富貴鳥股份有限公司
FUGUINIAO CO., LTD.

ANNUAL REPORT
2015

(A joint stock company incorporated in the People's Republic of China with limited liability) | Stock Code: 01819

富貴鳥 • FGN • ANYWALK • ZUBU

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent non-executive Directors

Mr. Wang Zhiqiang
Ms. Long Xiaoning
Mr. Cheung Ming Hung
Ms. Chan Wah Man, Carman

SUPERVISORS

Mr. Zhang Haimu *(Chairman)*
Mr. Li Yuzhong
Ms. Lian Liqing

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Ms. Chan Wah Man, Carman *(Chairlady)*
Mr. Cheung Ming Hung
Mr. Lam Wo Ping

NOMINATION COMMITTEE

Mr. Lam Wo Ping *(Chairman)*
Ms. Long Xiaoning
Mr. Cheung Ming Hung

STRATEGY COMMITTEE

Mr. Lam Wo Ping *(Chairman)*
Ms. Long Xiaoning
Mr. Cheung Ming Hung

COMPANY SECRETARY

Mr. Chan Wai Shing *(HKICPA)*

AUTHORISED REPRESENTATIVES

Mr. Lam Wo Ping
Mr. Chan Wai Shing

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1908, 19/F, West Tower
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168–200 Connaught Road Central
Hong Kong

COMPANY'S WEBSITE

www.fuguiniao.com

AUDITORS

KPMG
Certified Public Accountants

LEGAL ADVISOR AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

LEGAL ADVISOR AS TO PRC LAW

Jingtian & Gongcheng

H SHARE REGISTRAR

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

PRINCIPAL BANKERS

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No. 618, Jiu'er Road
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The PRC

Bank of China Limited Shishi Sub-branch
Zhongyin Building
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Shishi City
Fujian Province
The PRC

FINANCIAL SUMMARY

	Year ended 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	**2,031,817**	2,322,982	2,294,287	1,932,129	1,651,560
Profit from operations	**586,642**	626,035	616,851	474,056	376,252
Income tax expense	**(131,485)**	(150,912)	(149,583)	(108,352)	(72,129)
Profit for the year	**392,139**	451,222	443,729	323,587	253,854
Basic earnings per share (RMB)	**0.29**	0.34*	0.44*	N/A	N/A
Gross profit margin	**39.5%**	39.5%	38.6%	33.8%	31.0%
Operating profit margin	**28.9%**	26.9%	26.9%	24.5%	22.8%
Net profit margin	**19.3%**	19.4%	19.3%	16.7%	15.4%

* The calculation of basic earnings per share for the years ended 31 December 2014 and 31 December 2013 is based on the profit for the year and the weighted average of shares after adjusting for the bonus issue in 2015.

	As at 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Non-current assets	**104,967**	122,485	128,599	328,626	236,713
Current assets	**4,272,300**	2,990,964	2,614,462	1,132,944	1,384,006
Current liabilities	**1,184,143**	920,383	803,364	660,028	1,000,440
Net current assets	**3,088,157**	2,070,581	1,811,098	472,916	383,566
Total assets less current liabilities	**3,193,124**	2,193,066	1,939,697	801,542	620,279
Net assets	**2,399,624**	2,193,066	1,939,697	801,542	620,279
Share Capital	**1,337,273**	534,909	533,340	400,000	293,633
Reserves	**1,062,351**	1,658,157	1,406,357	401,542	326,646
Total equity	**2,399,624**	2,193,066	1,939,697	801,542	620,279

FINANCIAL RATIOS

	2015	2014
Gross profit margin	39.5%	39.5%
EBITDA margin	29.5%	27.6%
Net profit margin	19.3%	19.4%
Return on equity (1)	16.4%	20.6%
Return on total assets (2)	9.0%	14.5%
Current ratio (3)	360.8%	325.0%
Gearing ratio (4)	56.2%	18.3%
Net debt to equity ratio (5)	Net Cash	Net Cash
Interest coverage (6)	9.3	26.2

Notes:

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

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

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

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

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

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


FUGUINIAO 富贵鸟
FUGUINIAO 富贵鸟

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Fuguiniao Co., Ltd. (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015.

In 2015, global economic growth slowed down and the global economic recovery remained rough and difficult. China recorded an annual gross domestic product of approximately RMB67,670.8 billion, a growth of 6.9% as compared to the previous year, demonstrating a downward trend.

During 2015, the consumption market in China advanced at a steady pace and the total retail sales volume of consumer goods achieved a nominal growth of 10.7% as compared to the previous year (a real growth of 10.6% excluding price factors). In particular, the annual sales volume of apparel, footwear, headwear, knitwear and textiles recorded a year-on-year growth of 9.8%.

E-commerce remained its strong growth momentum in 2015. China's online retail sales volume recorded an increase of 33.3% as compared to the previous year. In particular, online retail sales volume of physical products increased by 31.6%, while online retail sales volume of virtual products increased by 42.4%.

Affected by the macroeconomic environment and its own development cycle, the footwear and apparel industry was still at a bottoming stage in 2015.

In 2015, the Company introduced and implemented its corporate strategies mainly in the following aspects:

Firstly, consolidating the existing outlets and promoting same-store operating efficiency. As of 31 December 2015, the Group's retail network had 2,960 retail outlets, covering 31 provinces, autonomous regions and municipalities throughout China, among which 255 were proprietary retail outlets. The same-store sales of the Company generally maintained a stable growth during 2015.

Secondly, establishing an e-commerce team and developing multi-model synergistic strategies. In April 2015, the Company set up a new wholly-owned subsidiary called Xiamen Fuguiniao E-commerce Co., Ltd. (廈門市富貴鳥電子商務有限公司) and established a dedicated team for the management and operation of its e-commerce business. Presently, the Company is developing the e-commerce market through multiple platforms, including flagship stores established on leading and renowned e-commerce websites, a self-established Fuguiniao WeChat distribution platform and a WeChat promotion platform, which have generated positive synergies.

Thirdly, entering into the sports casual market segment with the launch of a new sub-brand called "足步 (Zubu)". In December 2015, the Company introduced a new lifestyle casual brand for men's and women's footwear called "足步 (Zubu)", which is positioned towards three market segments, namely the lifestyle casual, fashionable casual and sports casual segments. Meanwhile, the "Zubu Venture Programme for College Students (足步大學生創業計劃)"was started under the "Zubu" project in order to help college students and entrepreneurs of small and medium businesses to start their businesses at a low cost.

Fourthly, promoting differentiation strategy with the "Fuguiniao Health Function Footwear", which was clinically proven to be effective. After nearly eight months of clinical trial and research, on November 2015, Wuhan Union Hospital and the School of Public Health of Huazhong University of Science & Technology issued the Clinical Trial Report on the Use of Fuguiniao Health Function Footwear in Improving the Blood Circulation in Lower Legs (《富貴鳥健康鞋改善小腿血液循環臨床驗證報告》) and the Clinical Trial Report on the Use of Fuguiniao Health Function Footwear in Improving the Microcirculation in Feet (《富貴鳥健康鞋改善足部微循環臨床驗證報告》) to the Company. The clinical trial proved that Fuguiniao Health Function Footwear has the function of significantly improving the blood circulation in lower legs as well as the microcirculation in feet. In late November 2015, the Company introduced three franchise channels, including offline footwear and apparel shops under franchise arrangement, online shops under franchise arrangement and foot treatment shops under cooperation arrangement.

During 2015, the Group's revenue was approximately RMB2,031.8 miilion (2014: RMB2,323.0 million), representing a decrease of 12.5% as compared to the previous year. The Group's footwear products recorded a revenue of approximately RMB1,696.8 million (2014: RMB1,817.4 million), accounting for 83.5% of the Group's total sales. The Group's gross profit amounted to approximately RMB801.6 million (2014: RMB917.3 million), representing a decrease of 12.6% as compared to the previous year. The profit attributable to shareholders amounted to approximately RMB392.1 million (2014: RMB451.2 miilion), representing a decrease of 13.1% as compared to the previous year. The basic earnings per share were RMB0.29 (2014: RMB0.34).

The slight decrease of the macro-economy and the fact that the footwear and apparel industry was not yet ready for a turnaround over the past year are both within our expectations. The year of 2015 was a year when we clarified our market development and corporate positioning. In light of the market conditions, we have formulated a strategic development framework for the coming years with a view to developing and expanding the differentiated products and markets that can make up the long-term core competencies of the Company.

In 2016, the Company will carry on with its "expansion strategy of the e-commerce sector". The Company will (1) continue to cooperate with core e-commerce platforms; (2) continue to achieve synergistic development through a range of platforms, including the WeChat distribution platform and the social media promotion platforms; and (3) cooperate with footwear and apparel brands or teams with e-commerce elements to jointly expand the e-commerce market.

In 2016, the Company will continue to pursue the "product differentiation strategy" with a focus on the following projects: (1) The "Fuguiniao Health Function Footwear" project. Since the Company has received the clinical trial reports proving the effectiveness of the Fuguiniao Health Function Footwear, it will launch a nationwide franchise recruitment campaign throughout the country; and (2) The"Zubu" brand project. The Company will introduce footwear products focused mainly on lifestyle casual, fashionable casual and sports casual styles and recruit franchisees by adopting innovative approaches, such as the "Zubu Venture Programme for College Students (足步大學生創業計劃)".

In 2016, the Company will further proceed with its "specialized market segmentation strategy". The Company will develop beyond the existing market to explore the specialized niche market. With the school uniform market as the breakthrough, the Company will gradually enter into the kids' wear and footwear market, and develop other niche work uniform markets when suitable opportunities arise.

In 2016, the Company will proceed to carry out the "plan of acquiring/cooperating with overseas brands". The Company has been producing footwear products for certain famous foreign brands on an OEM basis. As the next step, the Company will join hands with some of the famous foreign brands to explore the market in China for the relevant brands by utilising the advantages of the Company's nationwide sales network.

Finally, I would like to thank our Board members, management and staff for their contributions to the Company. At the same time, I would also like to express my deep gratitude to our shareholders and customers for their long-term support. The Company is devoted to building up its long-term core competencies and achieving sustainable growth, which, we believe, will translate into long-term and continuous returns for our shareholders and investors in the future.

Lam Wo Ping
Chairman and Executive Director

Hong Kong, 17 March 2016

INDUSTRY OVERVIEW

In 2015, global economic growth slowed down and the global recovery remained rough and difficult. Under the dual impact of structural and cyclical factors, the Chinese economy is still facing downward pressure.

Throughout the year, the consumption market in China advanced at a steady pace and the total retail sales volume of consumer goods achieved a nominal growth of 10.7% as compared to the previous year. In particular, the annual sales volume of apparel, footwear, head wear, knitwear and textiles recorded a year-on-year growth of 9.8%.

Management Discussion And Analysis

Affected by the macroeconomic environment and its own development cycle, the footwear and apparel industry was still at a bottoming stage in 2015. Well-known footwear and apparel brands were under the threat of both e-commerce diversion and competition from various international and domestic brands. Companies without transformation capacities will be gradually eliminated from the market.

The year of 2015 was a year when we clarified our market development and corporate positioning. In light of the market conditions, the Company has formulated a strategic development framework for the coming years to strategically emphasize on four major areas, namely the e-commerce channels, differentiated products, niche markets and overseas brand cooperation, with a view to developing and expanding the differentiated products and markets that can make up the long-term core competencies of the Company.

BUSINESS REVIEW

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

Sales and distribution network

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

We distribute our branded products through an extensive nationwide retail network consisting of 2,960 retail outlets across 31 provinces, autonomous regions and municipalities in the PRC as at 31 December 2015. The following table sets forth the number of distributors and retail outlets operated by us, our distributors and third-party retailers by region in the PRC as at 31 December 2014 and 2015:

	As at 31 December			
	2015		2014	
PRC regions	No. of retail outlets(1)	No. of distributors(2)	No. of retail outlets(1)	No. of distributors(2)
Northeastern PRC	367	7	392	7
Northern PRC	617	9	679	12
Eastern PRC	784	19	824	18
Central Southern PRC	616	13	640	12
Northwestern PRC	226	5	251	5
Southwestern PRC	350	7	358	7
Total	2,960	60	3,144	61

Notes:

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

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

Among the 2,960 retail outlets as at 31 December 2015, 1,336 retail outlets were owned and operated by our distributors, 1,369 retail outlets were owned and operated by third-party retailers and the remaining 255 retail outlets were operated directly by us. In addition, as at 31 December 2015, among our 2,960 retail outlets, 2,107 were department store outlets and the remaining were stand-alone stores.

The following table sets forth the number of retail outlets operated by us, our distributors and third-party retailers by sales channel as of 31 December 2014 and 2015:

	As at 31 December	
Sale Channels	2015	2014
Retail outlets operated by our distributors and third-party retailers	2,705	2,893
Proprietary retail outlets	255	251
Total	2,960	3,144

Below is a summary of the changes in the number of retail outlets during the year ended 31 December 2015:

	As at 31 December 2014	Opened	Closed	As at 31 December 2015
Retail outlets operated by our distributors and third-party retailers	2,893	269	457	**2,705**
Proprietary retail	251	36	32	**255**
Total	3,144	305	489	**2,960**

After a period of rapid expansion of our distribution network in 2011 when we began selling our business casual menswear products, we have taken a more conservative approach in expanding our retail network in 2015 in line with our business growth and to ensure the profitability of the retail stores.

Retail network and inventory management

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

To further implement our retail policies, we conduct random on-site inspections at individual retail outlets to ensure that the decorations, displays and retail prices in each retail outlet comply with our requirements. Through these inspections and visits, we seek to ensure that the terms and conditions of the distributorship agreements are being complied with throughout our distribution network. We identify and inform distributors of any non-conforming individual retail outlets and require them to rectify the problems within a certain period of time. We also require our distributors to conduct regular site visits to the retail outlets operated by third-party retailers they have authorised to check whether our operating standards are being followed. We believe this system of uniform operating standards and periodic checks and visits helps us to ensure all retail outlets are efficiently operated and create a pleasant shopping experience to our retail customers. We are not aware of any breach of our retail policies by the retail outlets operated by our distributors and third-party retailers in 2015.

We also recognise that controlling inventory levels is important to our overall profitability. Sales orders from our trade fairs enable us to manage our inventory of raw materials and finished products more efficiently. For this reason, we typically have low inventory levels of unused raw materials and unsold or obsolete finished products at the end of the year. As at 31 December 2015, our average inventory turnover days were 89.6 days, as compared to 64.5 days as at 31 December 2014.

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

Product design and development

We have strong in-house research, design and development capabilities that have been critical to our success. For each of our brands, Fuguiniao, FGN and AnyWalk, we have a separate research, design and development team. We further subdivide our Fuguiniao design and development team into Fuguiniao men's footwear and women's footwear teams. We also have a menswear design and development team responsible for the overall product planning and design for our business casual menswear products. Each of our footwear design teams consists of one design director, one to two chief designers, three to ten senior designers, assistant designers and other staff and is responsible for creating designs for a wide variety of products for their particular market segment based on domestic and international fashion trends, distinctive features of the brand and market demand. As at 31 December 2015, our research, design and development team comprised 174 members, including five design directors, six chief designers and several senior designers, who possessed an approximate average of 17 years of design experience in the footwear industry. In addition, each of our accessories design team and our menswear design team comprises one chief designer.

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

In June 2015, the Company was awarded as the "China Leading Leather Shoes King (中國真皮領先鞋王)" by China Leather Industry Association (中國皮革協會).

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

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

We believe by leveraging our in-depth knowledge of the market and fashion trends and the preferences of our target consumer groups in China, we are able to transform our designs into commercially viable, high-quality and widely accepted products. We believe our strong research and development capabilities enable us to maintain our brand image, expand our product portfolio and strengthen our competitiveness in the PRC footwear and menswear industries. As at 31 December 2015, we had the capacity to introduce over 1,500 stock keeping units ("SKUs") into the market for our branded footwear products and approximately 300 SKUs for our business casual menswear products for each season.

Production

We have three production facilities strategically located in Shishi City, Fujian Province, China, which have easy access to sea ports, airports and expressways. As at 31 December 2015, we had a combined annual production capacity of approximately 5.8 million pairs of footwear (calculated on the basis that our production facilities operate for eight hours per day and 300 days per year).

Marketing and promotion

During 2015, we continued to engage in, among others, advertising campaigns, fashion shows and department store promotional events to increase our brand awareness. Our national advertising primarily focuses on promoting our brand image and generating consumer attention through national television advertising and advertisements in fashion magazines and newspapers.

We continued to hold fashion shows in our trade fairs in 2015 through which we displayed advertising videos to promote our brands and to present our newly-released footwear and menswear collections. In addition, we organized product theme promotions in department stores where a majority of our retail outlets are located. We set display boards in our retail outlets showcasing newly-arrived products to allow end customers to be familiarized with our products and styles. We generally invited singers, actors and other PRC celebrities to participate in these promotional events.

Trade fairs

We held national trade fairs in April, June, September and November for year 2015 for the autumn, winter, spring and summer collections of our Fuguiniao and FGN branded footwear and Fuguiniao branded leather accessories, in April and September for year 2015 for the autumn/winter and spring/summer collections of our AnyWalk branded footwear, and in January, April and September for autumn, winter, spring/summer collections of our Fuguiniao branded menswear. Such trade fairs were attended by our existing or potential distributors, as well as certain third-party retailers and retail store managers. Our distributors can place orders with us directly and third-party retailers and retail store manager can place orders through our distributors.

FINANCIAL REVIEW

Revenue

Our revenue for the year ended 31 December 2015 amounted to RMB2,031.8 million, representing a decrease of 12.5% as compared to RMB2,323.0 million for the year ended 31 December 2014. This decrease was primarily a result of the decrease in the export sales of our footwear products and domestic sales of our menswear products.

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

Product Type	Year ended 31 December 2015 RMB'000	2015 %	2014 RMB'000	2014 %
Footwear				
Men's footwear	658,788	32.4	644,833	27.8
Women's footwear	1,038,060	51.1	1,172,572	50.4
Sub-total	1,696,848	83.5	1,817,405	78.2
Menswear	314,588	15.5	485,623	20.9
Leather accessories	20,381	1.0	19,954	0.9
Total	2,031,817	100.0	2,322,982	100.0

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

	Year ended 31 December 2015 Revenue RMB'000	2015 Units Sold '000	2015 Avg. Sales Price RMB	2014 Revenue RMB'000	2014 Units Sold '000	2014 Avg. Sales Price RMB
Product Type						
Footwear	1,696,848	7,967	212.98	1,817,405	8,353	217.58
Menswear	314,588	2,038	154.36	485,623	3,129	155.20
Leather accessories	20,381	178	114.50	19,954	201	99.27
Total	2,031,817			2,322,982		

Revenue from the sales of our footwear products decreased by RMB120.6 million, or 6.6%, from RMB1,817.4 million for the year ended 31 December 2014 to RMB1,696.8 million for the year ended 31 December 2015. This decrease was mainly due to the decrease of RMB134.5 million in the revenue from the sales of women's footwear, and was primarily a result of (i) a decrease in the revenue from our export sales; and (ii) a decrease in average sales prices of our footwear products in response to the market competition in the PRC. For the year ended 31 December 2015, the sales volume of our footwear products was 8.0 million pairs, a decrease of 4.8% from 8.4 million pairs for the year ended 31 December 2014. The average sales price decreased from RMB217.58 per pair to RMB212.98 per pair. This was primarily a result of the decrease in suggested price ranges we provided to our distributors of our footwear products in order to enhance our market penetration.

Revenue from the sales of our menswear products decreased by RMB171.0 million, or 35.2%, from RMB485.6 million for the year ended 31 December 2014 to RMB314.6 million for the year ended 31 December 2015. This decrease was primarily due to the decrease in revenue from distributors. The sales volume of our menswear products was 2.04 million units for the year ended 31 December 2015, a decrease of 34.9% from 3.13 million units for the year ended 31 December 2014. The average sales price also decreased from RMB155.2 per unit to RMB154.36 per unit. This was primarily a result of decrease in suggested price ranges we provided to our distributors of our menswear products.

Revenue from the sales of leather accessories increased by RMB0.4 million, or 2.0%, from RMB20.0 million for the year ended 31 December 2014 to RMB20.4 million for the year ended 31 December 2015, primarily as a result of higher demand from our distributors and expansion of product type. The sales volume of leather accessories was approximately 178,000 units, a decrease of 11.4% from approximately 201,000 units for the year ended 31 December 2014. The average sales price increased from RMB99.27 per unit to RMB114.5 per unit. This was primarily a result of the change of our product mix.

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

	Year ended 31 December			
	2015		2014	
	RMB'000	%	RMB'000	%
Brands				
Fuguiniao	1,653,059	81.4	1,857,090	79.9
FGN	51,034	2.5	72,193	3.1
AnyWalk	49,936	2.5	50,496	2.2
Fuguiniao Healthy Shoes and zubu	27,137	1.3	–	–
OEM/ODM	250,651	12.3	343,203	14.8
Total	2,031,817	100.0	2,322,982	100.0

In addition, revenue from the sales of our Fuguiniao branded products decreased by RMB204.0 million, or 11.0%, from RMB1,857.1 million for the year ended 31 December 2014 to RMB1,653.1 million for the year ended 31 December 2015. This decrease was primarily due to a decrease in sales of our menswear products.

Revenue from the sales of our FGN products decreased by RMB21.2 million, or 29.4%, from RMB72.2 million for the year ended 31 December 2014 to RMB51.0 million for the year ended 31 December 2015, primarily due to a decrease in sales volume. Revenue from the sales of our AnyWalk products decreased from RMB50.5 million for the year ended 31 December 2014 to RMB49.9 million for the year ended 31 December 2015, primarily due to a decrease in sales volume.

Revenue from the sales of our Fuguiniao Healthy Shoes and zubu products contributed approximately RMB27.1 million in 2015. The footwear products of Fuguiniao Healthy Shoes was focused to improve the blood circulation in legs and microcirculation in feet. For details, please refer to the announcement dated 12 November 2015. The footwear products of zubu was positioned towards three market segments, namely the lifestyle casual, fashionable casual and sports casual segments. The target customers are aged between 16 and 35. For details, please refer to the announcement dated 4 December 2015.

Revenue from the sales of our OEM/ODM products decreased by RMB92.5 million, or 27.0%, from RMB343.20 million for the year ended 31 December 2014 to RMB250.7 million for the year ended 31 December 2015. This decrease was primarily due to decrease of the export sales to Russia.

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

	Year ended 31 December			
	2015		2014	
	RMB'000	%	RMB'000	%
Channel				
Distributors	1,409,704	69.4	1,594,589	68.6
Proprietary outlets	231,555	11.4	243,830	10.5
Large-scale institutional purchases	26,859	1.3	42,164	1.8
Online sales	113,048	5.6	99,196	4.3
OEM/ODM customers	250,651	12.3	343,203	14.8
Total	2,031,817	100.0	2,322,982	100.0

As a result of a decrease in the order from our distributors, mainly menswear products, revenue from our distributors decreased by RMB184.9 million, or 11.6%, from RMB1,594.6 million for the year ended 31 December 2014 to RMB1,409.7 million for the year ended 31 December 2015. Revenue from our proprietary outlets decreased by RMB12.2 million, or 5.0%, from RMB243.8 million for the year ended 31 December 2014 to RMB231.6 million for the year ended 31 December 2015. Due to the decrease in demand of our products to large institutional customers, revenue from large-scale institutional purchases decreased from RMB42.2 million for the year ended 31 December 2014 to RMB26.9 million for the year ended 31 December 2015. As we expanded our sales of our products through the online platform, revenue from online sales increased from RMB99.2 million for the year ended 31 December 2014 to RMB113.0 million for the year ended 31 December 2015.

Cost of sales and gross profit margin

For the year ended 31 December 2015, cost of sales amounted to RMB1,230.3 million, a decrease of RMB175.3 million, or 12.5%, from RMB1,405.6 million for the year ended 31 December 2014. The decrease in our total cost of sales was primarily due to a decrease in the sales volume of our products.

	Year ended 31 December			
	2015		2014	
	RMB'000	%	RMB'000	%
Raw materials	514,299	76.6	589,356	76.4
Direct labor	90,511	13.5	107,512	13.9
Production overhead	66,224	9.9	75,222	9.7
Cost of sales for in-house production	671,034	100.0	772,090	100.0
Cost of sales for in-house production	671,034	54.5	772,090	54.9
Subcontracting charges	559,218	45.5	633,554	45.1
Total cost of sales	1,230,252	100.0	1,405,644	100.0

Gross profit margin was 39.5% for the year ended 31 December 2015 compared to 39.5% for the year ended 31 December 2014. The stability of our gross profit margin was primarily due to the effective cost control on the average unit cost of our products.

Other revenue and other net income

Other revenue and other net income primarily consisted of interest income from bank deposits, government grants and unrealised gain on foreign currency swap contracts. The increase in other revenue and other net income from RMB31.6 million for the year ended 31 December 2014 to RMB62.3 million for the year ended 31 December 2015 was mainly due to the increase in bank interest income, unrealized gain on foreign currency swap contracts, and government grants.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB27.1 million, or 14.3%, from RMB189.6 million for the year ended 31 December 2014 to RMB162.5 million for the year ended 31 December 2015, accounting for 8.0% of our total revenue. The decrease was primarily due to the decrease in advertising and promotion expenses.

Administrative and other operating expenses

Our administrative expenses decreased by RMB18.5 million, or 13.9%, from RMB133.3 million for the year ended 31 December 2014 to RMB114.8 million for the year ended 31 December 2015, accounting for 5.6% of our total revenue. The decrease was primarily due to the effective cost control in year 2015.

Finance costs

Our finance costs increased by RMB39.1 million, or 163.6%, from RMB23.9 million for the year ended 31 December 2014 to RMB63.0 million for the year ended 31 December 2015. The increase was primarily due to an increase in interest on corporate bonds as a result of an issuance of RMB800 million corporate bond in the second quarter of 2015.

Gearing ratio

The gearing ratio calculated by dividing the total bank loans and corporate bonds at the end of the year by total equity at the end of the year and multiplying by 100% as at 31 December 2015 was approximately 56.2% (2014: 18.3%).

Income tax

Our income tax decreased by RMB19.4 million, or 12.9%, from RMB150.9 million for the year ended 31 December 2014 to RMB131.5 million for the year ended 31 December 2015. Our income tax expenses decreased primarily because of a decrease in our profit before taxation. Our effective income tax rate remained stable at approximately 25.1%.

Profit for the year

Profit for the year ended 31 December 2015 decreased by 13.1%, or RMB59.1 million, from RMB451.2 million for the year ended 31 December 2014 to RMB392.1 million.

Liquidity, financial resources and capital structure

As at 31 December 2015, we had net current assets of RMB3,088.2 million, which increased significantly from RMB2,070.6 million as at 31 December 2014. The increase was primarily due to increase in financing activities from the proceeds of the issuance of corporate bonds. The increase in current assets mainly due to an increase of pledged bank deposits, fixed deposits at banks with materity over three months and cash and cash equivalents of RMB968.4 million from RMB1,810.3 million for the year ended 31 December 2014 to RMB2,778.7 million for the year ended 31 December 2015.

Our liquidity position remains strong in 2015 and we have sufficient cash and available banking facilities to meet our working capital requirements and commitments. This strong cash position also allows us to expand our retail network in accordance with our expansion plan and increase business development opportunities across China.

WORKING CAPITAL MANAGEMENT

Average inventory turnover days were 89.6 days in 2015, as compared to 64.5 days in 2014. The increase of average inventory turnover days in 2015 was mainly attributable to having more raw materials needed to meet the operation.

Average turnover days of our trade and bills receivables were 114.1 days in 2015, as compared to 103.6 days in 2014. The increase of average turnover days of trade and bills receivables was mainly attributable to the extended credit period and the increased revolving credit limit.

Our Group sets a maximum revolving credit limit for each domestic distributor. In determining the amount of the credit limit and credit period, we take into account the factors including the credit history, prior year's purchases, estimated purchases for the current period and funding required by that distributor to expand the retail network and market conditions. We generally evaluate the revolving credit limit of each domestic distributor annually upon renewal of the relevant distribution agreement.

With the existing cash resources and available banking facilities, our Group has sufficient financial resources to meet the working capital requirement. Therefore, we raised the cap on the revolving credit limit to certain distributors that have a good track record with our Group to allow them to expand the retail network. At the end of the reporting period, we have reviewed the sales records of these distributors and agreed the settlement plan of the past due balances with them, and we believe that the balances are fully recoverable at the end of the reporting period.

Average turnover days of our trade and bills payables were 92.1 days in 2015, as compared to 70.8 days in 2014. The increase of average turnover days of trade and bills payables in 2015 was mainly attributable to our ability to more effectively utilise the credit period offered by our suppliers.

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

LIQUIDITY AND FINANCIAL RESOURCES

Our net cash inflow from operating activities for the year ended 31 December 2015 amounted to RMB183.7 million compared to a net cash inflow from operating activities of RMB756.5 million for the year ended 31 December 2014. The decrease in operating cash flow was primarily due to the increase in trade and other receivables and the increase in inventories. As at 31 December 2015, cash and cash equivalents, including bank deposits and cash in hand, pledged bank deposits and fixed deposits with banks with maturities over three months amounted to RMB2,778.7 million, representing a net increase of RMB968.4 million as compared to the position as at 31 December 2014. The increase was primarily due to net cash generated from financing activities.

As at 31 December 2015, we had RMB1,548.9 million of credit facilities made available to us, of which RMB733.4 million were utilised.

In 2015, we did not enter into any interest rate swaps arrangements to hedge against interest rate risks.

FOREIGN CURRENCY RISKS

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

PLEDGE OF ASSETS

As at 31 December 2015, deposits with certain banks amounting to RMB36.9 million were pledged as securities for bills payable compared to the amount of RMB32.8 million as at 31 December 2014. In addition, deposits with certain banks amounting to RMB629.6 million were pledged as securities for foreign currency swap contracts. Moreover, certain bank loans of the Group were secured by trade receivables of RMB15.3 million in 2015. The pledged bank deposits will be released upon the settlement of the relevant bank loans, bills payable and foreign currency swap contracts.

COMMITMENTS AND CONTINGENCIES

As at 31 December 2015, we had a total operating lease commitment of RMB9.5 million. In addition, we had notional amounts of foreign currency forward contracts denominated in United States dollars and Euros of RMB84.4 million and RMB7.1 million, respectively and foreign currency swap contracts denominated in United States dollars and Canadian dollars of 353.4 million and RMB276.2 million, respectively. As at 31 December 2015, we had no material contingent liabilities.

EMPLOYMENT AND EMOLUMENTS

As at 31 December 2015, our Group employed a total of 4,401 fulltime employees, which included management and administrative, finance and quality control staff, manufacture and production technicians, product design, research and development personnel and sales and marketing staff. For the year ended 31 December 2015, our Group's total employee remuneration was RMB212.8 million, representing 10.5% of the Group's total revenue.

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

GENERAL MANDATE TO ISSUE DEBT INSTRUMENTS AND PROPOSED ISSUE OF CORPORATE BONDS

On 7 March 2016, a general mandate to issue certain debt instruments was granted by the shareholders of the Company to the Board at the extraordinary general meeting. Pursuant to such general mandate, the Board subsequently resolved on the same date to issue non-public corporate bonds with an aggregate amount of not exceeding RMB1.5 billion to certain qualified investors in the PRC. For details of the general mandate and the non-public issue of corporate bonds, please refer to the circular of the Company dated 22 January 2016 and the announcements of the Company dated 7 March 2016 and 8 March 2016.

PROSPECTS

Looking ahead to 2016, the management of the Company will focus on pursuing the four main strategies formulated by the Board:

Firstly, carrying on with the "expansion strategy of the e-commerce sector". The Company will (1) continue to cooperate with core e-commerce platforms; (2) continue to achieve synergistic development through a range of platforms, including the WeChat distribution platform and the social media promotion platforms; and (3) identify cooperation opportunities with footwear and apparel brands or teams with outstanding e-commerce elements to jointly strengthen and expand the e-commerce market of the Company.

Secondly, persisting in pursuing the "product differentiation strategy" with a focus on the following new projects: (1) The "Fuguiniao Health Function Footwear" project. In 2016, the Company will launch a franchise recruitment campaign in full swing and advertise and promote the "Fuguiniao Health Function Footwear" series of products through different media; and (2) The "Zubu" brand project. The Company will carry out the "Zubu Venture Programme for College Students (足步大學生創業計劃)" and start recruiting franchisees throughout the country in 2016.

Thirdly, embarking on the "specialized market segmentation strategy". The Company will develop beyond the existing market to explore the specialized niche market. In 2016, with the school uniform market as the major breakthrough, the Company will design, sell and promote the mid-to-high-end Fuguiniao school uniform products and gradually enter into the kids' wear and footwear and other niche work uniform markets based on market conditions.

Fourthly, implementing the "plan of acquiring/cooperating with overseas brands".The Company has been producing footwear products for certain famous foreign brands on an OEM basis. In 2016, the Company will identify cooperation opportunities with famous foreign brands to help them fully explore the market in China by utilising the advantages of the existing nationwide sales network of the Company.

USE OF PROCEEDS

Use of proceeds from IPO

The total net proceeds from the listing of H shares of the Company on the main board of the Stock Exchange amounted to approximately RMB905.7 million (the "IPO Proceeds"). To enhance the Company's fund management and the utilisation of the IPO proceeds, the Board proposed to adjust the intended use of IPO Proceeds as follow:

Intended use of the IPO Proceeds disclosed in the Prospectus (as defined below)	Used IPO Proceeds[(1)(2)] (RMB)	Remaining IPO Proceeds[(2)] (RMB)	Adjustment to the use of the balance of the IPO Proceeds (RMB)
(1) Approximately 60% (equivalent to approximately RMB543.5 million), towards maintaining and expansion of our existing sales channels;	approximately RMB24.5 million	approximately RMB519 million	the unused balance of approximately RMB519 million be adjusted for repayment of existing bank loans of the Group (which are used to settle payment to suppliers and daily operating expenses).
(2) 25% (equivalent to approximately RMB226.4 million), towards overseas expansion, including establishment and development of overseas sales channels, procurement of global raw materials, potential strategic acquisitions and international market promotion and advertising;	approximately RMB123.5 million	approximately RMB102.9 million	the unused balance of approximately RMB81.0 million be adjusted for repayment of existing bank loans of the Group (which are used to settle payment to suppliers and daily operating expenses) and approximately RMB21.9 million be adjusted for working capital and other general corporate purposes.
(3) 10% (equivalent to approximately RMB90.6 million), towards purchase of relevant electronic equipment and software to improve and enhance our information system, including the implementation of various applications, including, among others, ERP system and DRP system; and	approximately RMB2.5 million	approximately RMB88.1 million	the unused balance of approximately RMB88.1 million be adjusted for working capital and other general corporate purposes.

Intended use of the IPO Proceeds disclosed in the Prospectus (as defined below)	Used IPO Proceeds[1][2] (RMB)	Remaining IPO Proceeds[2] (RMB)	Adjustment to the use of the balance of the IPO Proceeds (RMB)
(4) The remaining 5% (equivalent to approximately RMB45.2 million), for working capital and other general corporate purposes.	approximately RMB14.2 million	approximately RMB31.0 million	Not applicable

Note:

(1) The amount of funds in this column were funded by the Company's internal resources, and shall be replaced with the funds from the IPO Proceeds when appropriate.

(2) The used IPO Proceeds (approximately RMB164.7 million) and the remaining IPO Proceeds (approximately RMB741.0 million) were calculated as of 9 October 2015, being the latest practicable date prior to the printing of the circular of the extraordinary general meeting held on 30 November 2015 (the "EGM") to approve the adjustment of the use of IPO Proceeds.

The above changes of use of IPO Proceeds were approved at the EGM. For details, please refer to (i) the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 10 December 2013 (the "Prospectus"), (ii) the circular of the Company dated 12 October 2015; and (iii) the announcement of the Company dated 30 November 2015.

After the EGM, (i) the IPO Proceeds of approximately RMB25 million were used to repay the existing bank loans of the Group in December 2015; and (ii) the IPO Proceeds of approximately RMB25 million were used for working capital and other general corporate purposes in December 2015.

As at 31 December 2015, the used IPO Proceeds amounted to approximately RMB 214.7 million in total, the unused balance of the IPO Proceeds amounted to approximately RMB691 million and the unused IPO Proceeds will be used in accordance with the section headed "Future Plans and Use of Proceeds" of the Prospectus and the circular of the Company dated 12 October 2015.

Use of proceeds from the 2014 corporate bond issue of the company

The proceeds from the 2014 public corporate bond issue of the Company have been used as described in the section headed "Planned Use of Proceeds" in the prospectus of 2014 Public Corporate Bond Issue of Fuguiniao Co., Ltd. (《富貴鳥股份有限公司公開發行2014年公司債券募集說明書》). As of the date of this announcement, the proceeds from the relevant corporate bond issue have been used up. For details of the prospectus of 2014 Public Corporate Bond Issue of Fuguiniao Co., Ltd., please refer to the website of the Shanghai Stock Exchange.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lam Wo Ping (林和平), aged 58, is one of the Founders of our Group, and an executive Director and the chairman of the Board of our Company. He also concurrently serves as director of our subsidiaries, namely Hong Kong Fuguiniao and Hong Kong Anywalk, as well as the chairman of board of directors of our subsidiary Fujian Fuguiniao. Mr. Lam is primarily responsible for the overall strategies, planning and business development of our Group. Mr. Lam has over 30 years of experience in the footwear and apparel industry. He once held positions of chairman of board of directors of Fulin Footwear from August 1991 to October 2010, the chairman of board of directors of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from November 1995 to July 2011, and the chairman of board of directors of our predecessor Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司) from July 2011 to June 2012.

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

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

Mr. Lam Wo Sze (林和獅), aged 62, is one of the Founders of our Group, and is an executive Director of our Company. He also concurrently serves as director of our subsidiaries, namely Hong Kong Fuguiniao, Hong Kong Anywalk and Fujian Fuguiniao. Mr. Lam has over 30 years of experience in the footwear and apparel industry. He once held positions of vice chairman of board of directors of Fulin Footwear from August 1991 to October 2010, vice chairman of board of directors of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from November 1995 to July 2011, and the vice chairman of board of directors of our predecessor Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司) from July 2011 to June 2012. Mr. Lam Wo Sze was appointed as a non-executive Director of our Company on 29 June 2012 and was redesignated from a non-executive Director to an executive Director of our Company on 26 August 2014. He was recognised as a senior economist (高級經濟師) by Fujian Human Resources Department (福建省人事廳) in September 2001.

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

Mr. Lam Kwok Keung (林國強), aged 58, is one of the Founders of our Group, and is an executive Director of our Company. He also concurrently serves as director of our subsidiaries, namely Hong Kong Fuguiniao, Hong Kong Anywalk and Fujian Fuguiniao. Mr. Lam has over 30 years of experience in the footwear and apparel industry. He once held positions of vice chairman of board of directors of Fulin Footwear from August 1991 to October 2010, vice chairman of board of directors of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from November 1995 to July 2011, and vice chairman of board of directors of our predecessor Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司) from July 2011 to June 2012. Mr. Lam Kwok Keung was appointed as a non-executive Director of our Company on 29 June 2012 and was re-designated from a non-executive Director to an executive Director of our Company on 26 August 2014. He was recognised as a senior economist (高級經濟師) by Fujian Human Resources Department (福建省人事廳) in September 2001.

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

Mr. Lam Wing Ho (林榮河), aged 59, is one of the Founders of our Group, and is an executive Director of our Company. He also concurrently serves as director of our subsidiaries, namely Hong Kong Fuguiniao, Hong Kong Anywalk and Fujian Fuguiniao. Mr. Lam has over 30 years of experience in the footwear and apparel industry. He once held positions of vice chairman and general manager of Fulin Footwear from August 1991 to October 2010, a director of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from November 1995 to July 2011, and a director of our predecessor Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司) from July 2011 to June 2012. Mr. Lam Wing Ho was appointed as a non-executive Director of our Company on 29 June 2012 and was re-designated from a non-executive Director to an executive Director of our Company on 2 April 2014. He was recognised as a senior economist (高級經濟師) by Fujian Human Resources Department (福建省人事廳) in September 2001. He also concurrently holds positions including deputy chairman of China National Garment Association (中國服裝協會) and honorary chairman of Quanzhou Textile and Garments Commerce Chamber (泉州市紡織服裝商會).

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

Mr. Hong Huihuang (洪輝煌), aged 45, is an executive Director and a vice general manager of our Company, and is primarily responsible for the overall management and development of our casual menswear business. Mr. Hong has over 27 years of experience in the footwear and apparel industry. He was mainly engaged in administration and management of his own apparel business from the beginning of 1987 to December 2003. Mr. Hong obtained license from our Group in May 2004 for the sale of business casual menswear products under Fuguiniao brand and held the position of general manager of Shishi Fuguiniao Apparel Development Co., Ltd. (石獅市富貴鳥服飾發展有限公司). Mr. Hong has been the chief executive of the apparel business unit of our Group since April 2011.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Zhiqiang (王志強), aged 48, is an independent non-executive Director of our Company. He is also a professor in accounting and doctoral supervisor in accounting of Xiamen University (廈門大學). From July 1991 to September 1998, he held positions of lecturer and associate professor of the School of Economics, Xiamen University. Since September 1998, he has held positions including associate professor, professor and assistant to dean of the School of Management, Xiamen University. For the period from September 2006 to September 2008, he also held concurrent positions as assistant to the dean of the Institute for Financial Management & Accounting Studies of Xiamen University. In addition to his academic participation, Mr. Wang has also been an independent director of Fujian Minfa Aluminum Inc (福建省閩發鋁業股份有限公司, stock code: 002578) since December 2010, and an independent director of Fujian Septwolves Industry Co., Ltd. (福建七匹狼實業股份有限公司, stock code: 002029) since July 2010, both of which are listed on the Small and Medium Enterprise Board of Shenzhen Stock Exchange (深圳證券交易所中小板). He has also been an independent director of Shenyang Sinqi Pharmaceutical Co., Ltd. (瀋陽興齊眼藥股份有限公司) since December 2011 and an independent director of Deerway Co., Ltd. (德爾惠股份有限公司) since September 2012. He received a doctorate in economics (specialised in accounting) from Xiamen University in July 2002. Mr. Wang also attended and completed the training provided by Shenzhen Stock Exchange for senior management of listed companies in March 2010.

Ms. Long Xiaoning (龍小寧), aged 44, is an independent non-executive Director of our Company. She once held the positions of assistant professor and associate professor of Colgate University in the United States from July 2001 to June 2007 and from July 2007 to July 2011, respectively. She has been a professor of Wang Yanan Institute for Studies in Economics (王亞南經濟研究院) and School of Economics, Xiamen University since September 2011. She received a doctorate in economics from Washington University in St. Louis, the United States of America in May 2001. She has been appointed as the head of the Department of Economics of Xiamen University (廈門大學) since February 2013.

Ms. Chan Wah Man, Carman (陳華敏), aged 47, is an independent non-executive Director of our Company. She possesses 21 years of solid experience in private equity, corporate finance and financial advisory. She currently works as Head of Private Equity Department in Wallbanck Brothers Securities (Hong Kong) Limited. She worked as Associate Director at Rabobank International Hong Kong Branch, handling mergers and acquisitions and corporate advisory deals from February 2008 to April 2009. Prior to joining Rabobank, Ms. Chan worked in various companies in fund raising activities and assisted companies in the preparation of initial public offerings from January 2004 to January 2008. Ms. Chan worked as Associate Director in Baring Capital Partners, ING Group from March 1998 to August 2001 and Suez Asia (Hong Kong) Limited from January 2002 to December 2003, in private equity investments, corporate advisory and fund monitoring. Ms. Chan also worked for the corporate finance team at Seapower Financial Services Group from March 1996 to February 1998. Ms. Chan was previously appointed as an independent non-executive director of Man Wah Holdings Limited, a company listed on the Stock Exchange (stock code: 1999) from March 2010 to July 2012, and Daqing Dairy Holdings Limited (formerly known as Global Dairy Holdings Limited), a company listed on the Stock Exchange (stock code: 1007) from October 2010 to June 2012. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant (Australia), and has a licence to conduct Type 6 regulated activity (advising on corporate finance) and Type 9 regulated activity (asset management) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). Ms. Chan obtained a bachelor's Degree in Science from Bemidji State University, Minnesota State, the United States of America in July 1993, and a distance learning degree in Masters of Accounting from Curtin University of Technology, Australia in November 1999.

Mr. Cheung Ming Hung (張銘洪), aged 52, is an independent non-executive Director of our Company. He is a professor and doctorial supervisor majoring in finance and internet economics of the School of Economics of Xiamen University (廈門大學經濟學院). He has been working and teaching in Xiamen University since 2002, where he was the director of the Laboratory Center of Economics and Management Center of Xiamen University (廈門大學經濟與管理教學實驗中心) (rated as the National Teaching Demonstration Center (國家級教學示範單位) in 2007) from 2002 to 2007 and the deputy director of the department of finance of Xiamen University from 2008 to 2013. He has also been the vice chairman of the labor union of Xiamen University since 2012. Mr. Cheung Ming Hung received a doctor's degree in economics from Xiamen University in July 2001. His teaching and research fields cover the internet economics and government regulation and finance and taxation theories and policies. His academic thesis and research projects were frequently published in various works and journals. He has also been granted many awards, including the second prize of the National Excellence Teaching Award (國家優秀教學成果獎二等獎), the first prize of Nanqiang Award of Xiamen University (廈門大學南強一等獎) and the third price of the 8th Social Science Excellent Achievement Award of Fujian Province (福建省第八屆社會科學優秀成果三等獎).

SUPERVISORS

Mr. Zhang Haimu (章海木), aged 39, is the chairman of the board of Supervisors and the chairman of the labor union of our Company. Mr. Zhang has over 19 years of experience in financial management. Mr. Zhang once held positions of financial staff of Hainan Industrial Equipment Installation Supplies Co., Ltd. (海南省工業設備安裝物質公司) from July 1995 to January 2001. He has been financial staff of our Company since April 2001, and was elected as the chairman of the labor union of our Company since August 2010 for a term of three years. He was elected as a standing committee member of the sixth committee of Shishi General Union (石獅市總工會) in August 2014 for a term of five years. He was also elected as the supervising chairman of the council of the Chamber of Commerce of Anxi, Shishi (石獅市安溪商會) in April 2013 for a term of three years. Mr. Zhang passed the self-study examinations in computer accounting and received a graduation certificate from Hainan University (海南大學) in December 1998.

Mr. Li Yuzhong (李玉中), aged 49, is the Supervisor of our Company. He worked for China Leather and Footwear Industry Research Institute (中國皮革和製鞋工業研究院) from July 1989 to April 1990, and then has been working for China Leather Association (中國皮革協會) since April 1990, where he held the position of vice secretary general from September 1999 to September 2007, vice president from September 2007 to September 2011, and has been vice managing president and secretary general since September 2011. He has also been an independent director of Guirenniao Co., Ltd. (貴人鳥股份有限公司) since March 2011 and an independent director of Qingdao Hengda Co., Ltd. (青島亨達股份有限公司) since June 2011. He had been an independent director of our Company since June 2012 to October 2015. He received a bachelor's degree in leather engineering from Northwest Institute of Light Industry (西北輕工業學院) (now Shaanxi University of Science and Technology (陝西科技大學)) in July 1989, and graduated as a postgraduate student in economic management from Party School of the Central Committee of C.P.C. (中共中央黨校) after completing a long distance learning program in May 2001.

Ms. Lian Liqing (連麗清), aged 36, is the Supervisor of our Company. She has been the supervisor of the logistics center of our Company since January 2014. She joined our Group in December 1998 and worked as a sales executive for Shishi Fuguiniao Footwear Development Co., Ltd. (石獅市富貴鳥鞋業發展有限公司, the predecessor of our Company) from December 1998, where she subsequently held the position of the manager of the logistics department from January 2003 to June 2011. She then worked for Fuguiniao (China) Co., Ltd. (富貴鳥(中國)有限公司), the predecessor of our Company) as the manager of the logistics department from July 2011 to July 2012. She was the vice supervisor of the logistics center of our Company from July 2012 to December 2013. Ms. Lian Yuqing received a bachelor's degree in law from the Open University of China (中央廣播電視大學) in July 2010. She was granted the advanced certificate of logistics management by Human Resource and Social Security Bureau of Fujian Province (福建省人力資源和社會保障廳).

SENIOR MANAGEMENT

Mr. Lu Wenli (路文歷), aged 54, is the chief executive officer of our Company and is primarily responsible for the operation of our Group. Mr. Lu has over 15 years of experience in the footwear and apparel industry. Mr. Lu once served as marketing director of our predecessor Fuguiniao Shoes Development Co., Ltd. Shishi (石獅市富貴鳥鞋業發展有限公司) from January 2003 to December 2007. From January 1999 to May 2000, Mr. Lu served as sales and marketing director of Quanzhou Yiyuan Shoe Industry Co., Ltd. (泉州益源鞋業有限公司). From March 2001 to December 2002, he worked as the sales and marketing director of Xtep (China) Co., Ltd. (特步中國有限公司). Mr. Lu rejoined our Group in January 2013 and has held the position of general manager of our Company since April 2013. Mr. Lu is currently taking the EMBA program at Xiamen University (廈門大學).

Ms. Wu Haimin (吳海民), aged 44, is a vice general manager of our Company and is primarily responsible for the management of production of our Group. Ms. Wu has over 25 years of experience in management of footwear production. Prior to joining our Group, she held the position of workshop manager in Teliya Leather Shoe Co., Ltd. (特麗雅皮鞋有限公司) from September 1989 to July 1997. She joined our Group in July 1997 and held positions of workshop manager, production manager and manager of production department of our Company till December 2007. She has served as a vice general manager of our Group since January 2008. Ms. Wu received a junior college degree of English language from Zhejiang Province Department Employee Colleges (浙江省級機關職工業餘大學) in July 1994.

Mr. Chan Wai Shing (陳偉盛), aged 36, is the chief financial officer and the Company Secretary of our Company. Mr. Chan has over 13 years of experience in auditing, advisory accounting and financial management. Prior to joining the Group, he worked as the chief financial officer, company secretary and authorised representative of a company listed on the Stock Exchange from September 2009 to June 2014. He also worked as a finance manager of a company listed on the Stock Exchange from October 2008 to August 2009. Before that, Mr. Chan worked for Ernst & Young for over 7 years. Mr. Chan was qualified as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in September 2005 and was admitted as a fellow of the Association of Chartered Certified Accountants in November 2009. He graduated from City University of Hong Kong with a bachelor's degree in accountancy in 2001 and a master's degree in financial analysis at the Hong Kong University of Science and Technology in 2012.

Mr. Huang Shunyu (黃順宇), aged 34, is the secretary to the Board of our Company. He holds a bachelor's degree in Management Science from the University of Electronic Science and Technology of China (電子科技大學). He is qualified by the Shanghai Stock Exchange and Shenzhen Stock Exchange as a secretary to the board of listed companies and is eligible for conducting securities investment analysis and securities transactions. He acted as the industry research officer of the investment management department of Sichuan Qifeng Group (四川奇峰集團) from July 2005 to July 2008, securities officer and assistant to secretary to the board of Chongqing Dong Yuan Industry Development Co., Ltd. (重慶東源產業發展股份有限公司, currently known as Jinke Property Group Co., Ltd., (金科地產集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock code: 000656)) from August 2008 to August 2009, trading officer of the investment management department of Sichuan Qifeng Group from August 2009 to July 2011, and securities representative and person-in-charge of the securities department of Chengshang Group Co., Ltd. (成商集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600828) from July 2011 to July 2012. He was the assistant to the secretary to the Board of the Company from July 2012 to August 2014.Mr.Huang Shunyu is also an affiliate member of Hong Kong Institute of Chartered Secretaries.

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

The principal activities of the Group are manufacturing and sale of footwear and business casual menswear in the PRC. The principal activities and other particulars of the subsidiaries are set out in note 11 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2015, aggregate sales to the Group's largest and five largest customers accounted for 5.5% (2014: 4.5%) and 21.1% (2014: 17.8%), respectively, of the Group's total revenue for the year.

Aggregate purchases from the Group's largest and five largest suppliers accounted for 6.6% (2014: 8.1%) and 24.4% (2014: 24.6%), respectively, of the Group's total purchases for the year ended 31 December 2015.

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on page 4 of the annual report. This summary does not form part of the audited consolidated financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2015 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 65 to 112 of the annual report.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2015 are set out in note 10 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company during the year are set out in note 22 to the financial statements, of which details of reserves available for distribution to shareholders of the Company are set out in note 22(e) to the financial statements.

DIVIDEND

At the extraordinary general meeting held on 19 October 2015, the Company considered, approved and announced the Company's interim profit dividend plan for the year 2015: (i) to distribute cash dividend of RMB0.35 per ordinary share (before tax) and RMB187,218,220 in aggregate (before tax) based on the number of the issues shares of the Company of 534,909,200 shares as of 31 August 2015 (the "Cash Dividend"); and (ii) to issue a total of 802,363,800 bonus shares (comprising of 73,200,000 domestic shares and 729,163,800 H shares) by way of conversion of capital reserve of the Company on the basis of 1.5 bonus shares for every one (1) existing share in issue on 19 October 2015 (the "Bonus Issue"). Upon the completion of the Bonus Issue on 4 November 2015, the Company's number of issued shares was increased to 1,337,273,000 shares (comprising of 122,000,000 domestic shares and 1,215,273,000 H shares).

The board of directors did not recommend the payment of a final dividend for the year ended 31 December 2015.

Pursuant to the Corporate Income Tax Law of the PRC and its implementation rules and other relevant rules, where the Company distributes dividends to non-resident enterprise Shareholders whose names appear on the register of members for H Shares of the Company, it is required to withhold corporate income tax at the rate of 10%. Any H Shares registered in the name of non-individual registered Shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other organisations or groups, will be treated as Shares being held by 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. However, the Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax effective from 13 May 1994 (the "1994 Notice") grants exemption to foreign individuals from PRC individual income tax on dividend from foreign-invested enterprises. Since the Company is a "foreign-invested enterprise" as approved by the relevant PRC authorities, the individual Shareholders who hold the Company's H Shares and whose names appear on the register of members of H Shares of the Company (the "Individual H Shareholders") are not required to pay PRC individual income tax when the Company distributes the dividends based on the 1994 Notice. Therefore, the Company will not withhold any amount of dividend to be distributed to the Individual H Shareholders to pay the PRC individual income tax.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the holders of H Shares and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the holders of H Shares or any disputes over the withholding mechanism or arrangements. Shareholders are recommended to consult their tax advisors regarding the ownership and disposal of H Shares of the Company in the PRC and in Hong Kong and other tax effects.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain shareholders' entitlement to attend and vote at the annual general meeting to be held on Monday, 16 May 2016 (the "AGM"), the H share register of members of the Company will be closed from Saturday, 16 April 2016 to Monday, 16 May 2016 (both days inclusive) during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, holders of H shares of the Company shall lodge transfer documents with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Friday, 15 April 2016.

MAJOR RISKS AND UNCERTAINTIES

During the year, the Company reviewed and assessed the risks identified by the Group. The risks faced by the Group are summarized as below:

Strategic risk	Slowdown in economy and consumption Aggravated competition in the footwear and menswear manufacturing industry in China
Operational risk	Promotion of new product series and new brands below expectation Failure in developing e-commerce and the specialized niche market in an effective manner Failure in predicting and identifying changes in consumer preferences and fashion trends
Financial risk	Credit risk, Liquidity risk, Interest rate risk and Currency risk
Other risks	Product sales volume affected by extreme weather conditions

ENVIRONMENTAL POLICIES AND PERFORMANCE

Environmental protection is of paramount importance to the Group. The Manual on Environmental Business Practice has been prepared, covering, inter alia, 1. requirements on solid waste control; 2. requirements on noise control; 3. requirements on sewage control; 4. requirements on resources and energy management; 5. requirements on chemicals management. The Manual on Environmental Business Practice covers every aspect of the footwear manufacturing process of the Group. In particular, strict requirements have been imposed on air pollution, noise, sewage and waste discharge. The Group has been strictly following the relevant requirements of the Manual on Environmental Business Practice in its manufacturing process. Meanwhile, for better environmental protection, the Group installed various professional facilities in its workshops, including exhaust gas purifying equipment and dust collector. For the year ended 31 December 2015, all of the Group's sewage discharge, exhaust gas emission, noise level and other environmental indicators complied with the requirements under the relevant laws and regulations.

MAIN RELATIONSHIP

(1) Employee

The Group places high regard on the career path development of its staff and provides full career training and development planning for all staff members. The Company provides competitive remuneration package to its staff. In the meantime, to further encourage the staff to align their development with the Company, the Company plans to introduce an employee stock ownership plan.

(2) Supplier

The Group has established long standing cooperation relationship with certain suppliers. We select our suppliers prudently. The relevant suppliers need to fulfil certain assessment criteria of the Group, including, among others, track record, experience, financial capability, reputation and history of satisfying our standards for raw materials or finished products. The Company has established anti-bribery policies, which are required to be observed by all parties.

(3) Distributor

The Group has maintained long-term and stable cooperation relationship with its distributors all over the country. We communicate with our distributors beforehand in respect of the brand promotion plan and retail policies of the Company, set up standard store image and suggested retail prices and adopt an ERP system for the distributors. We also monitor their financial conditions and operations.

(4) Consumer

The Group provides direct service to consumers in its proprietary outlets. We endeavor in enhancing consumers' shopping experience by training up our staff to offer in-store shopping guidance. Through our proprietary outlets, we also maintain effective communication with consumers and keep abreast of changes in consumption demand of the consumers of each of the Company's brands and the market development.

COMPLIANCE WITH LAWS AND REGULATIONS

Since the Company was established and conducts its operations mainly in mainland China and its H Shares are listed on the Stock Exchange, our establishment and operation have to comply with the relevant laws and regulations in both mainland China and Hong Kong. During the year ended 31 December 2015 and up to the date of this report, we have complied with the relevant laws and regulations in mainland China and Hong Kong.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year was RMB52,000 (2014: nil).

BANK BORROWINGS

Details of bank borrowings of the Company and its subsidiaries as at 31 December 2015 are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 22 to the consolidated financial statements. A total of 802,363,800 bonus shares (comprising of 73,200,000 domestic shares and 729,163,800 H shares) were issued under the Bonus Issue during the year ended 31 December 2015 by way of conversion of capital reserve of the Company on the basis of 1.5 bonus shares for every one (1) existing share in issue on 19 October 2015. The board lot size for trading on the Stock Exchange was changed from 400 shares to 600 shares, with effect from 5 November 2015, to comply with the Listing Rules for the minimum value of each board lot of the shares upon completion of the bonus issue and to increase the value of each board lot of the shares after the bonus issue. For details of the bonus issue and the change of board lot size, please refer to the announcements of the Company dated 27 August 2015 and 1 September 2015 and the circular of the Company dated 2 September 2015.

ISSUE OF DOMESTIC CORPORATE BONDS

On 16 July 2014, the Board proposed the issue of domestic corporate bonds with an aggregate principal amount of not exceeding RMB800 million in the PRC in order to repay part of the existing short-term bank loans and supplement general working capital of the Group.

On 1 September 2014, the proposed issue of domestic corporate bonds was approved by the shareholders at the extraordinary general meeting of the Company.

On 11 December 2014, the Issuance Examination Committee of China Securities Regulatory Commission of the PRC ("CSRC") approved the application by the Company for the proposed issue of domestic corporate bonds.

On 12 January 2015, the Company received the official approval document from the CSRC, pursuant to which the Company is permitted to issue domestic corporate bonds with an aggregate principal amount of not exceeding RMB800 million in the PRC within the period of six months starting from the date of the approval.

On 22 April 2015, the Company issued a long-term domestic corporate bond with a maturity period of five years and an interest of 6.3% per annum.

For details of the domestic corporate bonds, please refer to (i) the announcement of the Company dated 16 July 2014; (ii) the circular of the Company dated 17 July 2014; (iii) the announcement of the Company dated 1 September 2014; (iv) the announcement of the Company dated 11 December 2014; (v) the announcement of the Company dated 12 January 2015; and (vi) the interim report of the Company for the six months ended 30 June 2015 published on 2 September 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year ended 31 December 2015 and at any time up to the date of this annual report.

PROPOSED ISSUANCE OF A SHARES

During the board meeting of the Company held on 16 April 2015, the Board approved the proposal to apply to the China Securities Regulatory Commission for issuance of A shares of the Company and to apply to the Shanghai Stock Exchange or the Shenzhen Stock Exchange for the listing of such A shares in order to facilitate the Company's operational development needs. As of 31 December 2015, the proposed issuance of A shares had not been put forward for the shareholders' approval at the general meetings of the Company.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2015.

DIRECTORS AND SUPERVISORS

The following table sets forth information concerning the Directors and supervisors of the Company for the year ended 31 December 2015.

Name	Age	Appointment Date	Resignation Date
Executive Directors			
Mr. Lam Wo Ping (林和平)	58	29 June 2015	N/A
Mr. Lam Wing Ho (林榮河)	59	29 June 2015	N/A
Mr. Lam Wo Sze (林和獅)	62	29 June 2015	N/A
Mr. Lam Kwok Keung (林國強)	58	29 June 2015	N/A
Mr. Hong Huihuang (洪輝煌)	45	29 June 2015	N/A
Non-executive Directors			
Mr. Zhai Gang (翟剛)	41	29 June 2012	28 June 2015[(1)]
Independent non-executive Directors			
Mr. Wang Zhiqiang (王志強)	48	29 June 2015	N/A
Ms. Long Xiaoning (龍小寧)	44	29 June 2015	N/A
Mr. Li Yuzhong (李玉中)	49	29 June 2012	19 October 2015[(2)]
Ms. Chan Wah Man, Carman (陳華敏)	47	29 June 2015	N/A
Mr. Cheung Ming Hung (張銘洪)	52	19 October 2015	N/A
Supervisors			
Mr. Zhang Haimu (章海木)	39	29 June 2015	N/A
Mr. Zhou Xinyu (周新宇)	39	29 June 2012	19 October 2015[(3)]
Ms. Wang Xinhui (汪心慧)	42	29 June 2012	19 October 2015[(4)]
Ms. Lian Liqing (連麗清)	36	19 October 2015	N/A
Mr. Li Yuzhong (李玉中)	49	19 October 2015[(2)]	N/A

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

Notes:

(1) Mr. Zhai Gang retired from his office as a non-executive Director of the Company on 28 June 2015 due to the expiry of term of office of the first session of the Borad.

(2) Mr. Li Yuzhong resigned as an independent non-executive Director of the Company on 19 October 2015 due to job adjustment and was appointed as a member of the board of supervisors on the same date.

(3) Mr. Zhou Xinyu resigned as a member of the board of supervisors of the Company on 19 October 2015 due to job adjustment.

(4) Ms. Wang Xinhui resigned as a member of the board of supervisors of the company on 19 October 2015 due to job adjustment.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, supervisors and senior management of the Company are set out on pages 31 to 35 of this annual report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

In relation to the appointment of Mr. Cheung Ming Hung as an independent non-executive Director, Mr. Cheung Ming Hung entered into a service contract with the Company, commencing from 19 October 2015 and ending on the expiration of the term of the second session of the Board on 28 June 2018.

In relation to the appointment of Mr. Li Yuzhong and Ms. Lian Liqing as the supervisors of the Company, each of them has entered into a service contract with the Company, commencing from 19 October 2015 and ending on the expiration of the term of the second session of the board of supervisors of the Company on 28 June 2018.

Each of the other Directors and supervisors of the Company has entered into a service contract with the Company commencing on 29 June 2015 and ending on the expiration of the term of the second session of the Board or the board of supervisors of the Company (as the case may be).

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

EMOLUMENT OF DIRECTORS AND SUPERVISORS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2015.

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

As at 31 December 2015, the interests or short positions of the Directors, supervisors and the chief executive in the Company's shares, underlying shares and debentures of the associated corporations of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), will be as follows:

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

Name of Director	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital[(1)]	Percentage in the total issued share capital[(1)]
Mr. Lam Wo Ping	H shares	869,484,000	Interest in a controlled corporation[(2)(3)]	71.55%	65.02%
	Domestic shares	92,000,000	Interest in a controlled corporation[(4)]	75.41%	6.88%
Mr. Lam Wo Sze	H shares	829,484,000	Interest in a controlled corporation[(2)]	68.25%	62.03%
	Domestic shares	92,000,000	Interest in a controlled corporation[(4)]	75.41%	6.88%
Mr. Lam Kwok Keung	H shares	829,484,000	Interest in a controlled corporation[(2)]	68.25%	62.03%
	Domestic shares	92,000,000	Interest in a controlled corporation[(4)]	75.41%	6.88%
Mr. Lam Wing Ho	H shares	829,484,000	Interest in a controlled corporation[(2)]	68.25%	62.03%
	Domestic shares	92,000,000	Interest in a controlled corporation[(4)]	75.41%	6.88%

(1) The calculation is based on the total number of 1,337,273,000 ordinary Shares of the Company in issue as at 31 December 2015, which was comprised of 1,215,273,000 H shares and 122,000,000 domestic Shares.

(2) As at 31 December 2015, Fuguiniao Group Limited (富貴鳥集團有限公司) (the "Fuguiniao Holdco") was owned as to 32.5% by Mr. Lam Wo Ping, 22.5% by Mr. Lam Wo Sze, 22.5% by Mr. Lam Kwok Keung and 22.5% by Mr. Lam Wing Ho. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are also cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho. Each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho was deemed to be interested in all the 539,484,000 H shares of the Company held by Fuguiniao Holdco for the purpose of the SFO.

As at 31 December 2015, each of Fuguiniao Holding Limited ("Fuguiniao Holding") and Gain Star Trading Limited ("Gain Star") was wholly-owned by Fuguiniao Holdco and each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho was therefore deemed to be interested in the all the 227,500,000 and 62,500,000 H shares of the Company held by Fuguiniao Holding and Gain Star, respectively.

(3) As at 31 December 2015, Wo Hing (China) Trading Limited (和興(中國)貿易有限公司) ("Wo Hing Trading") was wholly-owned and controlled by Mr. Lam Wo Ping and Mr. Lam Wo Ping was therefore deemed to be interested in all the 40,000,000 H shares of the Company in which Wo Hing Trading was interested.

(4) As at 31 December 2015, each of Fujian Fuguiniao Equity Investment Management Co., Ltd.* (福建省富貴鳥股權投資管理有限公司, "Fuguiniao Equity") and Fujian Fuguiniao Commerce Consulting Co., Ltd.* (福建省富貴鳥商務諮詢有限公司, "Fuguiniao Commerce") was wholly-owned by Fuguiniao Holdco and Fuguiniao Holdco was therefore deemed to be interested in all the 29,000,000 and 63,000,000 domestic shares of the Company held by Fuguiniao Equity and Fuguiniao Commerce, respectively. Fuguiniao Holdco was owned as to 32.5% by Mr. Lam Wo Ping, 22.5% by Mr. Lam Wo Sze, 22.5% by Mr. Lam Kwok Keung and 22.5% by Mr. Lam Wing Ho. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are also cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho. Each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho was also deemed to be interested in all the 29,000,000 and 63,000,000 domestic shares of the Company held by Fuguiniao Equity and Fuguiniao Commerce, respectively, for the purpose of the SFO. On 10 December 2015, Fuguiniao Equity and Fuguiniao Commerce pledged all their 29,000,000 and 63,000,000 domestic shares of the Company to secure the bank loan granted to Fujian Shishi Fuguiniao Group Co., Ltd.

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

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

Saved as disclosed above, as at 31 December 2015, none of the Directors, supervisors and the chief executive of the Company and their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the persons or corporations who had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

(i) Interests of substantial shareholders of the Company

Shareholder	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital(1)	Percentage in the total issued share capital(1)
Fuguiniao Holdco	H shares	539,484,000	Beneficial owner(2)	44.39%	40.34%
	H shares	290,000,000	Interest in a controlled corporation(5)	23.87%	21.67%
	Domestic shares	92,000,000	Interest in a controlled corporation(4)	75.41%	6.88%
Fuguiniao Equity	Domestic shares	29,000,000	Beneficial Owner(4)	23.77%	2.17%
Fuguiniao Commerce	Domestic shares	63,000,000	Beneficial Owner(4)	51.64%	4.71%
Fuguiniao Holding	H shares	227,500,000	Beneficial Owner(5)	18.72%	17.01%
Gain Star	H shares	62,500,000	Beneficial Owner(5)	5.14%	4.67%
Yuncai Equity	Domestic shares	30,000,000	Beneficial Owner(6)	24.59%	2.24%

Shareholder	Class of shares	Number of shares	Nature of interest	Percentage in the relevant class of share capital[(1)]	Percentage in the total issued share capital[(1)]
Mr. Lam Wo Ping	H shares	869,484,000	Interest in a controlled corporation[(2)(3)(5)]	71.55%	65.02%
	Domestic shares	92,000,000	Interest in a controlled corporation[(4)]	75.41%	6.88%
Mr. Lam Wo Sze	H shares	829,484,000	Interest in a controlled corporation[(2)(5)]	68.25%	62.03%
	Domestic shares	92,000,000	Interest in a controlled corporation[(4)]	75.41%	6.88%
Mr. Lam Kwok Keung	H shares	829,484,000	Interest in a controlled corporation[(2)(5)]	68.25%	65.02%
	Domestic shares	92,000,000	Interest in a controlled corporation[(4)]	75.41%	6.88%
Mr. Lam Wing Ho	H shares	829,484,000	Interest in a controlled corporation[(2)(5)]	68.25%	65.02%
	Domestic shares	92,000,000	Interest in a controlled corporation[(4)]	75.41%	6.88%
Ms. Liu Sisi	Domestic shares	30,000,000	Interest in a controlled corporation[(6)]	24.59%	2.14%

(1) The calculation is based on the total number of 1,337,273,000 ordinary shares in issue as at 31 December 2015, which was comprised of 1,215,273,000 H shares and 122,000,000 domestic shares.

(2) As at 31 December 2015, Fuguiniao Holdco was owned as to 32.5% by Mr. Lam Wo Ping, 22.5% by Mr. Lam Wo Sze, 22.5% by Mr. Lam Kwok Keung and 22.5% by Mr. Lam Wing Ho. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are also cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho. Each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho was deemed to be interested in all the 539,484,000 shares held by Fuguiniao Holdco for the purpose of SFO.

(3) As at 31 December 2015, Wo Hing Trading was wholly-owned and controlled by Mr. Lam Wo Ping and Mr. Lam Wo Ping was therefore deemed to be interested in all the 40,000,000 H shares of the Company in which Wo Hing Trading was interested.

(4) As at 31 December 2015, each of Fuguiniao Equity and Fuguiniao Commerce was wholly-owned by Fuguiniao Holdco and Fuguiniao Holdco was therefore deemed to be interested in all the 29,000,000 and 63,000,000 domestic shares of the Company held by Fuguiniao Equity and Fuguiniao Commerce, respectively. Fuguiniao Holdco was owned as to 32.5% by Mr. Lam Wo Ping, 22.5% by Mr. Lam Wo Sze, 22.5% by Mr. Lam Kwok Keung and 22.5% by Mr. Lam Wing Ho. Mr. Lam Wo Ping and Mr. Lam Wo Sze are brothers, and are also cousins with each of Mr. Lam Kwok Keung and Mr. Lam Wing Ho. Each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho was deemed to be interested in all the 29,000,000 and 63,000,000 domestic shares of the Company held by Fuguiniao Equity and Fuguiniao Commerce, respectively, for the purpose of the SFO. On 10 December 2015, Fuguiniao Equity and Fuguiniao Commerce pledged all their 29,000,000 and 63,000,000 domestic shares of the Company to secure the bank loan granted to Fujian Shishi Fuguiniao Group Co., Ltd.

(5) As at 31 December 2015, each of Fuguiniao Holding and Gain Star was wholly-owned by Fuguiniao Holdco and each of Fuguiniao Holdco, Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho was therefore deemed to be interested in the all the 227,500,000 and 62,500,000 H shares of the Company held by Fuguiniao Holding and Gain Star, respectively.

(6) As at 31 December 2015, Yuncai Equity Investment Partnership (Limited Partnership)* (廈門市韞財投資合夥企業(有限合夥)) ("Yuncai Equity") was owned as to 99% by Ms. Liu Sisi and Ms. Liu Sisi was therefore deemed to be interested in all the 30,000,000 domestic shares held by Yuncai Equity.

Save as disclosed above, as at 31 December 2015, the Directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

Certain members of the Group and Shishi Fuguiniao have entered into the following lease agreements which expired on 31 December 2015 (the "2013 Lease Agreements"), which constitute continuing connected transactions of the Group under the Listing Rules:

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

In order to continue the above transactions with Shishi Fuguiniao, on 15 December 2015, certain members of the Group and Shishi Fuguiniao have entered into the following lease agreements, which constitute continuing connected transactions of the Group under the Listing Rules:

No.	Location	Member of the Group as Lessee	Lessor	Term and Rental (RMB)	Type of Premises
1.	Nos. 217–219, 1st Floor, Fulin Building, Changfu Road, Shishi City, Fujian Province	Fuguiniao (Fujian) Shoes Clothes Co., Ltd. (富貴鳥(福建)鞋服有限公司)	Shishi Fuguiniao	Term: from 1 January 2016 to 31 December 2018 Rental: 8,000/month	Retail store with a gross floor area of approximately 231.55 square meters
2.	Qianyuan Village, Baogai Town, Shishi City, Fujian Province	the Company	Shishi Fuguiniao	Term: from 1 January 2016 to 31 December 2018 Rental: 440,000/month	Office buildings, workshops and dormitories, with a gross floor area of 62,078.87 square meters
3.	Baqi Road, Shishi City, Fujian Province	the Company	Shishi Fuguiniao	Term: from 1 January 2016 to 31 December 2018 Rental: 650,000/month	Office facilities, workshops and dormitories, with a gross floor area of approximately 95,579.46 square meters

During the year ended 31 December 2015, total rental paid or payable by the Group under the 2013 Lease Agreements amounted to RMB15,096,000, which did not exceed the annual caps for these transactions.

OPINION FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDITOR ON THE 2013 LEASE AGREEMENTS

The Directors (including all independent non-executive Directors) have reviewed the 2013 Lease Agreements and confirmed that these transactions were entered into:

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

(2) on normal commercial terms or better; and

(3) in accordance with the relevant 2013 Lease Agreements and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

KPMG, the auditor of the Company, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The Company has received an unqualified letter from KPMG containing their findings and conclusions in respect of the 2013 Lease Agreements disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Save as disclosed in the paragraph headed "Continuing Connected Transactions" above and in note 25 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or supervisor of the Company or an entity connected with a Director or supervisor had a material interest, subsisted at the end of the year or at any time during the year.

CONTRACTS OF SIGNIFICANCE

During the year ended 31 December 2015, save as disclosed in note 25 to the consolidated financial statements and in the paragraph headed "Continuing Connected Transactions" in this report, there had been no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

COMPETING BUSINESS

None of the Directors and their associates had any interest in any competing business with the Company or any of its subsidiaries during the year ended 31 December 2015.

COMPLIANCE WITH NON-COMPETE UNDERTAKING

Each of Fuguiniao Holdco, Fuguiniao Holding, Gain Star, Fuguiniao Equity, Fuguiniao Commerce, Wo Hing Trading, Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho (the controlling shareholders (within the meaning of the Listing Rules) of the Company) has confirmed to the Company that he/it has complied with the non-compete undertaking given by them to the Company on 28 November 2013. The independent non-executive Directors of the Company have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with throughout the year ended 31 December 2015.

ARRANGEMENT FOR DIRECTORS AND SUPERVISORS TO PURCHASE SHARES OR DEBENTURES

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

RETIREMENT SCHEMES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2015, the Company complied with all code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2015, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

GENERAL MANDATE TO ISSUE DEBT INSTRUMENTS AND PROPOSED ISSUE OF CORPORATE BONDS

On 7 March 2016, a general mandate to issue certain debt instruments was granted by the shareholders of the Company to the Board at the extraordinary general meeting. Pursuant to such general mandate, the Board subsequently resolved on the same date to issue non-public corporate bonds with an aggregate amount of not exceeding RMB1.5 billion to certain qualified investors in the PRC. For details of the general mandate and the non-public issue of corporate bonds, please refer to the circular of the Company dated 22 January 2016 and the announcements of the Company dated 7 March 2016 and 8 March 2016.

AUDIT COMMITTEE

The audit committee of the Board has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial report matters including the review of the Group's consolidated annual results for the year ended 31 December 2015.

AUDITOR

The consolidated financial statements for the year ended 31 December 2015 have been audited by KPMG, who shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Group is to be proposed at the AGM.

BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2015 is shown on pages 15 to 20.

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

Hong Kong, 17 March 2016

REPORT OF THE BOARD OF SUPERVISORS

The current session of the board of supervisors is comprised of three supervisors, namely Mr. Zhang Haimu, Mr. Li Yuzhong and Ms. Lian Liqing.

In the year ended 31 December 2015, for the Company's long term interests and shareholders' interests, the board of supervisors of the Company acted in strict compliance with relevant laws, regulations, rules, regulatory documents, the Articles of Association and Listing Rules and earnestly performed their duties of supervision as to the acts of the Directors and senior management of the Company. The main area of work of the board of supervisors in 2015 is summarised as follows:

I. MEETING CONDUCTED BY THE BOARD OF SUPERVISORS

The board of supervisors of the Company convened 5 meetings in the year ended 31 December 2015.

II. WORK OF THE BOARD OF SUPERVISORS

The work of the board of supervisors during the year ended 31 December 2015 mainly comprised of the followings:

1. Inspection over implementation of resolutions of the general meetings

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

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

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

3. Inspection over the Group's daily operating activities

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

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

   The board of supervisors of the Company has verified the Group's 2015 consolidated financial statements, supervised and inspected the Group's implementation of relevant financial policies and legislations as well as details on the Group's assets, financial income and expenditure and connected transactions. It is of the opinion that the financial report for 2015 fairly reflected its financial position and operating results of the Company, and all of the continuing connected transactions were entered into on a fair basis and the pricing of the transactions is determined on arm's length basis and did not impair the interests of the Group and the shareholders of the Company.

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

Chairman of the Board of Supervisors
Zhang Haimu

Hong Kong, 17 March 2016

CORPORATE GOVERNANCE REPORT

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

After reviewing the Company's corporate governance practices and the relevant regulations of the Corporate Governance Code and Corporate Governance Report (the "CG code") as set out in Appendix 14 to the Listing Rules, the Board is satisfied that the Company complied with the CG code provisions during the year ended 31 December 2015.

BOARD OF DIRECTORS

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

The Directors during the year ended 31 December 2015 were:

Executive Directors
Mr. Lam Wo Ping
Mr. Lam Wing Ho
Mr. Lam Wo Sze
Mr. Lam Kwok Keung
Mr. Hong Huihuang

Non-executive Director
Mr. Zhai Gang *(retired on 28 June 2015)*

Independent non-executive Directors
Mr. Wang Zhiqiang
Ms. Long Xiaoning
Mr. Li Yuzhong *(resigned on 19 October 2015)*
Ms. Chan Wah Man, Carman
Mr. Cheung Ming Hung *(appointed on 19 October 2015)*

As the term of the first session of the Board expired on 28 June 2015, each of the members of the first session of the Board (other than Mr. Zhai Gang) was re-elected as a member of the second session of the Board at the extraordinary general meeting of the Company held on 26 June 2015 for a term of three years commencing from 29 June 2015 and ending on the expiration of the term of the second session of the Board on 28 June 2018. Mr. Zhai Gang retired from his office as a non-executive Director from the first session of the Board on 28 June 2015.

On 19 October 2015, Mr. Li Yuzhong resigned as an independent non-executive Director and a member of the Remuneration, Nomination and Strategy committees of the Board due to job adjustment. To fill the vacancy arising from the resignation of Mr. Li Yuzhong, Mr. Cheung Ming Hung was appointed as an independent non-executive Director and a member of the Remuneration, Nomination and Strategy committees of the Board on the same date.

The biographical details and (where applicable) their family relationships of the Directors are set out in the section headed "Biography of Directors, Supervisors and Senior Management" on pages 31 to 35 in the annual report. A list of the Directors identifying their roles and functions and whether they are independent non-executive Directors is available on the Company's website.

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

Save as disclosed above, there are no other financial, business, family or other material/relevant relationships among members of the Board. The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Group. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, investment policy, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors and members of senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

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

All Board members have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request. Throughout the year ended 31 December 2015, all Directors are provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties.

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

DIRECTORS' AND OFFICERS' INSURANCE

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

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

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

Throughout the year ended 31 December 2015, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements in relation to continuous responsibilities of Hong Kong listed company and its directors and other relative compliance issues are provided and notified to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

BOARD COMMITTEES

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

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

(i) Audit Committee

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

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

Pursuant to the meeting of Audit Committee on 17 March 2016, the Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2015, including the accounting principles and practices adopted by the Group, report prepared by the external auditors covering major findings in the course of the audit, the risk management and internal control systems, the effectiveness of the Company's internal audit function and internal control systems, and selection and appointment of the external auditors. Two meetings were held by the Audit Committee during the year ended 31 December 2015 and all members of the Audit Committee attended the meetings.

(ii) Remuneration Committee

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

Pursuant to the meeting of the Remuneration Committee on 16 March 2016, the Remuneration Committee has reviewed the remuneration policy and structure relating to the Directors and senior management of the Company. One meeting was held by the Remuneration Committee during the year ended 31 December 2015 and all members of the Remuneration Committee attended the meeting.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2015 is set out below:

Remuneration bands (HK$)	Number of persons
Nil to 500,000	4
500,000 to 1,000,000	2
1,000,000 to 1,500,001	1

(iii) Nomination Committee

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

Pursuant to the meeting of the Nomination Committee on 16 March 2016, the Nomination Committee has reviewed the structure, size and composition of the Board and assessed independence of the independent non-executive Directors. Three meetings were held by the Nomination Committee during the year ended 31 December 2015 and all members of the Nomination Committee attended the meetings.

(iv) Strategy Committee

The Strategy Committee was established on 9 July 2012 and comprises three Directors: Mr. Lam Wo Ping (executive Director), Ms. Long Xiaoning (independent non-executive Director) and Mr. Cheung Ming Hung (independent non-executive Director). Mr. Lam Wo Ping is the chairman of the Strategy Committee.

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

One meeting was held by the Strategy Committee during the year ended 31 December 2015 and all members of the Strategy Committee attended the meeting.

CORPORATE GOVERNANCE FUNCTIONS

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

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

BOARD PROCEEDINGS

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

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

During the year ended 31 December 2015, there were nine Board meetings held and each of the Directors then in position attended each of these meetings.

ATTENDANCE OF DIRECTORS AT GENERAL MEETINGS

During the year ended 31 December 2015, there were 6 general meetings held and each of the Directors then in position attended each of these general meetings.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

As the term of the first session of the Board expired on 28 June 2015, each of the members of the first session of the Board (other than Mr. Zhai Gang) was re-elected as a member of the second session of the Board on the extraordinary general meeting held on 26 June 2015 for a term of three years commencing from 29 June 2015 and ending on the expiration of the term of the second session of the Board on 28 June 2018.

Each of the Directors of the second session of the Board has entered into a service contract with the Company, commencing from 29 June 2015 and ending on the expiration of the term of the second session of the Board on 28 June 2018.

In relation to the appointment of Mr. Cheung Ming Hung as an independent non-executive Director, Mr. Cheung Ming Hung entered into a service contract with the Company, commencing from 19 October 2015 and ending on the expiration of the term of the second session of the Board on 28 June 2018.

BOARD DIVERSITY POLICY

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

BOARD OF SUPERVISORS

The board of supervisors of the Company consists of three members.

As the term of the first session of the board of supervisors of the Company expired on 28 June 2015, each of Mr. Zhou Xinyu and Ms. Wang Xinhui, being a shareholder representative supervisor of the first session of the board of supervisors of the Company, was re-elected as a member of the second session of the board of supervisors at the extraordinary general meeting of the Company held on 26 June 2015 for a term of three years commencing from 29 June 2015 and ending on the expiration of the term of the second session of the board of supervisors on 28 June 2018. Mr. Zhang Haimu, being the employee representative supervisor, was re-elected as a member of the second session of the board of supervisors of the Company by the employees of the Company for a term of three years commencing from 29 June 2015 and ending on the expiration of the term of the second session of the board of supervisors on 28 June 2018.

Each of the supervisors of the second session of the board of supervisors of the Company has entered into a service contract with the Company for a term of three years commencing from 29 June 2015 and ending on the expiration of the term of the second session of the board of supervisors on 28 June 2018.

On 19 October 2015, each of Mr. Zhou Xinyu and Ms. Wang Xinhui resigned as a member of the second session of the board of supervisors of the Company due to job adjustment. To fill the vacancy arising from the resignation of Mr. Zhou Xinyu and Ms. Wang Xinhui, each of Mr. Li Yuzhong and Ms. Lian Liqing was appointed as a member of the second session of the board of supervisors of the Company on the same date.

In relation to the appointment of each of Mr. Li Yuzhong and Ms. Lian Liqing as the supervisor, each of Mr. Li Yuzhong and Ms. Lian Liqing has entered into a service contract with the Company, commencing from 19 October 2015 and ending on the expiration of the term of the second session of the board of supervisors on 28 June 2018.

The functions and duties of the board of supervisors include, but are not limited to: reviewing and verifying financial reports; and, if in doubt, appointing certified public accountants and practicing auditors to re-examine the Company's financial information; monitoring the business activities of the Company; supervising the performance of the Directors, the Chairman of the Board and other senior management members, and monitoring whether they had acted in violation of the laws, regulations and Articles of Association in the performance of their duties; requesting the Directors, the Chairman of the Board and senior management members to rectify actions which are damaging to the Company's interests; and exercising other rights given to them under the Articles of Association.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' and supervisors' securities transactions ("Model Code"). Upon specific enquiries, all Directors and supervisors of the Company confirmed that they have complied with the relevant provisions of the Model Code throughout the year ended 31 December 2015.

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

COMPANY SECRETARY

Mr. Liu Guodong resigned as the Company Secretary of the Company on 13 April 2015 due to his other business and professional endeavors and Mr. Chan Wai Shing, was appointed as the Company Secretary of the Company on the same date.

During the financial year ended 31 December 2015, the Company Secretary has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the Company Secretary is set out in the section headed "Biography of Directors, Supervisors and Senior Management" in the annual report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

Risk Management and Internal Control

The Board recognizes its overall responsibility for the Group's risk management and internal control systems and reviewing their effectiveness on an ongoing basis. The Group's risk management and internal control systems are featured with a defined management structure with limits of authority and well-rounded policies and procedures with clear segregation duties and are designed to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives. The Company has a process for identifying, evaluating, and managing the significant risks associated with the achievement of its operational objectives. The senior management of the Group reviews and evaluates the internal control process, monitors any risk factors on a regular basis, and reports to the Board on any findings and measures taken to address such variances and identified risks. The approach of the review includes conducting interviews with relevant management and staff members, reviewing relevant documentation and evaluating findings on any deficiencies in the design of the internal control and risk management systems. In addition, the Company has also established policies and procedures with clear segregation of duties applicable to certain operating units to ensure the effectiveness of risk management and internal controls. The day-to-day operation is also entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board or the Audit Committee. This process was in place throughout 2015 and is subject to continuous improvement. The Company also has an internal audit department which conducts quality assurance review of the Group's financial, business and functional operations to identify any deficiencies of the Group's risk management and internal control systems, to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

In addition, the procedures on disclosure of inside information were in place to ensure that all relevant facts and circumstances that may have material effect on the share price of the Company is promptly assessed and that any material information which comes to the knowledge of any one or more officers of the Group be promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

The Board and the Audit Committee have conducted an annual review of the effectiveness of the risk management and internal control system of the Group during the year ended 31 December 2015. The review covered major financial, operational and compliance controls, as well as risk management functions of different systems. No major issue but areas for improvement have been identified. The Board and the Audit Committee considered that the key areas of the Group's risk management and internal control systems are reasonably implemented.

The Board and the Audit Committee have also reviewed and were satisfied with the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

EXTERNAL AUDITOR

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

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

	2015 RMB'000
Review of interim results	800,000
Statutory audit of certain subsidiaries	80,000
Tax related service	100,000

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

NON-COMPETE UNDERTAKING BY CONTROLLING SHAREHOLDERS

Fuguiniao Holdco, Fuguiniao Holding, Gain Star, Fuguiniao Commerce, Fuguiniao Equity, Wo Hing Trading, Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Lam Wing Ho are the controlling shareholders (within the meaning of the Listing Rules) of the Company (the "Controlling Shareholders"). Each of the Controlling Shareholders has confirmed to the Company that none of them is engaged in, or interested in any business (other than the Group) which directly or indirectly competes or may compete with the business of the Group. To protect the Group from any potential competition, the Controlling Shareholders have given an irrevocable non-compete undertaking in the Group's favour on 28 November 2013 (the "Deed of Non-competition"). Each of the Controlling Shareholders has confirmed to the Company that he/it has complied with the Deed of Non-competition, and the independent nonexecutive Directors of the Company have reviewed the status of compliance and enforcement of the Deed of Non-competition and confirmed that all the undertakings thereunder have been complied with for the year ended 31 December 2015.

In addition, during the year ended 31 December 2015, no decision was made by the independent non-executive Directors pursuant to the Offer Notice, Options for Acquisition or Pre-emptive Rights (each as defined in the prospectus of the Company dated 10 December 2013) under the Deed of Non-competition, as no relevant business opportunity in relation to such Offer Notice, Options for Acquisition or Pre-emptive Rights was offered to any of the Controlling Shareholders or referred to the Company by any of the Controlling Shareholders during the same period.

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

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

(b) each of them made a declaration to the Company and its independent non-executive Directors regarding his/its compliance with the Deed of Non-competition for the year ended 31 December 2015 for the Company to disclose in the annual report.

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

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

(i) Participation at general meetings

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

(ii) Enquiries and proposals to the Board

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

(iii) Convening extraordinary general meetings

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution of the extraordinary general meeting of the Company passed on 26 June 2015, article 100 of the Articles of Association of the Company has been amended to the effect that the total number of Directors of the Company shall be nine (9) instead of eleven (11). Please refer to the circular and the notice of the extraordinary general meeting of the Company dated 11 May 2015 for further details.

Pursuant to a special resolution of the extraordinary general meeting of the Company passed on 19 October 2015, upon the completion of the bonus issue and certain share transfers between our shareholders, a new article 22 of the Articles of Association of the Company has been added to the effect that the shareholding structure of the Company shall be changed and the original article 22 has been amended to the effect that the registered capital of the Company shall be RMB1,337,273,000 instead of RMB534,909,200. Please refer to the circular and the notice of the extraordinary general meeting of the Company dated 27 August 2015 for further details. The amendment of the Articles of Association became effective on 13 November 2015 upon the completion of the bonus issue and the share transfers. Save as disclosed above, during the year ended 31 December 2015, there was no change in the Articles of Association of the Company.

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of Fuguiniao Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 65 to 112, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

17 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Revenue	3	2,031,817	2,322,982
Cost of sales		(1,230,252)	(1,405,644)
Gross profit		801,565	917,338
Other revenue	4	52,090	36,778
Other net income/(loss)	4	10,248	(5,180)
Selling and distribution expenses		(162,471)	(189,617)
Administrative and other operating expenses		(114,790)	(133,284)
Profit from operations		586,642	626,035
Finance costs	5(a)	(63,018)	(23,901)
Profit before taxation	5	523,624	602,134
Income tax	6	(131,485)	(150,912)
Profit for the year		392,139	451,222
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside the mainland China		1,637	130
Total comprehensive income		393,776	451,352
Basic and diluted earnings per share (RMB)	9	0.29	0.34

The notes on pages 69 to 112 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 22(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	*10*	84,242	101,011
Interests in leasehold land held for own use under operating leases	*10*	8,638	8,847
Deferred tax assets	*12(b)*	10,287	12,627
Other financial assets	*13*	1,800	–
		104,967	122,485
Current assets			
Inventories	*14*	353,686	250,586
Trade and other receivables	*15*	925,948	730,069
Other financial assets	*13*	214,000	200,000
Pledged bank deposits	*16*	666,511	32,806
Fixed deposits at banks with maturity over three months	*17(a)*	1,845,854	1,375,869
Cash and cash equivalents	*17(a)*	266,301	401,634
		4,272,300	2,990,964
Current liabilities			
Bank loans	*18*	554,230	400,939
Trade and other payables	*19*	548,219	437,971
Current tax payable	*12(a)*	81,694	81,473
		1,184,143	920,383
Net current assets		3,088,157	2,070,581
Total assets less current liabilities		3,193,124	2,193,066
Non-current liabilities			
Corporate bonds	*20*	793,500	–
Net assets		2,399,624	2,193,066
Capital and reserves	*22*		
Share capital		1,337,273	534,909
Reserves		1,062,351	1,658,157
Total equity		2,399,624	2,193,066

Approved and authorised for issue by the Board of Directors on 17 March 2016.

Lam Wo Ping
Director

Lam Kwok Keung
Director

The notes on pages 69 to 112 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

(Expressed in Renminbi)

	Note	Share capital RMB'000 *22(c)*	Capital reserve RMB'000 *22(d)(i)*	Statutory reserve RMB'000 *22(d)(ii)*	Exchange reserve RMB'000 *22(d)(iii)*	Retained profits RMB'000	Total RMB'000
As at 1 January 2014		533,340	904,836	89,486	(615)	412,650	1,939,697
Changes in equity for 2014:							
Profit for the year		–	–	–	–	451,222	451,222
Other comprehensive income for the year		–	–	–	130	–	130
Total comprehensive income for the year		–	–	–	130	451,222	451,352
Appropriation to statutory reserve	*22(d)(ii)*	–	–	45,303	–	(45,303)	–
Issue of H shares, net of listing expenses	*22(c)(i)*	1,569	9,062	–	–	–	10,631
Dividends declared	*22(b)*	–	–	–	–	(208,614)	(208,614)
As at 31 December 2014 and 1 January 2015		534,909	913,898	134,789	(485)	609,955	2,193,066
Changes in equity for 2015:							
Profit for the year		–	–	–	–	392,139	392,139
Other comprehensive income for the year		–	–	–	1,637	–	1,637
Total comprehensive income for the year		–	–	–	1,637	392,139	393,776
Appropriation to statutory reserve	*22(d)(ii)*	–	–	38,762	–	(38,762)	–
Bonus issue of shares	*22(c)(ii)*	802,364	(802,364)	–	–	–	–
Dividends declared	*22(b)*	–	–	–	–	(187,218)	(187,218)
As at 31 December 2015		1,337,273	111,534	173,551	1,152	776,114	2,399,624

The notes on pages 69 to 112 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Operating activities			
Cash generated from operations	*17(b)*	312,588	922,709
Income tax paid		(128,924)	(166,231)
Net cash generated from operating activities		183,664	756,478
Investing activities			
Payment for the purchase of property, plant and equipment		(3,240)	(3,613)
Proceeds from disposal of property, plant and equipment		7,274	–
Placement of time deposits with original maturity over three months		(1,798,236)	(2,253,944)
Placement of deposit pledged as security for foreign currency swap contracts		(624,189)	–
Placement of other financial assets		(215,800)	(200,000)
Maturity of other financial assets		200,000	–
Maturity of time deposits with original maturity over three months		1,335,681	1,482,355
Interest received		32,899	15,324
Investment returns received		1,277	1,755
Net cash used in investing activities		(1,064,334)	(958,123)
Financing activities			
Proceeds from bank loans		834,476	595,422
Repayment of bank loans		(684,825)	(611,906)
Proceeds from issue of corporate bonds		792,600	–
Proceeds from issue of H shares, net of issuing expenses		–	10,631
Decrease in pledged deposits for foreign currency loans		–	7,500
Dividends paid		(170,204)	(217,894)
Interest paid		(28,163)	(23,760)
Net cash generated from/(used in) financing activities		743,884	(240,007)
Net decrease in cash and cash equivalents		(136,786)	(441,652)
Cash and cash equivalents at 1 January		401,634	843,353
Effect of foreign exchange rate changes		1,453	(67)
Cash and cash equivalents at 31 December	*17(a)*	266,301	401,634

The notes on pages 69 to 112 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group").

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to IFRSs 2010-2012 Cycle*
- *Annual Improvements to IFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries

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

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

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

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

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

(e) Other financial assets

Other financial assets included investment in wealth management products and equity securities, other than investment in subsidiaries, are initially stated at fair value, which is their transaction price including attributable transaction costs.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Other financial assets (Continued)

At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Other financial assets that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1 (i)). Dividend income from equity securities and investment income from wealth management products are recognised in profit or loss in accordance with the policies set out in note 1(r)(ii).

When the investments are derecognised or impaired (see note 1(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Derivative financial instruments

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

(g) Property, plant and equipment

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

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

No depreciation is provided in respect of construction in progress.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value of 10%, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.

– Plant and machinery	10 years
– Leasehold improvements	3 years
– Motor vehicles	8 years
– Furniture, fixtures and equipment	5 years

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

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

(i) Impairment of assets

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

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

– significant financial difficulty of the debtor;

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

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

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

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

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

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

– For other financial assets stated at fair value, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of other financial assets stated at fair value are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

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

(ii) Impairment of other assets

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

– property, plant and equipment;

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

(iii) Interim financial reporting and impairment

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

Impairment losses recognised in an interim period in respect of other financial assets and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of a other financial asset security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Inventories

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

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

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

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

(k) Trade and other receivables

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

(l) Interest-bearing borrowings

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

(m) Trade and other payables

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

(n) Cash and cash equivalents

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee benefits

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

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

(p) Income tax

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

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

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax (Continued)

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

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

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

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

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

  - the same taxable entity; or

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

(q) Provision and contingent liabilities

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Revenue recognition

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

(i) Sale of goods

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

(ii) Dividend/investment income

Dividend/investment income is recognised when the Group's right to receive payment is established.

(iii) Interest income

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

(iv) Government grants

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

(s) Translation of foreign currencies

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

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

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

(t) Borrowing costs

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Research and development expenditure

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

(v) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

(iv) One entity is a joint venture of a third party and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly-controlled by a person identified in (a).

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Segment reporting

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

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

2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

(b) Net realisable value of inventories

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

2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Depreciation and amortisation

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

(d) Bank acceptance bills

As set out in notes 15(d) and 23(a)(i), the Group considers that the credit risk associated with bank acceptance bills with recourse issued by major banks in the PRC to be minimal. The Group monitors the credit risk of issuing banks and the judgement to de-recognise bank acceptance bills with recourse upon discounting or endorsement is reviewed when the credit risk of issuing banks deteriorates significantly.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2014 and 2015. Details of concentrations of credit risk arising from major customers are set out in note 23(a).

(b) Segment reporting

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

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

– Design and trading of menswear ("Menswear")

(i) Segment results

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

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results (Continued)

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

	Shoes		Menswear		Total	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	1,717,229	1,837,359	314,588	485,623	2,031,817	2,322,982
Cost of sales	(1,044,416)	(1,116,138)	(185,836)	(289,506)	(1,230,252)	(1,405,644)
Reportable segment gross profit	672,813	721,221	128,752	196,117	801,565	917,338
Depreciation and amortisation	5,847	5,548	-	-	5,847	5,548

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

(ii) Geographic information

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

	2015 RMB'000	2014 RMB'000
The PRC	1,801,356	1,988,597
Italy	63,837	82,298
Hong Kong	48,745	–
Canada	43,115	37,012
Russia	29,375	99,159
Austria	22,006	50,686
Germany	20,316	52,756
Other countries	3,067	12,474
	2,031,817	2,322,982

4 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	2015 RMB'000	2014 RMB'000
Other revenue		
Interest income	36,377	24,198
Investment income	1,277	1,755
Government grants	14,436	10,712
Others	–	113
	52,090	36,778
Other net income/(loss)		
Net foreign exchange loss	(4,585)	(5,730)
Gain on disposals of property, plant and equipment	1,332	–
Unrealised (loss)/gain on forward foreign exchange contracts	(1,206)	550
Unrealised gain on foreign currency swap contracts	14,707	–
	10,248	(5,180)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2015 RMB'000	2014 RMB'000
(a)	Finance costs:		
	Interest on bank loans	27,183	23,901
	Interest on corporate bonds *(note 20)*	35,835	–
		63,018	23,901
(b)	Staff costs:		
	Contributions to defined contribution retirement plans *(note 21)*	8,816	7,853
	Salaries, wages and other benefits	203,942	229,802
		212,758	237,655

5 PROFIT BEFORE TAXATION (Continued)

		2015 RMB'000	2014 RMB'000
(c)	Other items:		
	Depreciation and amortisation	13,754	15,058
	Impairment losses		
	– Trade and other receivables *(note 15(b))*	7,386	15,590
	Auditor's remuneration	3,480	3,480
	Operating lease charges in respect of properties	21,334	21,844
	Research and development costs *(note (i))*	37,587	39,658
	Cost of inventories *(note (ii))*	1,230,252	1,405,644

Notes:

(i) Research and development costs include staff costs of employees in the design, research and development department of RMB11,361,000 (2014: RMB14,434,000), which are also included in the staff costs as disclosed in note 5(b).

(ii) Cost of inventories includes RMB123,797,000 (2014: RMB143,064,000) relating to staff costs, depreciation and amortisation and operating lease charges in respect of properties, which amounts are also included in the respective total amounts disclosed separately above or in notes 5(b) and (c) for each of these types of expenses.

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

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

	2015 RMB'000	2014 RMB'000
Current tax – PRC Corporate Income Tax		
Provision for the year	128,701	155,667
Under-provision in respect of prior year	–	45
Current tax – Hong Kong Profits Tax		
Provision for the year	444	1,362
Deferred tax		
Origination and reversal of temporary differences *(note 12(b))*	2,340	(6,162)
	131,485	150,912

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

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

(i) The Company and its subsidiaries in mainland China are subject to the PRC Corporate Income Tax at the statutory rate of 25% for the year ended 31 December 2015 (2014: 25%).

(ii) The provision for Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits arising in Hong Kong for the year ended 31 December 2015.

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

	2015 RMB'000	2014 RMB'000
Profit before taxation	523,624	602,134
Notional tax on profit before taxation, calculated at the standard tax rates applicable to the respective tax jurisdictions	130,727	149,869
Non-deductible expenses	758	998
Under-provision in respect of prior year	–	45
Actual tax expense	131,485	150,912

7 DIRECTORS' AND SUPERVISORS' EMOLUMENT

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

2015

	Directors' fee RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors					
Mr Lam Wo Ping	–	362	–	–	362
Mr Lam Wing Ho (a)	–	–	–	–	–
Mr Lam Wo Sze (b)	–	–	–	–	–
Mr Lam Kwok Keung (b)	–	–	–	–	–
Mr Hong Huihuang	–	523	5	–	528
Non-executive directors					
Mr Zhai Gang (c)	–	–	–	–	–
Independent non-executive directors					
Mr Wang Zhiqiang	80	–	–	–	80
Ms Long Xiaoning	80	–	–	–	80
Ms Chan Wah Man, Carman (d)	160	–	–	–	160
Mr Cheung Ming Hung (e)	–	–	–	–	–
Mr Li Yuzhong (f)	60	–	–	–	60
Supervisors					
Mr Zhang Haimu	–	202	4	–	206
Mr Li Yuzhong (f)	–	20	–	–	20
Ms Lian Liqing (g)	–	67	2	–	69
Ms Wang Xinhui (h)	–	–	–	–	–
Mr Zhou Xinyu (h)	–	107	1	–	108
Total	380	1,281	12	–	1,673

7 DIRECTORS' AND SUPERVISORS' EMOLUMENT (Continued)

2014

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

(a) Re-designated from a non-executive director to an executive director on 2 April 2014.

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

(c) Ceased to be a non-executive director on 28 June 2015.

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

(e) Appointed as an independent non-executive director on 19 October 2015.

(f) Re-designated from a non-executive director to a supervisor on 19 October 2015.

(g) Appointed as a supervisor on 19 October 2015.

(h) Ceased to be supervisors on 19 October 2015.

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

(j) Ceased to be an independent non-executive director on 30 June 2014.

8 INDIVIDUAL WITH HIGHEST EMOLUMENTS

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

	2015 RMB'000	2014* RMB'000
Salaries and other emoluments	2,424	1,986
Contributions to retirement benefit scheme	33	10
	2,457	1,996

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

The emoluments of the remaining three (2014: four) individuals with the highest emoluments are within the following bands:

	2015 Number of individuals	2014 Number of individuals
HK$Nil to HK$1,000,000	2	4
HK$1,000,000 to HK$1,500,001	1	–

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2015 is based on the profit for the year of RMB392,139,000 (2014: RMB451,222,000) and the weighted average of 1,337,273,000 shares (2014: 1,337,122,000 shares after adjusting for the bonus issue in 2015) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2015 '000	2014 '000
Issued ordinary shares at 1 January	534,909	533,340
Effect of issue of shares *(note 22(c)(i))*	–	1,509
Effect of bonus issue *(note 22(c)(ii))*	802,364	802,273
Weighted average number of ordinary shares at 31 December	1,337,273	1,337,122

(b) Diluted earnings per share

There were no dilutive potential ordinary shares for the years ended 31 December 2014 and 2015, and therefore, diluted earnings per share are the same as the basic earnings per share.

10 PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvement RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
1 January 2014	65,363	107,879	14,488	32,710	7,693	228,133	10,408	238,541
Additions	–	767	271	1,939	–	2,977	–	2,977
Disposals	–	(119)	–	(219)	–	(338)	–	(338)
At 31 December 2014	65,363	108,527	14,759	34,430	7,693	230,772	10,408	241,180
1 January 2015	**65,363**	**108,527**	**14,759**	**34,430**	**7,693**	**230,772**	**10,408**	**241,180**
Additions	**–**	**190**	**234**	**2,294**	**–**	**2,718**	**–**	**2,718**
Disposals	**(6,780)**	**(520)**	**–**	**–**	**–**	**(7,300)**	**–**	**(7,300)**
At 31 December 2015	**58,583**	**108,197**	**14,993**	**36,724**	**7,693**	**226,190**	**10,408**	**236,598**
Accumulated depreciation and amortisation:								
1 January 2014	7,512	76,443	9,507	18,242	3,350	115,054	1,353	116,407
Charge for the year	2,941	4,382	1,087	3,876	2,564	14,850	208	15,058
Written back on disposals	–	(104)	–	(39)	–	(143)	–	(143)
At 31 December 2014	10,453	80,721	10,594	22,079	5,914	129,761	1,561	131,322
1 January 2015	**10,453**	**80,721**	**10,594**	**22,079**	**5,914**	**129,761**	**1,561**	**131,322**
Charge for the year	**2,740**	**4,173**	**822**	**4,031**	**1,779**	**13,545**	**209**	**13,754**
Written back on disposals	**(890)**	**(468)**	**–**	**–**	**–**	**(1,358)**	**–**	**(1,358)**
At 31 December 2015	**12,303**	**84,426**	**11,416**	**26,110**	**7,693**	**141,948**	**1,770**	**143,718**
Net book value:								
At 31 December 2015	**46,280**	**23,771**	**3,577**	**10,614**	**–**	**84,242**	**8,638**	**92,880**
At 31 December 2014	54,910	27,806	4,165	12,351	1,779	101,011	8,847	109,858

10 PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

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

	2015 RMB'000	2014 RMB'000
In Hong Kong – medium-term lease	–	5,992
In the PRC – medium-term leases	54,918	57,765
	54,918	63,757
Representing:		
Buildings carried at cost	46,280	54,910
Interests in leasehold land held for own use under operating leases carried at cost	8,638	8,847
	54,918	63,757

(Expressed in Renminbi unless otherwise indicated)

11 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries of the Group. The class of shares held is ordinary unless otherwise stated.

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

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

\# The capital of these subsidiaries have not been paid up to the end of the reporting period.

12 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the statements of financial position

	2015 RMB'000	2014 RMB'000
PRC Corporate Income Tax	79,003	79,227
Hong Kong Profits Tax	2,691	2,246
	81,694	81,473

(b) Net deferred tax assets recognised

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

	Provision for doubtful debts RMB'000	Unrealised profits RMB'000	Derivative financial instruments RMB'000	Total RMB'000
At 1 January 2014	–	6,465	–	6,465
Credited/(charged) to profit or loss *(note 6(a))*	3,897	2,402	(137)	6,162
At 31 December 2014	3,897	8,867	(137)	12,627
At 1 January 2015	3,897	8,867	(137)	12,627
Charged to profit or loss *(note 6(a))*	1,847	(949)	(3,238)	(2,340)
At 31 December 2015	5,744	7,918	(3,375)	10,287

(c) Deferred tax liability not recognised

The Group is subject to PRC Corporate Income Tax on dividends receivable from its Hong Kong subsidiaries due to differential income tax rate. Deferred tax liability of RMB1,102,000 (2014: RMB945,000) relating to such undistributed profit of the Company's Hong Kong subsidiaries were not recognised as the Company controls the dividend policy of these subsidiaries. Based on the assessment made by management as at the end of the reporting period, it was determined that the undistributed profits of the Company's Hong Kong subsidiaries would not be distributed in the foreseeable future.

13 OTHER FINANCIAL ASSETS

	2015 RMB'000	2014 RMB'000
Non-current		
Unlisted equity investment in PRC, at cost *(note (i))*	1,800	–
Current		
Wealth management products *(note (ii))*	214,000	200,000
	215,800	200,000

(i) On 3 April 2015, the Company acquired 18% equity interest in Fuyin Financial Information Service (Beijing) Co., Ltd, at a consideration of RMB1,800,000. The unlisted equity investment is stated at cost less impairment because the directors of the Company are of the opinion that their fair value cannot be measured reliably.

(ii) The balance represented investments in certain wealth management products with expected returns from 0%-6% (2014: 5.5%) per annum. The investments would be recoverable within one year.

14 INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	223,833	109,075
Work in progress	34,110	37,244
Finished goods	95,743	104,267
	353,686	250,586

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

	2015 RMB'000	2014 RMB'000
Carrying amount of inventories sold	1,230,252	1,405,644

15 TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables – third parties	803,443	683,794
Bills receivable *(note (d))*	5,700	6,900
Less: provision for doubtful debts *(note (b))*	(22,976)	(15,590)
Trade and bills receivables *(notes (a) and (c))*	786,167	675,104
Prepayments to suppliers	98,366	27,026
VAT deductible	4,425	9,633
Interest receivable	14,082	10,603
Other prepayments and receivables	9,407	7,153
Derivative financial instruments *(note (e))*	13,501	550
	925,948	730,069

Trade and other receivables of the Group included deposits of RMB1,505,000 (2014: RMB1,067,000) which are expected to be recovered or recognised as expenses after more than one year. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

As at 31 December 2015, trade receivables with carrying amount of RMB15,305,000 (2014: RMB54,930,000) were pledged as security for certain bank loans (see note 18).

(a) Ageing analysis

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

	2015 RMB'000	2014 RMB'000
Within 4 months	570,961	575,396
More than 4 months but within 7 months	129,704	86,762
More than 7 months but within 1 year	83,939	7,909
More than 1 year	1,563	5,037
	786,167	675,104

Trade receivables are normally due within 120 days (2014: 90-120 days) from the date of billing. The Group sets a maximum revolving credit limit to each domestic distributor. In determining the amount of the credit limit and credit period, the Group takes into account the factors including the credit history, prior year's purchases, estimated purchases for the current year, funding required by that distributor to expand the retail network and market conditions. The Group generally evaluates the revolving credit limit of each domestic distributor annually upon renewal of the relevant distribution agreement. Further details on the Group's credit policy are set out in note 23(a).

15 TRADE AND OTHER RECEIVABLES (Continued)

(b) Impairment of trade and bills receivables

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

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

	2015 RMB'000	2014 RMB'000
At 1 January	15,590	–
Impairment loss recognised	7,386	15,590
At 31 December	22,976	15,590

As at 31 December 2015, the Group's trade receivables of RMB22,976,000 (2014: RMB15,590,000) were individually and collectively determined to be impaired. The Group has assessed the recoverability of the receivables past due and established a provision of doubtful debts. Consequently, specific provision for doubtful debts of RMB7,386,000 (2014: RMB15,590,000) was recognised in profit or loss during the year.

(c) Trade and bills receivables that are not impaired

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

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	570,961	575,396
Less than 3 months past due	129,704	86,762
More than 3 months past due	85,502	12,946
	786,167	675,104

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

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on a detailed assessment on the receivables past due, management believes that no impairment allowance is necessary in respect of these balances as management has reviewed the sales records of these customers and agreed the settlement plan of the past due balances with them. Therefore, management believes the balances are fully recoverable at the end of the reporting date.

15 TRADE AND OTHER RECEIVABLES (Continued)

(d) Bills receivable

Bills receivable represented bank acceptance bills not matured.

As at 31 December 2015, the Group had discounted or endorsed bank acceptance bills with recourse of RMB131,048,000 (2014: RMB306,617,000). These bank acceptance bills matured within three or six months from the date of issue. As the Group only accepts bank acceptance bills from major banks in the PRC, management considered that the credit risk of these bills is minimal. Accordingly, the respective bills receivable are derecognised upon discounting or endorsement of the bills.

(e) Derivative financial instruments

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

16 PLEDGED BANK DEPOSITS

	2015 RMB'000	2014 RMB'000
Bank deposits pledged as security for:		
Bills payable *(note 19(a))*	36,910	32,806
Foreign currency swap contracts	629,601	–
	666,511	32,806

17 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS AT BANKS

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

	2015 RMB'000	2014 RMB'000
Cash and cash equivalents	266,301	401,634
Deposits with banks with more than three months to maturity when placed	1,845,854	1,375,869
	2,112,155	1,777,503

At 31 December 2015, the cash and deposits of the Group that were placed with banks in the mainland China amounted to RMB2,093,522,000 (2014: RMB1,725,794,000).

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

17 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS AT BANKS (Continued)

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

	2015 RMB'000	2014 RMB'000
Profit before taxation	523,624	602,134
Adjustments for:		
Depreciation and amortisation	13,754	15,058
Provision for impairment of trade receivables	7,386	15,590
Interest expense	63,018	23,901
Net unrealised foreign exchange gain	(8,467)	(69)
Investment income	(1,277)	(1,755)
Interest income	(36,377)	(24,198)
Gain on disposals of property, plant and equipment	(1,332)	–
Unrealised gain on forward foreign exchange contracts and foreign currency swap contracts	(13,501)	(550)
Changes in working capital:		
Increase in inventories	(103,100)	(4,451)
(Increase)/decrease in trade and other receivables	(186,835)	152,740
Increase in pledged deposits	(4,104)	(8,666)
Increase in trade and other payables	59,799	152,975
Cash generated from operations	312,588	922,709

(c) During the year, the Company entered into a global cash management service agreement with a PRC bank, under which a two-way cross border RMB fund pool ("the RMB Fund Pool") was established and the designated accounts were opened under the name of the Company (as the principal entity of the RMB Fund Pool). Fuguiniao Group and Shishi Fuguiniao Group (related parties as defined in note 25) are participant entities in the RMB Fund Pool and are allowed to transfer its own RMB fund in or out of Mainland China through the RMB Fund Pool. Management considered that the aggregate amount of RMB817 million transferred in or out of Mainland China by Fuguiniao Group and Shishi Fuguiniao through the RMB Fund Pool was not owned by or related to the Group and accordingly, the amount was not considered as cash inflow or outflow in the consolidated cash flow statement.

During the year, cash and cash equivalents of RMB 54,000,000 of the Group was transferred to Fuguiniao Group at the instructions and on behalf of Shishi Fuguiniao Group which was settled by Shishi Fuguiniao Group through the RMB Fund Pool.

18 BANK LOANS

As at 31 December 2015, the bank loans were repayable within one year as follows:

	2015 RMB'000	2014 RMB'000
Bank loans		
– secured *(note 15)*	18,566	49,356
– unsecured	535,664	351,583
	554,230	400,939

As at 31 December 2015, certain bank loans of the Group were secured by trade receivables of RMB15,305,000 (2014: RMB54,930,000) (see note 15).

19 TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables – third parties	187,316	180,808
Bills payable *(note (a))*	216,050	164,030
Trade and bills payables *(note (b))*	403,366	344,838
Receipts in advance	18,324	34,353
Amount due to related parties *(note 25(c))*	5,902	–
VAT and other taxes payable	35,259	15,500
Interest payable		
– Corporate bonds *(note 20)*	34,935	–
– Bank loans	816	1,796
Salary payables	18,859	18,970
Other payables and accruals	30,758	22,514
	548,219	437,971

(a) All of the bills payable of the Group as at 31 December 2015 were secured by pledged bank deposits of RMB36,910,000 (2014: RMB32,806,000) (see note 16).

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

	2015 RMB'000	2014 RMB'000
Within 3 months	337,175	325,706
More than 3 months but within 6 months	62,990	17,289
More than 6 months but within 1 year	2,307	1,435
More than 1 year	894	408
	403,366	344,838

20 CORPORATE BONDS

	2015 RMB'000
At issue date	792,600
Add: Transaction costs amortised	900
At 31 December 2015	793,500

On 22 April 2015, the Group issued corporate bonds with a maturity period of five years, amounting to RMB800,000,000. The net proceeds of the corporate bonds at the issue date was RMB792,600,000, after deducting transaction costs of RMB7,400,000.

The corporate bonds are interest bearing at 6.30% per annum with interest payable in arrears on 22 April 2016, 2017 and 2018. In accordance with the terms of the corporate bonds, the Group has the option to adjust upward the interest rate of the bond by maximum of 100 basis points on 21 April 2018, and the corporate bonds are, at the option of the bondholders, redeemable at its par value on the same date. If the corporate bonds are not redeemed on 22 April 2018, the corporate bonds will be repayable on 22 April 2020.

The effective interest rate of the corporate bond is 6.52% per annum. As at 31 Decmber 2015, interest expense amounted to RMB34,935,000 (2014: Nil) was included in interest payable for corporate bonds (see note 19).

21 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Company and the PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the Company and the PRC subsidiaries are required to make contributions at the rate of 14% to 21% (2014: 14% to 21%) of the eligible salaries of eligible employees to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

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

22 CAPITAL AND RESERVES

(a) Movements in components of equity

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

	Note	Share capital RMB'000 22(c)	Capital reserve RMB'000 22(d)(i)	Statutory reserve RMB'000 22(d)(ii)	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2014		533,340	922,502	68,821	422,495	1,947,158
Changes in equity for 2014:						
Profit and total comprehensive income for the year		–	–	–	450,326	450,326
Appropriation to statutory reserve	*22(d)(ii)*	–	–	45,033	(45,033)	–
Issue of H shares, net of listing expenses	*22(c)(i)*	1,569	9,062	–	–	10,631
Dividends declared	*22(b)*	–	–	–	(208,614)	(208,614)
Balance at 31 December 2014 and 1 January 2015		534,909	931,564	113,854	619,174	2,199,501
Changes in equity for 2015:						
Profit and total comprehensive income for the year		–	–	–	383,724	383,724
Appropriation to statutory reserve	*22(d)(ii)*	–	–	38,372	(38,372)	–
Bonus issue	*22(c)(ii)*	802,364	(802,364)	–	–	–
Dividends declared	*22(b)*	–	–	–	(187,218)	(187,218)
Balance at 31 December 2015		1,337,273	129,200	152,226	777,308	2,396,007

(b) Dividends

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

	2015 RMB'000	2014 RMB'000
Interim dividend declared after the interim period of RMB0.35 per share(2014: RMB0.15 per share)	187,218	80,236
Final dividend proposed after the end of the reporting period of Nil per share (2014: Nil)	–	–
	187,218	80,236

On 2 April 2015, the Board intended to expedite the issue of domestic corporate bonds and decided to cancel the recommended profit distribution plan of RMB0.35 per ordinary share (before tax) of the Company for the year ended 31 December 2014 so that no final dividend distribution was made to the shareholders for the year ended 31 December 2014.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015.

22 CAPITAL AND RESERVES (Continued)

(b) Dividends (Continued)

(ii) Dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the year

	2015 RMB'000	2014 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of Nil per share (2014: RMB0.24 per share)	–	128,378

(c) Share capital

	At 31 December 2015		At 31 December 2014	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid				
Domestic shares of RMB1 each				
At 1 January	48,800	48,800	48,800	48,800
Bonus issue *(note (ii))*	73,200	73,200	–	–
At 31 December	122,000	122,000	48,800	48,800
H shares of RMB1 each				
At 1 January	486,109	486,109	484,540	484,540
Issue of H shares, net of listing expenses *(note (i))*	–	–	1,569	1,569
Bonus issue *(note (ii))*	729,164	729,164	–	–
At 31 December	1,215,273	1,215,273	486,109	486,109
Total	1,337,273	1,337,273	534,909	534,909

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

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

(ii) On 4 November 2015, the Company made a bonus issue to the shareholders by way of conversion of capital reserve of the Company on the basis of 1.5 bonus shares for every one existing issued ordinary share. A total of 802,363,800 ordinary shares were issued pursuant to the bonus issue.

22 CAPITAL AND RESERVES (Continued)

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve mainly represented:

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

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

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

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

(ii) Statutory reserve

According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the Company Law of the PRC to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the Company and is non-distributable other than in liquidation.

(iii) Exchange reserve

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

(e) Distributable reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Company Law of the PRC, was RMB777,308,000 (2014: RMB619,174,000). After the end of the reporting period, the directors does not recommend the payment of any final dividend for the year ended 31 December 2015 (note 22(b)(i)).

(f) Capital management

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

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

22 CAPITAL AND RESERVES (Continued)

(f) Capital management (Continued)

The Group monitors its capital structure with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there were adequate working capital to service its debt obligations. The Group's gearing ratio, being the Group's total bank loans and corporate bonds over its total equity, at 31 December 2015 was 56% (2014: 18%).

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

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

(a) Credit risk

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

(i) Trade and other receivables

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 4% (2014: 5%) and 27% (2014: 23%) of the total trade and bills receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. As at 31 December 2015, the Group does not provide any guarantees which would expose the Group to credit risk.

In addition, as set out in note 15(d), as at 31 December 2015, the Group had discounted or endorsed certain bank acceptance bills with recourse amounted to RMB131,048,000 (2014: RMB306,617,000) and the respective receivables were derecognised upon discounting or endorsement. The Group's maximum loss in case of default is the face value of the discounted bills. As the Group only accepts bank acceptance bills from major banks in the PRC, management considered that the credit risk of these bills is minimal.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

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

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

(b) Liquidity risk

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

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

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

	Contractual undiscounted cash flow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount on statement of financial position RMB'000
At 31 December 2015					
Bank loans	567,397	–	–	567,397	554,230
Trade and bills payables	403,366	–	–	403,366	403,366
Amounts due to related parties	5,902	–	–	5,902	5,902
Interest payable					
– Corporate bonds	34,935	–	–	34,935	34,935
– Bank loans	816	–	–	816	816
Other payables and accruals	30,758	–	–	30,758	30,758
Corporate bonds	15,465	50,400	951,200	1,017,065	793,500
	1,058,639	50,400	951,200	2,060,239	1,823,507

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

	Total contractual undiscounted cash flow/ within 1 year or on demand RMB'000	Carrying amount on consolidated statement of financial position RMB'000
At 31 December 2014		
Bank loans	411,477	400,939
Trade and bills payables	344,838	344,838
Interest payable	1,796	1,796
Other payables and accruals	22,514	22,514
	780,625	770,087

(c) Interest rate risk

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

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

	2015		2014	
	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000
Fixed rate instruments:				
Bank loans	1.75% ~ 7.00%	554,230	2.01% ~ 6.30%	400,939
Corporate bonds payable	6.52%	793,500	–	–
		1,347,730		400,939

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

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk

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

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

(i) Exposure to currency risk

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

	2015					2014			
	United States Dollars RMB'000	Euros RMB'000	Canadian Dollars RMB'000	Hong Kong Dollars RMB'000	RMB RMB'000	United States Dollars RMB'000	Euros RMB'000	Hong Kong Dollars RMB'000	RMB RMB'000
Cash and cash equivalents	367	5,922	–	242	792	61	6,338	798	32
Pledged bank deposits	353,382	–	276,220	–	–	–	–	–	–
Fixed deposits at banks with maturity over three months	–	–	–	–	901,636	61,190	–	–	849,386
Trade and other receivables	28,285	9,199	–	31,204	12,236	50,202	16,227	17,746	24,780
Bank loans	(13,766)	(10,948)	–	–	(6,981)	(49,356)	–	–	–
Trade and other payables	(26,532)	(7,295)	–	(152,562)	(992,406)	(24,462)	(13,075)	(7,138)	–
Notional amount of forward contracts	(84,417)	(7,095)	–	–	–	(165,213)	(3,728)	–	–
Notional amount of foreign currency swap contracts	(353,382)	–	(276,220)	–	–	–	–	–	–
	(96,063)	(10,217)	–	(121,116)	(84,723)	(127,578)	5,762	11,406	874,198

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

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

	2015			2014		
	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after tax RMB'000	Effect on equity RMB'000	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after tax RMB'000	Effect on equity RMB'000
United States Dollars	1	(720)	(720)	1	(957)	(957)
	(1)	720	720	(1)	957	957
Euros	1	(91)	(91)	1	54	54
	(1)	91	91	(1)	(54)	(54)
Hong Kong Dollars	1	(908)	(908)	1	86	86
	(1)	908	908	(1)	(86)	(86)
RMB	1	(851)	–	1	8,701	–
	(1)	851	–	(1)	(8,701)	–

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk as at the end of the reporting periods which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2014.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Fair values

As at 31 December 2014 and 2015, the Group's financial instruments are carried at amounts not materially different from their fair values because of the short maturities of these instruments.

The fair value of foreign currency forward contracts and foreign currency swap contracts (note 15(e)) is categorised as level 2 of the fair value hierarchy as defined in IFRS 13, *Fair Value Measurement*, which was determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period.

The fair value of other financial assets (note 13) is categorised as level 2 or level 3 of the fair value hierarchy as defined in IFRS 13, *Fair Value Measurement*. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value other financial assets include:

– Quoted market prices or dealer quotes for similar instruments.

– Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis:

		Fair value measurements as at 31 December 2015 categorised into				Fair value measurements as at 31 December 2014 categorised into		
	Fair value at 31 December 2015 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value at 31 December 2014 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements								
Assets:								
Derivative financial instruments	13,501	–	13,501	–	550	–	550	–
Other financial assets	214,000	–	14,000	200,000	–	–	–	–

During the years ended 31 December 2014 and 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

24 COMMITMENTS

(a) Operating leases commitments

At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	5,054	20,738
After 1 year but within 5 years	4,432	6,335
	9,486	27,073

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

(b) Forward contracts and foreign currency swap contracts

The Group has entered into the forward contracts and foreign currency swap contracts with major banks in the PRC to hedge against the foreign currency risk. The notional amounts of the outstanding forward contracts and foreign currency swap contracts at the end of the reporting period have been disclosed in note 23(d)(i).

25 MATERIAL RELATED PARTY TRANSACTIONS

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

During the year, the directors are of the view that the following companies are related parties of the Group:

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

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

25 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Key management personnel remuneration

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

	2015 RMB'000	2014* RMB'000
Salaries and other emoluments	3,112	2,843
Contributions to retirement benefit scheme	37	11
	3,149	2,854

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

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

(b) Transactions with related parties

	2015 RMB'000	2014 RMB'000
Rental expenses in relation to property, plant and equipment payable to Shishi Fuguiniao Group	15,096	15,096

The leases with total rental paid or payable of RMB15,096,000 (2014: RMB15,096,000) during the year constituted continuing connected transaction as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Continuing connected transaction" in the Report of the Directors.

(c) Balances with related parties

	2015 RMB'000	2014 RMB'000
Non-trade related		
Dividend payable to Fuguiniao Group *(note 19)*	5,806	–
Rental payable to Shishi Fuguiniao Group *(note 19)*	96	–

26 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment		83,168	93,672
Interests in leasehold land held for own use under operating leases		8,638	8,847
Investments in subsidiaries	*11*	100,529	100,529
Deferred tax assets		2,369	3,760
Other financial asset		1,800	–
		196,504	206,808
Current assets			
Inventories		290,014	188,951
Trade and other receivables		1,999,971	1,657,880
Other financial assets		200,000	200,000
Pledged bank deposits		666,511	32,806
Fixed deposits at banks with maturity over three months		944,218	526,483
Cash and cash equivalents		246,459	345,393
		4,347,173	2,951,513
Current liabilities			
Bank loans		500,566	360,756
Trade and other payables		774,727	519,184
Current tax payable		78,877	78,880
		1,354,170	958,820
Net current assets		2,993,003	1,992,693
Total assets less current liabilities		3,189,507	2,199,501
Non-current liabilities			
Corporate bonds payable		793,500	–
Net assets		2,396,007	2,199,501
Capital and reserves	*22*		
Share capital		1,337,273	534,909
Reserves		1,058,734	1,664,592
Total equity		2,396,007	2,199,501

(Expressed in Renminbi unless otherwise indicated)

27 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2015, the directors consider the immediate controlling party and ultimate controlling party to be Fuguiniao Group Limited which is incorporated in Hong Kong. This entity does not produce financial statements available for public use.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual improvements to IFRSs 2012-2014 cycle	1 January 2016
Amendments to IAS 1, *Disclosure initiative*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. The Group is therefore unable to disclose the impact that adopting the amendments, and new standards and interpretations will have on its financial position and the results of operations when such amendments, new standards and interpretations are adopted.