/credited to the consolidated statement of comprehensive income	(5,337)	17,626	17,653	24,071	11,926	65,939
At 31 December 2013	4,236	29,214	58,982	39,592	34,131	166,155
(Debited)/credited to the consolidated statement of comprehensive income	**(267)**	**31,610**	**(11,798)**	**(17,160)**	**3,522**	**5,907**
At 31 December 2014	**3,969**	**60,824**	**47,184**	**22,432**	**37,653**	**172,062**

(a) Deferred income tax assets of unrealized profit were mainly attributable to the unrealized profit of intra-group transfer of inventories.

Deferred income tax liabilities	Difference in depreciation between tax and accounting	Capitalised borrowing costs	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2013	35,640	–	35,640
Debited to the consolidated statement of comprehensive income	16,205	332	16,537
At 31 December 2013	51,845	332	52,177
(Credited)/debited to the consolidated statement of comprehensive income	**(13,652)**	**706**	**(12,946)**
At 31 December 2014	**38,193**	**1,038**	**39,231**

9 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered within 12 months	**46,651**	42,875
– to be recovered after more than 12 months	**4,508**	6,654
	51,159	49,529
Deferred income tax liabilities:		
– to be recovered within 12 months	**4,105**	5,397
– to be recovered after more than 12 months	**3,795**	10,309
	7,900	15,706
Deferred income tax assets – net	**43,259**	33,823

The analysis of deferred tax assets and deferred tax liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction was as follows:

Deferred income tax assets	**Inventory write-down**	**Accruals**	**Rental incentives recognized on a straight-line basis**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	5,401	26,916	7,759	40,076
Credited/(debited) to the statement of comprehensive income	5,858	4,008	(413)	9,453
At 31 December 2013	11,259	30,924	7,346	49,529
Credited/(debited) to the statement of comprehensive income	**13,733**	**(10,076)**	**(2,027)**	**1,630**
At 31 December 2014	**24,992**	**20,848**	**5,319**	**51,159**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

9 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred income tax liabilities	Difference in depreciation between tax and accounting
	RMB'000
At 1 January 2013	17,932
Credited to the statement of comprehensive income	(2,226)
At 31 December 2013	15,706
Credited to the statement of comprehensive income	**(7,806)**
At 31 December 2014	**7,900**

10 INVENTORIES

Group

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Raw materials	**1,774**	4,381
Finished goods	**1,317,546**	1,282,257
Low value consumables	**8,122**	6,289
	1,327,442	1,292,927

Inventories are valued at the lower of cost and estimated net realisable value. Inventory write-down is made for obsolete and slow-moving items. The movement of inventory write-down was as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Beginning balance of the year	**116,857**	46,350
– Write down of inventories to net realisable value included in the "cost of sales" (Note 23)	**151,634**	92,059
– Donation of inventories fully written down in prior years	**(25,195)**	(21,552)
Ending balance of the year	**243,296**	116,857

The cost of inventories recognized as "cost of sales" amounted to approximately RMB2,224,175,000 for the year ended 31 December 2014 (2013: RMB1,803,758,000) (Note 23).

10 INVENTORIES (CONTINUED)

Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Raw materials	**1,198**	3,385
Finished goods	**434,506**	421,155
Low value consumables	**3,073**	2,711
	438,777	427,251

The Company recognized inventory write-down of RMB54,932,000 in respect of obsolete inventories to write down the inventories to their net realizable value for the year ended 31 December 2014 (2013: RMB23,435,000).

11 TRADE RECEIVABLES

Group

As at 31 December 2014 and 2013, the aging analysis of trade receivables based on invoice date was as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Trade receivables, gross		
– Within 30 days	**919,761**	765,363
– Over 30 days and within 60 days	**53,807**	54,425
– Over 60 days and within 90 days	**16,694**	21,726
– Over 90 days and within 180 days	**20,263**	22,778
– Over 180 days and within 360 days	**12,992**	6,420
– Over 360 days	**5,384**	2,879
	1,028,901	873,591

As at 31 December 2014 and 2013, the fair value of the trade receivables of the Group approximated their carrying amounts.

As at 31 December 2014 and 2013, the carrying amounts of the Group's trade receivables were all denominated in RMB.

The Group's trade receivables are primarily derived from sales through concessionaire stores and are generally collectible within 90 days from the invoice date. As at 31 December 2014, trade receivables of RMB38,639,000 (31 December 2013: RMB32,077,000) were past due but not impaired. Based on the past experience, management believes that no impairment allowance is necessary in respect of these pass-due trade receivables as there has not been a significant change in their credit position and the balances are considered fully recoverable. These trade receivables relate to a number of independent debtors for whom there are no recent history of defaults. The Group does not hold any collateral as security over these debtors.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

11 TRADE RECEIVABLES (CONTINUED)

The aging analysis of these trade receivables past due but not impaired at 31 December 2014 and 2013 was as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Trade receivables, gross		
– Over 90 days and within 180 days	**20,263**	22,778
– Over 180 days and within 360 days	**12,992**	6,420
– Over 360 days	**5,384**	2,879
	38,639	32,077

As at 31 December 2013, certain trade receivables with carrying amount of RMB11,664,000 were pledged for the Group's borrowings (Note 17).

Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
– Due from third parties (a)	**509,023**	308,235
– Due from subsidiaries (b)	**370,737**	480,825
	879,760	789,060

(a) The Company's trade receivables due from third parties are primarily derived from sales through concessionaire stores and are generally collectible within 90 days from the invoice date.

(b) As at 31 December 2014 and 2013, trade receivables of the Company due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

11 TRADE RECEIVABLES (CONTINUED)

As at 31 December 2014 and 2013, the aging analysis of trade receivables based on invoice date was as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Trade receivables, gross		
– Within 30 days	**844,929**	725,609
– Over 30 days and within 60 days	**19,049**	23,822
– Over 60 days and within 90 days	**4,265**	13,526
– Over 90 days and within 180 days	**6,470**	17,175
– Over 180 days and within 360 days	**3,525**	3,051
– Over 360 days	**1,522**	5,877
	879,760	789,060

As at 31 December 2014 and 2013, the fair value of the trade receivables of the Company approximated their carrying amounts.

As at 31 December 2014 and 2013, the carrying amounts of the Company's trade receivables were all denominated in RMB.

As at 31 December 2014, trade receivables of RMB11,517,000 (31 December 2013: RMB 26,103,000) were past due but not impaired. Based on the past experience, management believes that no impairment allowance is necessary in respect of these pass-due trade receivables as there has not been a significant change in their credit position and the balances are considered fully recoverable. These trade receivables relate to a number of independent debtors for whom there were no recent history of defaults. The Company does not hold any collateral as security over these debtors.

The aging analysis of these trade receivables past due but not impaired at respective balance sheet dates was as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
– Over 90 days and within 180 days	**6,470**	17,175
– Over 180 days and within 360 days	**3,525**	3,051
– Over 360 days	**1,522**	5,877
	11,517	26,103

As at 31 December 2013, certain trade receivables with carrying amount of RMB11,664,000 were pledged for the Company's borrowings (Note 17).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

12 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Group

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Prepayments for purchases of inventories	**136,776**	119,155
Deposits	**134,990**	117,962
Bidding deposit for purchase of land use rights	**17,900**	–
Interest receivable	**2,845**	–
Staff advances	**1,935**	2,909
Prepayment of listing expenses	**–**	5,868
Others	**998**	28
	295,444	245,922

As at 31 December 2014 and 2013, the fair value of the deposits, prepayments and other receivables of the Group, except for the prepayments which are not financial assets, approximated their carrying amounts.

As at 31 December 2014 and 2013, the carrying amounts of the Group's deposits, prepayments and other receivables were all denominated in RMB.

Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Receivables due from subsidiaries	**1,535,983**	826,809
Dividends receivable from subsidiaries	**367,000**	–
Prepayments for purchases of inventories	**42,975**	39,861
Deposits	**42,368**	41,059
Interest receivable	**2,845**	–
Staff advances	**560**	2,038
Prepayment of listing expenses	**–**	5,868
Others	**637**	14
	1,992,368	915,649

As at 31 December 2014 and 2013, the fair value of the deposits, prepayments and other receivables of the Company, except for the prepayments which are not financial assets, approximated their carrying amounts.

As at 31 December 2014 and 2013, the carrying amounts of the Company's deposits, prepayments and other receivables were all denominated in RMB.

13 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TERM DEPOSITS

Group

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Cash at bank and in hand	**1,983,384**	521,036
Less: Restricted cash (a)	**–**	(486)
Term deposits (b)	**(1,372,777)**	–
Cash and cash equivalents	**610,607**	520,550
Cash at bank and in hand denominated in:		
– HKD	**1,203,770**	–
– RMB	**779,614**	521,036
	1,983,384	521,036

(a) Restricted cash represents guarantee deposits held in a separate bank account pledged to the bank for issuance of bill payables.

(b) Term deposits represent deposits held in separate bank accounts with more than three months to maturity when placed.

Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Cash at bank and in hand	**1,954,321**	473,489
Less: Restricted cash	**–**	(486)
Term deposits	**(1,372,777)**	–
Cash and cash equivalents	**581,544**	473,003
Cash at bank and in hand denominated in:		
– HKD	**1,203,770**	–
– RMB	**750,551**	473,489
	1,954,321	473,489

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

14 SHARE CAPITAL

Group and Company

	Note	**Number of ordinary shares** (thousands)	**Nominal value of ordinary shares** RMB'000
As at 1 January 2013		210,000	210,000
Increase in share capital by way of capitalization of other reserves and retained earnings	(a)	136,500	136,500
Issue of new shares to an investor	(b)	18,237	18,237
As at 31 December 2013		364,737	364,737
As at 1 January 2014		**364,737**	**364,737**
Issue of new shares pursuant to global initial public offering	(c)	**138,643**	**138,643**
As at 31 December 2014		**503,380**	**503,380**

(a) On 7 February 2013, the Company increased its registered share capital from RMB210,000,000 to RMB346,500,000 by issuing of 136,500,000 new ordinary shares of RMB1.00 each. The newly issued ordinary shares were subscribed for by way of capitalisation of other reserves of RMB21,000,000 and retained earnings of RMB115,500,000 to share capital, which have the same characteristics with those previously issued.

(b) Pursuant to the subscription agreement entered into between Beijing Goldman Sachs Investment Centre (limited partnership) (北京高盛投資中心(有限合夥)), hereinafter referred to as "Beijing Goldman Sachs") and the Company on 27 May 2013 (together with the supplemental contract dated 8 August 2013), Beijing Goldman Sachs acquired newly issued shares, which accounted for 5% equity interests in the Company at a cash consideration of RMB300,000,000. Excess of the cash consideration over the share capital with the amount of RMB281,763,000 was recognised as "other reserves" in the consolidated balance sheet (Note 15(b)).

(c) On 9 October 2014, the Company completed its global initial public offering of shares by issuing 121,579,000 H shares at a price of HK$ 13.98 per share. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on the same date. On 30 October 2014, the Joint Global Coordinators exercised the Over – allotment Option by issuing 17,064,000 H shares at a price of HK$ 13.98 per share. The listing proceeds to the Company, netting off listing expenses, were HK$ 1,850,815,000 (equivalent to RMB 1,466,672,000), resulting in an increase of share capital of the Company by RMB138,643,000 and the capital reserve by RMB1,328,029,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

15 OTHER RESERVES

Group

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Statutory reserve (a)	**177,109**	94,023
Capital reserve (b)	**1,628,338**	292,151
Excess of the cash consideration received over the share capital	**1,609,792**	281,763
Contributions from a shareholder by awarding its equity instruments to the employees	**18,546**	10,388
	1,805,447	386,174

(a) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and the articles of association of the Company and its subsidiaries, it is required to appropriate 10% of the annual statutory net profits of the Company and its subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the share capital of the Company and its subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of share capital.

For the year ended 31 December 2014, RMB83,086,000 (2013: RMB46,790,000) were appropriated to the statutory reserve from net profits of the Company and its subsidiaries.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

15 OTHER RESERVES (CONTINUED)

(b) Capital reserve

	Excess of the cash consideration received over the share capital	Contributions from a shareholder by awarding its equity instruments to the employees (i) - (iv)	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2013	6,571	18,254	24,825
Increase in share capital by way of capitalization of other reserves (Note 14(a))	(6,571)	(14,429)	(21,000)
Capital contributions from an investor (Note 14(b))	281,763	–	281,763
Shanghai Hexia granted its equity instruments to the employees of the Group	–	6,563	6,563
At 31 December 2013	281,763	10,388	292,151
Issue of new shares pursuant to global initial public offering (Note 14(c))	**1,328,029**	**–**	**1,328,029**
Shanghai Hexia granted its equity instruments to the employees of the Group	**–**	**8,158**	**8,158**
At 31 December 2014	**1,609,792**	**18,546**	**1,628,338**

(i) Contributions from a shareholder by awarding its equity instruments to the employees

Shanghai Hexia, a company which was set up for the benefits of the Group's employees and holds certain equity interests in the Company, operates a series of share-based compensation plans in exchange for employee services to the Group. Details of the share-based compensation plans are summarised as follows:

On 30 December 2009, Shanghai Hexia was established in the PRC by Mr. Xing Jiaxing (邢加興) and certain selected employees (the "Selected Employees"). The registered capital of Shanghai Hexia at that time was RMB500,000, which was paid up by Mr. Xing Jiaxing and the Selected Employees at the ratio of 32.79% and 67.21%. On 8 April 2010, Shanghai Hexia acquired 8.25% and 7% of the equity interests in the Company from two individuals and two financial investors, respectively. The cash considerations for these acquisitions of RMB17,113,000 were paid by Mr. Xing Jiaxing as a unilateral contribution to the existing equity owners of Shanghai Hexia. The proportion attributable to the Selected Employees was considered as management incentive.

In December 2010, Good Factor Limited ("Good Factor"), a financial investor transferred 5% and 3% of its equity interests in the Company to Mr. Xing Jiaxing and Shanghai Hexia, respectively, at nil consideration for the purpose of rewarding the chief executive and the Selected Employees for their contributions to the Group.

On 22 April 2011, Mr. Xing Jiaxing further transferred 15.49% of his existing equity interests in Shanghai Hexia to several employees (the "New Employees") of the Group at nil consideration as management incentive.

15 OTHER RESERVES (CONTINUED)

(b) Capital reserve (continued)

(i) Contributions from a shareholder by awarding its equity instruments to the employees (continued)

For the years ended 31 December 2014 and 2013, certain Selected Employees and New Employees left the Company and settled the equity interests they held in Shanghai Hexia with Mr. Xing Jiaxing.

As at 31 December 2014, the percentage of equity interest in the Company indirectly held by the Selected Employees and New Employees through Shanghai Hexia is 5.58% (31 December 2013: 7.76%).

(ii) Rights conferred to each of the employees who held equity interests in Shanghai Hexia and the vesting condition

Rights conferred to each of the employees who held equity interests in Shanghai Hexia included: (1) right of entitlement to dividends; (2) right to vote and participate in the general meeting; (3) right to appoint and replace members of board of directors; and (4) right to inspect the records relating to financing and investment decisions and arrangements of Shanghai Hexia.

The vesting condition of each of the share-based compensation plans is consistent and summarised as follow:

- If an employee leaves the Company within 24 months after the date of successful listing of the Company's shares on any stock exchange (the "Listing"), he/she will receive cash equal to the capital contribution amount to Shanghai Hexia;

- If an employee leaves the Company after 24 months but within 36 months after the Listing, he/she will receive cash equal to his/her attributable net assets value of the Group at that time;

- If an employee leaves the Company after 36 months but within 60 months after the Listing, 50% of his/her attributable equity interests in Shanghai Hexia will vest; and

- If an employee completes 60 months service period after the Listing, 100% of his/her attributable equity interests in Shanghai Hexia will vest.

(iii) Fair value estimation of share-based compensation plans

As a private company with no quoted market of the Company's equity instruments, the Company needs to estimate the fair value of its equity interests at the relevant grant dates. The discounted cash flow method under the income approach has been applied in the determination of the fair value of the equity interests in the Company. The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market.

15 OTHER RESERVES (CONTINUED)

(b) Capital reserve (continued)

(iii) Fair value estimation of share-based compensation plans (continued)

The fair value as of the grant dates of each of the share-based compensation plans are summarised as follows:

The fair value of the pre-IPO share options at the grant date has been valued by an independent qualified valuer using Binomial valuation model as follows,

	RMB'000
Granted to the Selected Employees by Mr. Xing Jiaxing on 2 April 2010	24,226
Granted to Mr. Xing Jiaxing by Good Factor on 19 October 2010	9,354
Granted to the Selected Employees by Good Factor on 19 October 2010	7,526
Granted to the New Employees by Mr. Xing Jiaxing on 22 April 2011	40,754

(iv) Accounting treatment of the share-based compensation plans

The employee may choose the method of settlement, either cash-settled or equity-settled, depending on the length of his/her service period. Accordingly, the share-based compensation plans were accounted for as compound financial instruments in the financial statements of Shanghai Hexia. As the Company received the benefits associated with the services of these employees, the share-based compensation charges were pushed down to the Company during the vesting period and recorded as an expense in the consolidated statement of comprehensive income, with a corresponding contribution from Shanghai Hexia which increased the capital reserve of the Company.

Expenses arising from the share-based compensation plans have been charged in the consolidated statement of comprehensive income (Note 24) as follows:

	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Administrative expenses	**6,579**	4,171
Selling and marketing expenses	**1,579**	2,392
	8,158	6,563

15 OTHER RESERVES (CONTINUED)

Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Statutory reserve	**83,256**	44,606
Capital reserve	**1,628,338**	292,151
Excess of the cash consideration received over the share capital	**1,609,792**	281,763
Contributions from a shareholder by awarding its equity instruments to the employees	**18,546**	10,388
	1,711,594	336,757

16 RETAINED EARNINGS

Group and Company

	Group	**Company**
	RMB'000	RMB'000
As at 1 January 2013	286,354	220,420
Profit for the year	407,298	132,823
Appropriation to statutory reserve (Note 15(a))	(46,790)	(13,283)
Dividends declared (Note 30)	(25,000)	(25,000)
Increase in share capital by way of capitalization of retained earnings (Note 14(a))	(115,500)	(115,500)
As at 31 December 2013	506,362	199,460
Profit for the year	**503,452**	**386,507**
Appropriation to statutory reserve (Note 15(a))	**(83,086)**	**(38,650)**
Dividends declared (Note 30)	**(142,247)**	**(142,247)**
As at 31 December 2014	**784,481**	**405,070**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

17 BORROWINGS

Group

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Non-current		
Bank borrowings – secured or guaranteed	**21,266**	–
Current		
Bank borrowings – secured or guaranteed	**20,000**	450,000
Bank borrowings – unsecured	**600,000**	330,000
	620,000	780,000
	641,266	780,000

The Group's borrowings were denominated in RMB.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity date whichever is earlier were as follows:

	6 months or less	Between 6 and 12 months	Between 1 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2014	**210,000**	**410,000**	**21,266**	**641,226**
As at 31 December 2013	780,000	–	–	780,000

The maturity of borrowings is as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
On demand or within 1 year	**620,000**	780,000
Between 1 and 2 years	**21,266**	–
	641,226	780,000

The weighted average effective interest rates at each balance sheet date were as follows:

	As at 31 December	
	2014	2013
Borrowings – current	**6.01%**	5.98%
Borrowings – non-current	**6.77%**	n.a

The fair value of the borrowings approximated their carrying amounts.

17 BORROWINGS (CONTINUED)

The Group had the following undrawn bank borrowing facilities:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Facilities in RMB	**920,000**	560,290

As at 31 December 2014 and 2013, bank borrowings were secured or guaranteed by:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Secured by property, plant and equipment (i)	**29,266**	–
Secured by land use rights (ii)	**12,000**	–
Secured by trade receivables (iii)	**–**	300,000
Guaranteed by Mr. Xing Jiaxing	**–**	150,000
	41,266	450,000

(i) As at 31 December 2014, the bank borrowings of RMB29,266,000 (31 December 2013: nil) were secured by certain buildings and facilities (Note 6) of the Group, with a carrying amount of RMB168,636,000.

(ii) As at 31 December 2014, the bank borrowings of RMB12,000,000 (31 December 2013: nil) were secured by certain land use rights (Note 7) of the Group, with a carrying amount of RMB15,617,000;

(iii) As at 31 December 2013, the bank borrowings of RMB300,000,000 were secured by certain trade receivables (Note 11) of the Group, with a carrying amount of RMB11,664,000;

Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Current		
Bank borrowings – secured or guaranteed	**500,000**	640,000
Bank borrowings – unsecured	**100,000**	140,000
	600,000	780,000

The Company's borrowings were denominated in RMB.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

17 BORROWINGS (CONTINUED)

The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates or maturity date whichever is earlier were as follows:

	6 months or less	Between 6 and 12 months	Between 1 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2014	**200,000**	**400,000**	**–**	**600,000**
As at 31 December 2013	780,000	–	–	780,000

The maturity of borrowings is as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
On demand or within 1 year	**600,000**	780,000

The weighted average effective interest rates at each balance sheet date were as follows:

	As at 31 December	
	2014	2013
Weighted average effective interest rate	**5.98%**	5.98%

The fair value of the borrowings approximated their carrying amount due to the short maturities.

The Company had the following undrawn bank borrowing facilities:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Facilities in RMB	**920,000**	560,290

Bank borrowings were secured or guaranteed by:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Guaranteed by a subsidiary	**500,000**	190,000
Jointly guaranteed by Mr. Xing Jiaxing and certain subsidiaries	**–**	150,000
Secured by trade receivables and guaranteed by a subsidiary	**–**	300,000
	500,000	640,000

18 TRADE AND BILL PAYABLES

Group

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Bill payables (a)	**402,373**	597,470
Trade payables (b)	**508,668**	317,755
	911,041	915,225

As at 31 December 2014 and 2013, trade and bill payables of the Group were non-interest bearing, and their fair value approximated their carrying amounts due to the short maturities.

As at 31 December 2014 and 2013, trade and bill payables were denominated in RMB.

(a) The aging of bill payables was normally 60 days.

(b) As at 31 December 2014 and 2013, the aging analysis of the trade payables, which were trade in nature, was as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Trade payables		
– Within 30 days	**46,507**	51,732
– Over 30 days and within 60 days	**199,070**	130,000
– Over 60 days and within 90 days	**192,138**	102,085
– Over 90 days and within 180 days	**58,590**	29,479
– Over 180 days and within 360 days	**4,475**	1,149
– Over 360 days	**7,888**	3,310
	508,668	317,755

Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Bill payables (a)	**129,150**	263,203
Trade payables (b)	**542,020**	322,028
– Due to subsidiaries	**258,520**	172,441
– Due to third parties	**283,500**	149,587
	671,170	585,231

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

18 TRADE AND BILL PAYABLES (CONTINUED)

As at 31 December 2014 and 2013, trade and bill payables of the Company were non-interest bearing, and their fair value approximated their carrying amounts due to the short maturities.

As at 31 December 2014 and 2013, trade and bill payables were denominated in RMB.

(a) The aging of bill payables was normally 60 days.

(b) As at 31 December 2014 and 2013, the aging analysis of the trade payables, which were trade in nature, was as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Trade payables		
– Within 30 days	**67,749**	41,554
– Over 30 days and within 60 days	**174,868**	153,353
– Over 60 days and within 90 days	**241,787**	102,216
– Over 90 days and within 180 days	**43,175**	21,270
– Over 180 days and within 360 days	**7,069**	1,081
– Over 360 days	**7,372**	2,554
	542,020	322,028

19 OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES

Group

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Payables for purchases of property, plant and equipment	**289,532**	337,311
Payables for purchases of intangible assets	**–**	1,958
Liabilities linked to operating leases (Note 2.16(b))	**188,695**	165,029
Staff salaries and welfare payables	**194,180**	172,394
Accrued taxes other than income tax	**89,388**	37,285
Interest payables	**1,112**	1,218
Customers' deposits	**54,282**	21,830
Dividends payable	**–**	5,344
Other accrued expenses and payables	**49,564**	36,539
	866,753	778,908

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

19 OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES (CONTINUED)

As at 31 December 2014 and 2013, all other payables, accruals and other current liabilities of the Group were non-interest bearing, and their fair values, except for accrued taxes other than income tax which are not financial liabilities, approximated their carrying amounts due to the short maturities.

As at 31 December 2014 and 2013, other payables, accruals and other current liabilities were denominated in RMB.

Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Payables due to subsidiaries	**1,446,874**	461,125
Payables for purchases of property, plant and equipment	**66,888**	93,293
Payables for purchases of intangible assets	**–**	1,958
Liabilities linked to operating leases (Note 2.16(b))	**33,439**	39,370
Staff salaries and welfare payables	**84,460**	71,408
Accrued taxes other than income tax	**52,100**	16,530
Interest payables	**1,027**	1,218
Customers' deposits	**14,557**	10,531
Dividends payable	**–**	5,344
Other accrued expenses and payables	**27,841**	19,646
	1,727,186	720,423

As at 31 December 2014 and 2013, all other payables, accruals and other current liabilities of the Company were non-interest bearing, and their fair value, except for accrued taxes other than income tax which are not financial liabilities, approximated their carrying amounts due to their short maturities.

As at 31 December 2014 and 2013, other payables, accruals and other current liabilities were denominated in RMB.

20 DEFERRED INCOME

Group

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Current		
Government incentives (a)	**30**	1,400
Incentives to compensate the costs for leasehold improvements (b)	**19,424**	6,744
	19,454	8,144
Non-Current		
Government incentives (a)	**575**	–
Incentives to compensate the costs for leasehold improvements (b)	**29,201**	6,725
	29,776	6,725
Deferred income	**49,230**	14,869

(a) Government incentives

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
At beginning of the year	**1,400**	1,400
– Additions	**1,155**	–
– Credited to the consolidated statement of comprehensive income (Note 22)	**(1,950)**	–
At end of the year	**605**	1,400

The Company received government incentives from local governments as support on expenses relating to certain brands. When the required criteria set by the local governments for such incentives are met, the portion of the qualified funds was recognised as "other gains – net" and the remaining balance was recorded as deferred income.

(b) Incentives to compensate the costs for leasehold improvements

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
At beginning of the year	**13,469**	4,794
– Additions	**45,971**	12,435
– Credited to the consolidated statementof comprehensive income	**(10,815)**	(3,760)
At end of the year	**48,625**	13,469

20 DEFERRED INCOME (CONTINUED)

(b) Incentives to compensate the costs for leasehold improvements (continued)

Certain lessors provided incentives to the Group to compensate the costs for leasehold improvements. The Group recognised the aggregate benefit of incentives as a reduction of "operating lease rentals" over the lease term on a straight-line basis. The current portion of incentives was estimated based on the expected reduction of "operating lease rentals" to be recognised within the next 12 months from the reporting date. The remaining balance was recorded as non-current portion.

Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Current		
Government incentives (a)	**–**	1,400
Incentives to compensate the costs for leasehold improvements (b)	**3,526**	1,473
	3,526	2,873
Non-Current		
Incentives to compensate the costs for leasehold improvements (b)	**2,174**	882
Deferred income	**5,700**	3,755

(a) Government incentives

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
At beginning of the year	**1,400**	1,400
– Additions	**550**	–
– Credited to the consolidated statement of comprehensive income	**(1,950)**	–
At end of the year	**–**	1,400

(b) Incentives to compensate the costs for leasehold improvements

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
At beginning of the year	**2,355**	1,673
– Additions	**5,524**	2,177
– Credited to the consolidated statement of comprehensive income	**(2,179)**	(1,495)
At end of the year	**5,700**	2,355

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

21 REVENUE

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Retail points	**7,776,576**	6,225,087
Online stores	**37,593**	–
	7,814,169	6,225,087

22 OTHER GAINS – NET

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
(Losses)/gains on disposal of property, plant and equipment – net	**(822)**	64
Government incentives	**45,561**	27,295
Relating to income (a)	**43,611**	27,295
Relating to items with attached conditions (Note 20(a))	**1,950**	–
Others	**6,466**	4,278
	51,205	31,637

(a) Government incentives primarily included the financial subsidies received from local Finance Bureau of RMB38,700,000 during the year ended 31 December 2014 (2013: RMB22,440,000).

23 EXPENSES BY NATURE

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Costs of inventories recognized as expenses included in costs of sales (Note 10)	**2,224,175**	1,803,758
Operating lease rentals	**2,240,273**	1,738,475
– concessionaire fees	**1,605,257**	1,189,856
– rental and store maintenance fee	**635,016**	548,619
Employee benefit expenses (Note 24)	**1,630,728**	1,284,358
Depreciation (Note 6)	**321,819**	300,758
Utilities and electricity	**175,373**	145,097
Write-down of inventories to net realisable value (Note 10)	**151,634**	92,059
Marketing and promotion expenses	**79,777**	53,030
Taxes and levis	**77,329**	47,961
Costs of low value materials	**64,416**	62,318
Logistic expenses	**54,479**	42,369
Bank charges and point-of-sale device processing fees	**31,287**	29,469
Travelling and communication expenses	**26,929**	23,979
Consulting expenses	**14,181**	16,291
Listing expenses	**13,382**	7,295
Amortization of intangible assets (Note 8)	**10,680**	7,326
Sample expenses	**9,349**	8,214
Auditor's remuneration	**2,600**	350
Amortization of land use rights (Note 7)	**431**	243
Miscellaneous	**2,972**	3,844
Total cost of sales, selling and marketing and administrative expenses	**7,131,814**	5,667,194

24 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS AND SUPERVISORS' EMOLUMENTS)

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Wages, salaries and bonuses	**1,310,642**	1,058,603
Contribution to pension plan (a)	**155,638**	103,305
Housing fund, medical insurance and other social insurance (b)	**156,290**	115,887
Share–based compensation plan (Note 15(b))	**8,158**	6,563
	1,630,728	1,284,358

(a) As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in the PRC. The Group contributes 11% to 22% of such relevant income (comprising wages, salaries and bonuses, and subject to maximum caps), subject to certain ceiling and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

(b) Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on approximately 8% to 20% of the relevant income (comprising wages, salaries and bonuses) of the employees, subject to maximum caps. The Group's liability in respect of these funds is limited to the contributions payable in each period.

25 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENTS' EMOLUMENTS

(a) Directors and supervisors' emoluments

Directors and supervisors' emoluments are set out as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Directors' fees	**404**	440
Wages, salaries and bonuses	**4,966**	4,116
Contribution to pension plan	**170**	155
Housing fund, medical insurance and other social insurance	**175**	146
Share-based compensation plan (Note 15(b))	**492**	533
	6,207	5,390

No individual has waived or agreed to waive any emoluments.

25 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENTS' EMOLUMENTS (CONTINUED)

(a) Directors and supervisors' emoluments (continued)

Directors and supervisors' emoluments are set out below:

	Directors' fees RMB'000	Wages, salaries and bonuses RMB'000	Contribution to pension plan RMB'000	Housing fund, medical insurance and other social insurance RMB'000	Share-based compensation plan RMB'000	Total RMB'000
Year ended 31 December 2014						
Executive Directors						
Xing Jiaxing (邢加興)	–	1,140	37	38	310	1,525
Wang Yong (王勇)	–	1,140	37	38	–	1,215
Hu Gang (胡剛) (ii)	–	672	22	23	–	717
Shi Hai (石海) (i) (x)	–	766	37	38	–	841
Non-executive Director						
Li Jiaqing (李家慶)	–	–	–	–	–	–
Lu Weiming (陸衛明)	–	–	–	–	–	–
Cao Wenhai (曹文海)	–	–	–	–	–	–
Liu Qing (柳青) (iii)	–	–	–	–	–	–
Wang Haitong (王海桐) (iv)	–	–	–	–	–	–
Independent Non-executive Directors						
Mao Jianong (毛嘉農)	101	–	–	–	–	101
Chen Wei (陳巍)	101	–	–	–	–	101
Zhou Guoliang (周國良) (vi)	101	–	–	–	–	101
Law Japhet Sebastian (羅文鈺) (vii)	101	–	–	–	–	101
Supervisors						
Tang Zhen (唐震)	–	242	–	–	182	424
Xie Hong (謝宏)	–	804	37	38	–	879
Yang Lin (楊琳)	–	–	–	–	–	–
Zhang Xueqing (張學慶) (v)	–	101	–	–	–	101
Zhang Tao (張濤) (v)	–	101	–	–	–	101
	404	4,966	170	175	492	6,207

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

25 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENTS' EMOLUMENTS (CONTINUED)

(a) Directors and supervisors' emoluments (continued)

	Directors' fees RMB'000	Wages, salaries and bonuses RMB'000	Contribution to pension plan RMB'000	Housing fund, medical insurance and other social insurance RMB'000	Share-based compensation plan RMB'000	Total RMB'000
Year ended 31 December 2013						
Executive Directors						
Xing Jiaxing (邢加興)	–	1,018	36	34	337	1,425
Ji Liming (季麗鳴) (viii)	–	321	12	11	–	344
Wang Yong (王勇)	–	997	36	34	–	1,067
Shi Hai (石海) (i) (x)	–	724	35	33	–	792
Non-executive Director						
Li Jiaqing (李家慶)	–	–	–	–	–	–
Lu Weiming (陸衛明)	–	–	–	–	–	–
Cao Wenhai (曹文海)	–	–	–	–	–	–
Liu Qing (柳青) (iii)	–	–	–	–	–	–
Independent Non-executive Directors						
Mao Jianong (毛嘉農)	120	–	–	–	–	120
Hu Baihe (胡柏和) (ix)	70	–	–	–	–	70
Chen Wei (陳巍)	120	–	–	–	–	120
Zhou Guoliang (周國良) (vi)	80	–	–	–	–	80
Law Japhet Sebastian (羅文鈺) (vii)	50	–	–	–	–	50
Supervisors						
Tang Zhen (唐震)	–	310	–	–	196	506
Xie Hong (謝宏)	–	746	36	34	–	816
Yang Lin (楊琳)	–	–	–	–	–	–
	440	4,116	155	146	533	5,390

25 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENTS' EMOLUMENTS (CONTINUED)

(a) Directors and supervisors' emoluments (Continued)

(i) Ms. Shi Hai was appointed as an executive director since May 2013 and resigned as an executive director in June 2014.

(ii) Mr. Hu Gang was appointed as an executive director since June 2014.

(iii) Ms. Liu Qing was appointed as a non-executive director since May 2013 and resigned as a non-executive director in June 2014.

(iv) Ms. Wang Haitong was appointed as a non-executive director since July 2014.

(v) Mr. Zhang Xueqing and Mr. Zhang Tao were appointed as supervisors since February 2014.

(vi) Mr. Zhou Guoliang was appointed as an independent non-executive director since May 2013.

(vii) Mr. Law Japhet Sebastian was appointed as an independent non-executive director since August 2013.

(viii) Ms. Ji Liming resigned as an executive director in May 2013.

(ix) Mr. Hu Baihe was appointed as an independent non-executive director since May 2011. He resigned as an independent non-executive director in August 2013 as he felt his expertise could not be fully utilised any more following the Company's termination of its application for listing on the Shanghai Stock Exchange in June 2013.

(x) The directors and supervisors were also employees of the Group and the Group paid employee emoluments to them in their capacity as employees before or after their respective appointments as directors or supervisors for the years ended 31 December 2014 and 2013.

(b) Five highest paid individual

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2014 included two (2013: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2013: three) during the year are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Wages, salaries and bonuses	**2,756**	2,218
Contribution to pension plan	**91**	99
Housing fund, medical insurance and other social insurance	**114**	94
Share-based compensation plan (Note 15(b))	**3,011**	3,473
	5,972	5,884

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

25 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENTS' EMOLUMENTS (CONTINUED)

(b) Five highest paid individual (continued)

The emoluments fell within the following bands:

	Year ended 31 December	
	2014	2013
Emolument bands:		
HK$1,000,000 to HK$1,500,000 (equivalent to RMB789,000 to RMB1,183,000)	**1**	1
HK$1,500,000 to HK$3,500,000 (equivalent to RMB1,183,000 to RMB2,760,000)	**2**	2
	3	3

No director, supervisor or the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

26 FINANCE COSTS – NET

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Finance income		
Interest income derived from bank deposits	**(9,563)**	(1,937)
Finance cost		
Interest on bank borrowings	**55,701**	39,402
Less: capitalised interest during the year	**(2,826)**	(1,327)
Interest expense on bank borrowings	**52,875**	38,075
Exchange losses	**5,866**	–
	58,741	38,075
Finance costs – net	**49,178**	36,138

27 TAXATION

(a) Income tax expense

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Current income tax	**192,024**	189,421
Deferred income tax (Note 9)	**(18,853)**	(49,402)
Income tax expense	**173,171**	140,019

27 TAXATION (CONTINUED)

(a) Income tax expense (continued)

PRC corporate income tax ("CIT")

The income tax provision of the Group was calculated at the tax rate of 25% on the estimated assessable profits for the year ended 31 December 2014 and 2013, based on the existing legislation, interpretations and practices in respect thereof.

The tax on the Group's profit before income tax differs from the theoretical amount that could arise using the statutory CIT rates applicable to the year ended 31 December 2014 and 2013 as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit before tax	**684,382**	553,392
Tax calculated at statutory tax rates applicable to each group entity	**171,096**	138,348
Tax effect of:		
Expenses not deductible for tax purpose (i)	**2,075**	1,671
Tax charge	**173,171**	140,019

(i) Expense not deductible for tax purpose primarily include share-based compensation expenses, expense not qualified for tax deduction purpose and welfare and entertainment expenses exceeding the tax deduction limits under the CIT Law.

(b) Value-added tax ("VAT") and related taxes

The Group's revenues are subject to output VAT generally calculated at 3% or 17% of the selling prices pursuant to different circumstances. Input credit relating to input VAT paid on purchases can be used to offset the output VAT. The Group is also subject to city construction tax, educational surcharge, local educational surcharge and river management fee based on 7%, 3%, 2% and 1% of the net VAT payable respectively.

28 PROFIT ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

The profit attributable to equity owners of the Company is dealt with in the financial statements of the Company to the extent of RMB386,507,000 for the year ended 31 December 2014 (2013: RMB132,823,000) (Note 16).

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

29 EARNINGS PER SHARE

Group

Basic

Basic earnings per share was calculated by dividing the profit attributable to the equity owners of the Company by the deemed weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2014	2013
Profit attributable to equity owners of the Company (RMB'000)	**503,452**	407,298
Weighted average number of ordinary shares in issue (thousands of shares)	**395,662**	355,993
Basic earnings per share (RMB per share)	**1.27**	1.14

Diluted

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has no category of dilutive potential ordinary shares.

30 DIVIDENDS

Pursuant to a resolution of the Board of Directors on 11 March 2015, a final dividend of RMB0.60 per share for the year ended 31 December 2014 has been recommended by the directors. This final cash dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. The total amount is estimated to be RMB302,028,000. These financial statements do not reflect this dividend payable.

The dividend in respect of 2013 of RMB0.39 per share, amounting to a total dividend of RMB142,247,000 was approved at the shareholders' meeting of the Company on 16 February 2014. It was reflected as an appropriation of retained earnings for the year ended 31 December 2014 and paid out in 2014.

The dividend of RMB0.0685 per share in respect of the six months ended 30 June 2013, amounting to a total dividend of RMB25,000,000 was approved at the shareholders' meeting of the Company on 22 July 2013. It has been reflected as an appropriation of retained earnings for the year ended 31 December 2013 and RMB19,656,000 was paid out in 2013 and RMB5,344,000 was paid out in March 2014.

31 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit for the year before income tax	**684,382**	553,392
Adjustments for:		
– Depreciation of property, plant and equipment (Note 6)	**321,819**	300,758
– Amortization of land use rights (Note 7)	**431**	243
– Amortization of intangible assets (Note 8)	**10,680**	7,326
– Write-down of inventories to the net realisable value (Note 10)	**151,634**	70,507
– Finance costs (Note 26)	**58,741**	38,075
– Share-based compensation plan (Note 15(b))	**8,158**	6,563
– Losses/(gains) on disposal of property, plant and equipment (Note 22)	**822**	(64)
– Interest income from term deposits	**(2,845)**	–
	1,233,822	976,800
Changes in working capital:		
– Increase in trade receivables	**(155,310)**	(186,003)
– Increase in deposits, prepayments and other receivables	**(34,645)**	(52,238)
– Increase in inventories	**(186,149)**	(536,528)
– (Decrease)/increase in trade and bill payables	**(4,184)**	121,029
– Increase in other payables, accruals and other liabilities	**143,032**	138,096
– Increase in deferred income	**34,361**	8,675
Cash generated from operations	**1,030,927**	469,831

(b) Proceeds from disposal of property, plant and equipment

In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprised:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Net book amount (Note 6)	**1,863**	310
Net (losses)/gains on disposal of property, plant and equipment (Note 22)	**(822)**	64
Proceeds from disposal of property, plant and equipment	**1,041**	374

(c) Non-cash transaction

There were no significant non-cash transaction in 2014 and 2013.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

32 CONTINGENCIES

The Group did not have any significant contingent liabilities.

33 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at each balance sheet date, but not yet incurred was as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Property, plant and equipment	**44,515**	64,761
Intangible assets	**–**	23,000
	44,515	87,761

The Group's capital commitments with respect to purchase of property, plant and equipment mainly related to the decorating of the new retail points and the contractual obligations relating to the development of the warehousing and logistics centre in Taicang, Jiangsu Province.

(b) Operating lease commitments

The future aggregate minimum lease payments in respect of buildings under non-cancellable operating leases were as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
No later than 1 year	**447,369**	402,360
Later than 1 year and no later than 5 year	**1,228,779**	1,154,872
Later than 5 years	**397,341**	411,074
	2,073,489	1,968,306

Generally, the Group's operating leases are for terms of 2 to 8 years.

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2014 and 2013, and balances arising from related party transactions as at 31 December 2014 and 2013.

(a) Name and relationship with related parties

	Relationship with the Group
Mr. Xing Jiaxing	*Founder and one of the controlling shareholders*
Good Factor	*Shareholder of the Company*

(b) Transactions with related parties

Other than those disclosed in Note 17 and Note 30 or elsewhere in this report, for the years ended 31 December 2014 and 2013, the Group had no other significant transactions with related parties.

The financial guarantee provided by Mr Xing Jiaxing to the Group as stated in Note 17 was subsequently released in March 2014.

(c) Balances with related parties

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Dividends payable due to:		
Good Factor	**–**	5,344

The dividends payable due to related parties were unsecured, non-interest bearing and repayable on demand.

(d) Key management compensation

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Wages, salaries and bonuses	**12,249**	9,136
Contribution to pension plan	**446**	370
Housing fund, medical insurance and other social insurance	**479**	361
Share-based compensation plan (Note 15(b))	**3,887**	4,202
	17,061	14,069

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

35 INVESTMENTS IN SUBSIDIARIES

	The Company	
	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Unlisted, at cost	**143,400**	143,400

Particulars of the subsidiaries of the Group as at the date of this report and for the years ended 31 December 2014 and 2013 were set out below:

Company name	Country/place and date of incorporation	Paid-in and registered capital	Effective interests held by the Company % 31 December 2014	Effective interests held by the Company % 31 December 2013	Direct/ Indirect	Principle activities
Shanghai La Chapelle Casual Fashion Co., Ltd. (上海拉夏貝爾休閒服飾有限公司)	Shanghai, PRC 9 February 2010	RMB5,000,000	**100%**	100%	Direct	Sales of apparel products
Candie's Shanghai Fashion Co., Ltd. (上海樂歐服飾有限公司)	Shanghai, PRC 18 October 2010	RMB16,000,000	**65%**	65%	Direct	Design and sales of apparel products
Nanjing Lewei Fashion Co., Ltd. (南京樂微服飾有限公司)	Nanjing, PRC 3 March 2011	RMB500,000	**100%**	100%	Direct	Sales of apparel products
Chongqing Lewei FashionCo., Ltd. (重慶樂微服飾有限公司)	Chongqing, PRC 22 December 2010	RMB500,000	**100%**	100%	Direct	Sales of apparel products
Beijing La Chapelle Lewei Fashion Co., Ltd. (北京拉夏樂微服飾有限公司)	Beijing, PRC 28 December 2010	RMB500,000	**100%**	100%	Direct	Sales of apparel products
Chengdu La Chapelle Fashion Co., Ltd. (成都拉夏貝爾服飾有限公司)	Chengdu, PRC 17 February 2011	RMB500,000	**100%**	100%	Direct	Sales of apparel products

35 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Company name	Country/place and date of incorporation	Paid-in and registered capital	Effective interests held by the Company % 31 December 2014	2013	Direct/ Indirect	Principle activities
Shanghai Weile Fashion Co., Ltd. (上海微樂服飾有限公司)	Shanghai, PRC 23 November 2011	RMB1,000,000	**100%**	100%	Direct	Design and sales of apparel products
Shanghai Langhe Fashion Co., Ltd. (上海朗赫服飾有限公司)	Shanghai, PRC 5 December 2011	RMB5,000,000	**100%**	100%	Direct	Design and sales of apparel products
Shanghai Xiawei Fashion Co., Ltd. (上 海夏微服飾有限公司)	Shanghai, PRC 21 December 2011	RMB5,000,000	**100%**	100%	Direct	Design and sales of apparel products
La Chapelle Fashion (Taicang) Co., Ltd. (拉夏貝爾服飾(太倉)有限公司)	Taicang, PRC 9 August 2012	RMB100,000,000	**100%**	100%	95% directly held and 5% indirectly held	Sales of apparel products
La Chapelle (Tianjin) Co., Ltd. (拉夏貝爾服飾(天津)有限公司)	Tianjin, PRC 15 November 2012	RMB16,000,000	**100%**	100%	Direct	Sales of apparel products
Chengdu Lewei Fashion Co., Ltd. (成都樂微服飾有限公司)	Chengdu, PRC 22 August 2013	RMB10,000,000	**100%**	100%	Direct	Sales of apparel products

The English names of the PRC companies and statutory auditors referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

36 EVENTS AFTER THE BALANCE SHEET DATE

(a) Pursuant to a resolution of the Board of Directors on 11 March 2015, a dividend of RMB0.60 per share was proposed (Note 30).

(b) In January 2015, the Company acquired the land use rights in Chengdu at the consideration of RMB17,930,000 to develop the logistics center in Chengdu.

(c) On 13 February 2015, the Company entered into two contractual agreements with Hangzhou Anshe E-Commerce Company Limited ("Hangzhou Anshe") and its existing shareholders, namely, the Mr. Shen Qinhua, Ms. Cao Qing, and Marix Partners China II Hong Kong Limited for the purpose of obtaining the 54.05% equity interest of Hangzhou Anshe. Pursuant to the equity transfer agreements, the Company will acquire 45% equity interest of Hangzhou Anshe at the consideration of RMB135,000,000 from the existing shareholders. In addition, pursuant to the capital injection agreement, after the completion of the above equity transfer, the Company will inject cash of RMB65,000,000 to obtain newly issued share capital of Hangzhou Anshe. After the capital injection, the Company's effective equity interest in Hangzhou Anshe will increase to 54.05%.

37 APPROVAL AND AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on 11 March 2015.