年報 2014

Annual Report

中國服飾控股有限公司
CHINA OUTFITTERS HOLDINGS LIMITED

Stock Code: 1146
Incorporated in the Cayman Islands
with limited liability

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. LO Peter *(Chairman)*
Mr. ZHANG Yongli *(Chief Executive Officer)*
Mr. SUN David Lee
Ms. HUANG Xiaoyun *(Chief Financial Officer)*

NON-EXECUTIVE DIRECTORS

Mr. WANG Wei
Mr. LIN Yang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KWONG Wilson Wai Sun
Mr. CUI Yi
Mr. YEUNG Chi Wai

COMPANY SECRETARY

Ms. LI Rita Yan Wing

AUTHORISED REPRESENTATIVES

Mr. LO Peter
Mr. SUN David Lee

AUDIT COMMITTEE

Mr. KWONG Wilson Wai Sun *(Chairman)*
Mr. CUI Yi
Mr. YEUNG Chi Wai

REMUNERATION COMMITTEE

Mr. CUI Yi *(Chairman)*
Mr. ZHANG Yongli
Mr. KWONG Wilson Wai Sun

NOMINATION COMMITTEE

Mr. LO Peter *(Chairman)*
Mr. YEUNG Chi Wai
Mr. KWONG Wilson Wai Sun

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The Hongkong and Shanghai Banking Corporation Limited
China Merchants Bank, Hong Kong Branch
China Construction Bank

LEGAL ADVISOR

Herbert Smith Freehills LLP

AUDITOR

Ernst & Young, Certified Public Accountants

Chairman's Statement

Dear Shareholders,

I am very pleased to present to you the annual report and consolidated financial statements of China Outfitters Holdings Limited ("China Outfitters") for the year ended 31 December 2014.

For most of retailers in China, 2014 was a year full of challenges. In view of the slowdown of macro-economy and structural reform of the economic development model from manufacturing exports and the government's investment in large infrastructure projects to domestic consumption, China recorded a moderate economic growth rate of 7.4% in 2014, which remains impressive as compared with those of other major economies, but is nonetheless the lowest growth rate in the past 24 years since 1990. The complicated and changing economic environment had an adverse impact on the consumer sentiment, and therefore, the retail sales of the top 50 key and large-scale retailers across the country reported a historical decline of 0.7%, and the retail sales of apparel products also recorded a decrease of 0.4%.

In addition to the weak market sentiment, China's apparel market has been evolving very rapidly and is entering into a transformative period. The retail channel has been developing from the single channel mainly characterised by the department stores and shopping malls to a diversed channel model which includes department stores, shopping malls, outlet stores and e-commerce. We believe that the consumers from these three channels are relatively independent from each other, and therefore it is necessary for us to develop the corresponding strategy so as to respond to the change in the retail channel.

REGULAR STORE

Given that the commercial real estate in China has been developing prosperously in recent years, many department stores and shopping malls has been emerging all over the country which result in great distributaries of people. However, the decrease in customer flows caused it to be extremely difficult to achieve same-stores sales growth. Targeted to different groups of customers, we met their respective requirement on wearing through diversified brand offerings to remedy the decrease in customer flows and sales and bring up a motive for the future continuous development. In this regard, we launched a series of brands such as MCS, Barbour, LINCS, Zoo York etc. in 2014 covering different styles such as West Cowboy, classic British style, casual and fashionable styles etc.

OUTLET STORE

The outlet store has become another increasingly important conventional retail channel and lifestyle, as along with the increase in the number of car ownership, more and more Chinese are willing to drive to the outlet stores in relatively remote areas on weekends and spend a full day for shopping and entertainment. In 2014, the outlet store was one of our key focuses on retail network expansion, and therefore, we had 110 outlet stores in China as of 31 December 2014, representing an increase of 26.4% compared with 87 outlet stores as of 31 December 2013. In addition, in terms of product merchandising, we focused on selling past season products with an age over 3 years in the past, while in 2014, we began to further enrich product offerings by adding specific lines and styles for outlet stores. Through the above-mentioned measures, sales from outlet stores reached RMB146.8 million in 2014, representing an increase of 14.6% compared with RMB128.1 million in 2013.

E-COMMERCE

For consumers, particularly those young people, the e-commerce is becoming a mainstream consumptive pattern. In terms of the operational model, the e-commerce can be divided into three patterns: (i) online discounting platform; for example, a retailer can sell discounted products during a given period of time on Vipshop; (ii) online third-party retailer; a retailer sell products to the ultimate consumers through online shops on Tmall, Jingdong etc.; and (iii) a retailer can operate its own online flagship shop on Tmall, Jingdong etc. to sell goods to the ultimate consumers. We launched the e-commerce business in 2013 and we saw an inspiring growth as the sales achieved RMB34.4 million in 2014, representing an increase of 175.2% compared to RMB12.5 million in 2013.

Moreover, the demands of ultimate consumers in the apparel industry are significantly fragmented, therefore it is extremely important for the Company's business development to rapidly capture these demands and respond timely. In 2014, our self-developed O2O system was online and achieved sales of RMB11.2 million. The system enables each retail store to inquire about specific inventories and thus maximizing the Company's inventories sold so as to swiftly respond to the demands of retail store on stock-shortage and replenishments, and to break the barrier on limited product displays in shops.

In connection with the cost and operating expenses, the gross profit margin decreased in 2014, primarily due to that we maintained consistently prudent policy for inventory provision and the provision amount increased from RMB93.8 million in 2013 to RMB114.7 million in 2014. In addition, the development for new brands was mainly through our self-operated retail points. As of 31 December 2014, we had a total of 627 self-operated retail points as compared to 589 as of 31 December 2013, which resulted in a corresponding increase in the selling and distribution costs.

In 2014, the capital expenditure was related to the construction of the new logistic centre in Shanghai and the investment on the joint venture business Henry Cotton's. The construction of the logistic centre was almost completed and is expected to be operational in the first half of 2015. Upon the operational of the new logistic centre, the product distribution among the logistic centre, conventional retail stores nationwide and e-commerce platforms will be more accurate and thus improving supply chain efficiency. The investment on Henry Cotton's will be fruitful this year, and the first batch of autumn/winter apparel of Henry Cotton's will be launched into the market in the third quarter of 2015.

Although our sales and profit decreased in 2014, in the medium-to-long term, China will still be a valuable market with unlimited potential, and the strategy advancement of China Outfitters has achieved a positive result. Therefore, I am optimistic about the business prospect of the Company.

I hereby express my sincere gratitude to the Board of directors for their consistent valuable guidance and professional advice and to the excellent management and staffs for their hard work and loyal services in the past challenging year. I look forward to working with my prominent colleagues to achieve a better result in 2015.

LO Peter
Chairman

Hong Kong, 23 March 2015

Management Discussion and Analysis

MARKET OVERVIEW

The continuous slowdown of China's macro-economy, the austerity advocated by the new leadership of the central government as well as the structural reforms of economic development model have posed a huge challenge to the retail industry in which the Group operates. In addition to the weak customer sentiment, the apparel market in China has been evolving very quickly and entering into a transformative phase. New technologies are revolutionizing the consumption behavior of the Chinese consumers and the way retailers running their businesses. The competition amongst the retailers has been intensifying, whilst the Chinese consumers has become increasingly sophisticated, hence demanding better quality yet value for money products and services. Thus the retailers are searching for ways to better adapt to the changing landscape.

Confronted with the complicated and volatile economic environment and the increasing competitive market place, the Group adjusted its operation strategy timely with a focus on enriching brand portfolio, optimizing of retail and distribution network, launching e-commerce strategy, increasing spending on marketing and promotions and increasing investments in supply chains improvements. Despite the responsive measures taken, it's unlikely that the Group can eliminate all adverse impact from the harsh environment. The Group reported decline in revenue by 12.3% from RMB1,247.2 million in 2013 to RMB1,094.3 million in 2014 and decline in profit attributable to owners of the parent by 47.0% from RMB384.0 million in 2013 to RMB203.6 million in 2014.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB1,094.3 million in 2014 representing a decrease by RMB152.9 million, or approximately 12.3% as compared to RMB1,247.2 million in 2013.

By sales channel

Revenue from self-operated retail sales decreased by RMB47.3 million, or 6.0%, from RMB792.4 million in 2013 to RMB745.1 million in 2014 and accounted for approximately 68.1% (2013: 63.5%) of total revenue. The decrease in revenue was primarily due to the decrease in customer traffic flows in mainstream department stores in the first to second tier cities where a majority of our self-operated retail points are located, which led to a decrease in same store sales by 8.9%. Despite the decrease in retail sales through self-operated retail points, we remain committed to our multi-channel strategy in response to the evolving consumption behavior and we saw higher growth in sales from outlet stores. Revenue from outlet stores increased by RMB18.7 million, or 14.6%, from RMB128.1 million in 2013 to RMB146.8 million in 2014.

Revenue from sales to third-party retailers decreased by RMB127.5 million, or 28.8%, from RMB442.3 million in 2013 to RMB314.8 million in 2014 and accounted for approximately 28.8% (2013: 35.5%) of total revenue. The decrease in revenue was primarily attributable to (i) the decrease in retail points operated by third-party retailers as they became more conservative under the current sluggish retail market; (ii) the austerity advocated by the new leadership of the central government led to decrease in gift card purchasing, especially in north China and third to fourth tier cities where a majority of our third-party retailers operate; and (iii) e-commerce presenting more choices to consumers in the third and fourth tier cities in China, thus impacting conventional retailers.

We launch our e-commerce business for selling off-season products online in 2013, and our progress in this regard has been encouraging. Revenue from e-commerce business increased by RMB21.9 million, or 175.2%, from RMB12.5 million in 2013 to RMB34.4 million in 2014 and accounted for approximately 3.1% (2013: 1.0%) of total revenue. The increase in revenue from e-commerce business was primarily attributable to (i) the increase in sales from online discount platform such as VIP shop, from RMB1.7 million in 2013 to RMB12.8 million in 2014; and (ii) increase in sales from online third-party retailers, from RMB8.6 million in 2013 to RMB17.4 million in 2014, as more online-retailers are developed.

The table below sets forth the breakdown of the Group revenue contributed by sales made through our self-operated retail points, sales to third-party retailers and sales from e-commerce business:

	Year ended 31 December			
	2014		2013	
	Revenue RMB million	**% of total revenue**	Revenue RMB million (restated)	% of total revenue (restated)
Retail sales from self-operated retail points	**745.1**	**68.1%**	792.4	63.5%
Sales to third-party retailers	**314.8**	**28.8%**	442.3	35.5%
Sales from e-commerce business	**34.4**	**3.1%**	12.5	1.0%
Total	**1,094.3**	**100.0%**	1,247.2	100.0%

By Brand

Revenue contributed from self-owned brands increased by RMB9.0 million, or approximately 17.2%, from RMB52.2 million in 2013 to RMB61.2 million in 2014. Percentage of revenue from self-owned brands over total revenue has increased from 4.2% in 2013 to 5.6% in 2014. Revenue from our new brands such as London Fog, Jeep Spirit, MCS, etc., which were introduced into the PRC menswear market after 2009, increased by RMB11.2 million, or approximately 10.4%, from RMB108.0 million in 2013 to RMB119.2 million in 2014. Percentage of revenue from new brands over total revenue has increased from 8.7% in 2013 to 10.9% in 2014.

The table below sets forth our revenue by licensed brands and self-owned brands:

	Year ended 31 December			
	2014		2013	
	Revenue RMB million	**% of total revenue**	Revenue RMB million	% of total revenue
Licensed brands	**1,033.1**	**94.4%**	1,195.0	95.8%
Self-owned brands	**61.2**	**5.6%**	52.2	4.2%
Total	**1,094.3**	**100.0%**	1,247.2	100.0%

Cost of sales

Our cost of sales increased by RMB8.2 million, or approximately 2.6%, from RMB320.6 million in 2013 to RMB328.8 million in 2014. The increase in cost of sales was primarily due to a mixed effect of an increase in inventory provision by RMB20.9 million from RMB93.8 million in 2013 to RMB114.7 million in 2014; and partially offset by a decrease in cost of inventories sold by RMB12.7 million from RMB226.8 million in 2013 to RMB214.1 million in 2014 as a result of the decrease in revenue.

Gross profit and gross profit margin

Our gross profit decreased by RMB161.1 million, or approximately 17.4%, from RMB926.6 million in 2013 to RMB765.5 million in 2014 as a result of the decrease in total revenue and increase in cost of sales. Our overall gross profit margin decreased from 74.3% in 2013 to 70.0% in 2014 primarily because the increase in inventory provisions and save for the provisions, our overall gross profit margin would increase to 80.4% in 2014 which was largely consisted with 81.8% for 2013.

Other income and gains, net

Our other income and gains decreased by RMB19.8 million, or approximately 39.4%, from RMB50.2 million in 2013 to RMB30.4 million in 2014, primarily due to (i) the receipt of subsidy income decreased by RMB11.7 million from RMB38.7 million in 2013 to RMB27.0 million in 2014; and (ii) the appreciation of RMB against HK$ resulted in an exchange gain of RMB8.3 million in 2013 (2014: Nil). The Group had entered into various forward contracts with the banks for the purpose of hedging exchange risk arising from the Group's short-term bank loans denominated in United States dollar and Hong Kong dollar. Gains in change in fair value of the derivative instruments of RMB2.2 million were recognized as other gains during the year.

Selling and distribution costs

Our selling and distribution costs increased by RMB12.7 million, or approximately 2.9%, from RMB441.6 million in 2013 to RMB454.3 million in 2014.

Rents and concession fees for occupying concession counters within department stores and department store charges decreased by RMB7.0 million, or approximately 2.5%, from RMB277.3 million in 2013 to RMB270.3 million in 2014, which were largely in line with the decrease in sales from self-operated retail points.

The increase of labour costs relate to sales and marketing staff from RMB66.7 million in 2013 to RMB77.3 million in 2014 was primarily attributable to the increase in sales and marketing staff due to the increase in number of self-operated retail points, as well as increment in basic salary.

Advertising and promotion expenses increased from RMB11.8 million in 2013 to RMB15.3 million in 2014 primarily because more promotion activities were organised and increased marketing spending on advertising on fashion magazines and expressway billboards.

Other selling and distribution costs, including royalty fees, consumable and decoration fees and other operating expenses remained consisted for both years indicated.

Administrative expenses

Our administrative expenses decreased by RMB9.6 million, or approximately 15.2%, from RMB63.0 million in 2013 to RMB53.4 million in 2014, primarily due to the decrease in amortization of share option expense under the Pre-IPO share option scheme by RMB17.3 million; partially offset by the increase in depreciation and amortization, professional service fees and other operating expenses by RMB7.7 million primarily due to the expansion in operations.

Other expenses

Other expenses represented an exchange loss of RMB1.2 million due to the depreciation of RMB against Hong Kong dollar during the year and one-off impairment on trademarks — London Fog of RMB11.5 million.

Finance income

Our finance income increased to RMB55.1 million in 2014 as compared to that of RMB48.7 million in 2013, representing an increase by 13.1%, primarily due to the increase in rate of return for the structured bank deposits and pledged bank deposits that we placed in banks.

Finance costs

The Group obtained short-term bank loans from financial institutions in Hong Kong and PRC. Finance costs of RMB7.5 million (2013: Nil) represented bank interest expenses incurred in relation to the above bank loans in 2014.

Share of losses from a joint venture

The Group acquired 50% equity interest in MCS Apparel Hong Kong Limited ("MCS HK", together with its subsidiaries hereinafter referred to as the "MCS JV") in November 2013. MCS JV owns the intellectual property rights of "MCS" trademarks in PRC, Hong Kong, Macau and Taiwan (collectively, the "Greater China Region"). The Group accounted for its investment in MCS HK as an investment in a joint venture and equity method was adopted to account for the profit or loss generated by the joint venture. MCS JV is primarily engaged in the retail sales of "MCS" apparel and accessories in Hong Kong and Macau through its self-operated retail points and wholesale sales of "MCS" apparel and accessories to the Group and third-party retailers for their onward sales to ultimate consumers in PRC. In 2014, the Group recorded share of losses from the joint venture of RMB3.6 million (2013: RMB0.2 million) which included pickup of losses of RMB6.4 million (2013: RMB0.2 million) in retail business in Hong Kong and Macau and pickup of profits of RMB2.8 million (2013: Nil) in wholesale business in PRC.

Profit before tax

As a result of the foregoing factors, our profit before tax decreased by RMB201.0 million, or approximately 38.6%, from RMB520.6 million in 2013 to RMB319.6 million in 2014.

Income tax expense

Income tax expense decreased by RMB20.1 million, or approximately 14.7%, from RMB136.7 million in 2013 to RMB116.6 million in 2014 primarily due to the mixed effect of (i) decrease in current income tax by RMB32.1 million, or approximately 21.4%, from RMB150.1 million in 2013 to RMB118.0 million in 2014 due to decrease in profit before tax; and offset by (ii) the decrease in deferred tax income primarily due to the withholding tax on distributable profits of the subsidiaries in PRC of RMB25.0 million with respect to the special dividend paid in September 2014. The effective income tax rate in 2014 was 36.5% (2013: 26.3%).

Profit for the year

Based on the foregoing, profit for the year decreased by RMB181.0 million, or approximately 47.1%, from RMB383.9 million in the 2013 to RMB202.9 million in 2014. In addition, the net profit margin decreased from 30.8% to 18.5% due to:

(i) decrease in gross profit margin from 74.3% to 70.0% primarily because the increase in inventory provisions against obsolete inventories;

(ii) decrease in percentage of other income and gains over total revenue from 4.0% to 2.8% due to the decrease in government subsidies and exchange gains; and

(iii) increase in percentage of selling and distribution costs over total revenue from 35.4% to 41.5% because the percentage of sales from self-operated retail points increased from 63.5% to 68.1% while percentage of sales to third-party retailers decreased from 35.5% to 28.8%. The self-operated retail business incurred higher selling and distribution expenses than those of wholesale business to third-party retailers.

Profit attributable to owners of the parent

As a result of the foregoing, profit attributable to owners of the parent decreased by RMB180.4 million, or approximately 47.0%, from RMB384.0 million in 2013 to RMB203.6 million in 2014.

Working Capital Management

	31 December 2014	31 December 2013
Inventory turnover days	**430**	428
Trade receivables turnover days	**40**	35
Trade payables turnover days	**42**	39

The turnover days for working capitals were largely consistent for both years indicated. Particularly, the inventory turnover days had improved by 17 days from 447 days for the first half of 2014 to 430 days for the full year. The slight increase in turnover days of trade receivables by 5 days was mainly because the increase in percentage of self-operated retail business whose credit period was longer than that for third-party retailers which we offer cash on delivery terms to them.

Liquidity, financial position and cash flows

As at 31 December 2014, we had net current assets of approximately RMB978.9 million, as compared to RMB1,507.2 million as at 31 December 2013. The current ratio, being current assets divided by current liabilities, of our Group was 2.0 as at 31 December 2014, as compared to that of 5.6 as at 31 December 2013.

As at 31 December 2014, the Group had secured banking facilities of RMB757.2 million and undrawn banking facilities of RMB110.4 million.

As at 31 December 2014, we had an aggregate cash and cash equivalents, pledged bank deposits and structured bank deposits of approximately RMB1,330.0 million. The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	Year ended 31 December	
	2014	2013
	RMB million	RMB million
Net cash flows from operating activities	**100.8**	327.7
Net cash flows from investing activities	**236.1**	137.0
Net cash flows used in financing activities	**(430.2)**	(279.4)
Net increase/(decrease) in cash and cash equivalents	**(93.3)**	185.3
Effect of foreign exchange rate changes, net	**4.9**	(2.3)
Cash and cash equivalents at the beginning of the year	**287.8**	104.8
Cash and cash equivalents at the end of the year	**199.4**	287.8

Operating activities

Net cash flows from operating activities decreased by RMB226.9 million from RMB327.7 million in 2013 to RMB100.8 million in 2014 which was primarily attributable to (i) the operating cash inflows before changes in working capital of RMB412.5 million (2013: RMB593.7 million); and (ii) changes in working capital represented decrease in cash of RMB311.7 million (2013: RMB266.0 million). The increase in changes in working capital by RMB45.7 million was primarily due to the increase in cash outflows from change in inventories by RMB69.7 million from RMB84.1 million in 2013 to RMB153.8 million in 2014.

Investing activities

Net cash flows from investing activities of RMB236.1 million in 2014 mainly represented withdrawal of structured bank deposits and short-term bank deposits of RMB279.4 million and receipt of interest income of RMB55.1 million, partially offset by the purchase of the new office in Hong Kong and investments in logistics centers in Shanghai and Dezhou, Shandong Province, of RMB97.1 million, and an investment in the joint venture business — Henry Cotton's of RMB17.5 million.

Financing activities

Net cash flows used in financing activities mainly represented payment of 2013 final dividends and special dividends of RMB326.3 million (2013: RMB279.4 million), 2014 special dividends of RMB330.4 million and increase in pledged bank deposits of RMB418.9 million partially offset by the proceeds of RMB646.8 million received from new short-term bank loans.

Pledge of group assets

As at 31 December 2014, structured bank deposits of RMB275.2 million and short-term bank deposits of RMB401.6 million have been pledged as security for obtaining banking facilities of the Group. The Group also pledged short-term bank deposits of RMB30.5 million for forward contracts and issuance of bank acceptance notes.

Capital commitments and contingent liabilities

Capital commitments for the construction of the logistic center of the Group in Shanghai were RMB14.1 million as at 31 December 2014.

The Group did not have any significant contingent liabilities as at 31 December 2014.

Foreign exchange management

We conduct business primarily in Hong Kong and PRC with most of our transactions denominated and settled in Hong Kong dollar and RMB. To minimise foreign exchange risks, the Group has a hedging policy in place.

Use of proceeds from the IPO

The shares of the Company were listed on 9 December 2011 on the Stock Exchange. The total net proceeds from the IPO amounted to approximately HK$803.9 million (equivalent to approximately RMB654.8 million), including the net proceeds from the partial exercise of the over-allotment option on 30 December 2011.

In 2014, an aggregate of HK$88.7 million (equivalent to RMB69.9 million) was used for the construction of the logistic centers in Shanghai and Dezhou, Shandong Province and an investment in a joint venture — Henry Cotton's.

The table below sets forth the utilisation of the net proceeds from the IPO and the unused amount as at 31 December 2014. All the unused proceeds were deposited into licensed banks in PRC and Hong Kong:

Use of fund raised

	Percentage to total amount	Net proceeds (HK$ million)	Utilised amount as at 31 December 2014 (HK$ million)	Unutilised amount as at 31 December 2014 (HK$ million)
Licensing or acquisition of additional recognised international brands	47%	380.7	210.2	170.5
Expansion and enhancement of existing logistical system	24%	193.1	173.1	20.0
Settlement of shareholder's loan	19%	152.8	147.1	5.7
General working capital	10%	77.3	—	77.3
	100%	803.9	530.4	273.5

OPERATION REVIEW

Retail and distribution network

As at 31 December 2014, our sales network comprised a total of 627 self-operated retail points, including concession counters, consignment stores and self-operated stores, and 654 retail points operated by our third-party retailers.

The following table sets forth the number of our self-operated retail points and retail points operated by our third-party retailers in PRC by brand as at 31 December 2014 and 31 December 2013:

	As at 31 December 2014			As at 31 December 2013		
Brand	**Self-operated retail points**	**Retail points operated by third-party retailers**	**Total retail points**	Self-operated retail points	Retail points operated by third-party retailers	Total retail points
Jeep						
— Menswear	**205**	**511**	**716**	219	524	743
— Spirit*	**74**	**21**	**95**	56	32	88
SBPRC	**196**	**118**	**314**	193	141	334
London Fog	**59**	**4**	**63**	69	18	87
MCS	**29**	**—**	**29**	—	—	—
Others	**64**	**—**	**64**	52	—	52
Total	**627**	**654**	**1,281**	589	715	1,304

* including 71 and 88 retail points of Jeep lady as at 31 December 2014 and 31 December 2013, respectively

Self-operated retail points

As at 31 December 2014, we had a network of 611 self-operated concession counters (31 December 2013: 575 self-operated concession counters). A majority of the concession counters are located within mainstream department stores in the first and second tier cities in China, including Parkson (百盛), Golden Eagle (金鷹), MOI (茂業), Intime (銀泰), Wangfujing (王府井), etc., among which a total of 110 were outlet stores as at 31 December 2014 (31 December 2013: 87 outlet stores).

As at 31 December 2014, we had a network of 16 stores (31 December 2013: 14 stores) which were located in shopping malls within major cities in the PRC to ensure a steady flow of consumers as well as to enhance our sales and brand awareness.

Faced with challenging market conditions and evolving consumer behavior, the Group has made the following adjustments to its strategy for self-operated retail points:

- optimisation of store network for existing mature brands such as Jeep menswear and Santa Barbara Polo & Racquet Club ("SBPRC") with a focus on store profitability and closing retail points that were loss-marking or with low performance in 2014;
- a net increase by 23 outlet stores in response to changes in consumer behavior and rapid sales growth in outlet store channel;
- opening 33 new retail points for the development of our new brands, Barbour, LINCS, Manhattan, Maxim's and Zoo York, in 2014; and
- transferring 14 retail points from the previous retailer, which was engaged in the sale and distribution of "MCS" branded apparel products and accessories in PRC prior to 1 April 2014, to the Group and opened 15 new retail points in 2014.

Retail points operated by third-party retailers

Under the current uncertain and ever-changing market conditions, our third-party retailers became more restrained and conservative in placing orders and opening new stores. As at 31 December 2014, we had a total of 654 retail points that were operated by third-party retailers, representing a decrease by 8.5% as compared to that of 715 at 31 December 2013.

E-commerce

The Group launched e-commerce business in 2013 to sell off-season products through online sales channel. In 2014, the Group has actively organised sales fairs on online discount platform such as VIP shop, developed new online third-party retailers for online retailing of the Group's products and increased sales from the Group's self-operated e-shop on Tmall.com.

Branding

The Group continued to use its multi-brand strategy as the key to its development. In 2014, the Group's spending on marketing and promotion which comprised advertising, public relations, events, online and digital marketing, visual merchandising, and celebrity endorsement increased to 1.4% of total revenue during the year:

MCS

The priority for the MCS brand is to increase its brand awareness and enhance its brand image amongst target customers. In addition to regular in-store promotions organized by department stores, our marketing initiatives on MCS includes sponsorship of a cuisine program on Channel Young TV in Shanghai, advertising on mainstream fashion magazines such as GQ and Bazaar, as well as placing billboards at the Jingshen (京沈) and Huhang (滬杭) expressways, etc.

In-store shopping experience has also played an important role in enhancement of the brand. In line with MCS global branding strategy, we are working closely with the MCS Italian team for launching a new store concept in PRC that features with wallpaper, fixtures, and décor accentuating the MCS brand heritage of "rugged and refined" and "real man".

During the year, we have also launched a nationwide VIP card programme for the MCS brand. The VIP card holders enjoy a discount for each purchase of MCS products and special discounts on selected holidays.

LINCS

The Group entered into a shareholders' agreement with Mr. David Chu and Century China Holdings Limited on 28 January 2014, pursuant to which the Group would engage in the design, manufacturing and sale of apparel and accessories under the "LINCS" brand in the Greater China Region starting from 2014. Mr. David Chu, founder of the well-known casual wear brand "Nautica", would personally serve as the design director of "LINCS" and would be in charge of the design of the products.

On 13 February 2014, "LINCS" participated in the New York Fashion Week, and held its fashion show at Mr. David Chu's studio at Flariton in Manhattan to present the new line. The fashion show was covered by leading fashion media in PRC and the United States.

Barbour

On 14 February 2014, the Group entered into a licensing agreement with J. Barbour & Sons Limited, which grants the right to design, manufacture and sell products under the "Barbour" brand in PRC starting from 2014.

The year of 2014 is the 120 anniversary of Barbour. The Group launched a series of marketing campaigns to bring the brand with rich British heritage and continuing service to the British Monarchy to the PRC market.

Zoo York

We completed a shareholders' agreement with Mr. Nicholas Tse on 14 March 2014, pursuant to which the Group, through a subsidiary, would engage in the design, manufacturing and sales of apparel products and accessories under the "Zoo York" brand in the Greater China Region. Mr. Nicholas Tse is one of the shareholders in the subsidiary and a creative collaborator of the Zoo York brand.

Design and product development

In addition to typical ways of developing design concepts that include reading fashion periodicals, participating fashion weeks and data analyses on consumer behavior, our design team also kept abreast of the latest trends and developments in new designs, through our collaboration with the global top designers Mr. David Chu, Barbour's experienced designers who have a long history of serving the British Monarch, talented MCS design team in Italy as well as fashion icons including Mr. Nicholas Tse.

Production and supply chain

During the year, we continued to increase investments in warehouses and logistic centres, and optimizing the existing logistic resources to further improve supply chain efficiency. We completed the acquisition of the additional warehousing and logistic premise in Dezhou, Shandong province. The construction of the logistic centre in Shanghai with a total gross floor area of 55,000 square meters will be completed and operational in the first half of 2015.

Employee information

As at 31 December 2014, the Group had approximately 2,788 full-time employees. Staff costs, including Directors' remuneration, totalled RMB97.0 million in 2014 (2013: RMB102.9 million).

The Company also operated a share option scheme (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of our Group. A total of 168,024,000 options under the Pre-IPO Share Option Scheme that granted to 17 participants (including 7 directors), were outstanding as at 31 December 2014.

Corporate Social Responsibility

Being a responsible corporate citizen is core fundamentals of our culture. The Group participated in the sponsorship of the "I Fly" rural teachers training sessions organized by the Chinese Red Cross Foundation and Cui Yongyuan Commonweal Foundation (崔永元公益基金) for the purpose of supporting China's rural education. In 2014, the Group also participated the sponsorship of an animal protection program organized by the Beijing Loving Animals Foundation (北京愛它動物保護公益基金). A total donation of approximately RMB0.1 million was made by the Group to the above programs in 2014.

Prospects

Management will continue to focus on the following key objectives for 2015:

- In line with our multi-brand strategy, the Group will seek opportunities to further diversify its brand portfolio and increase the portion of revenue from self-owned brands. We plan to introduce the first fall/winter products of our new brand Henry Cotton's in the third quarter of 2015;

- The Group will increase spending on marketing and promotion that comprises consumer studies, advertising, public relations, events, online and digital marketing, visual merchandising, and celebrity endorsement to enhance interaction with the customers and to raise brand awareness among our target customers;

- The Group will continue to commit to its multi-channel strategy and place great emphasis on expanding our outlet store network. E-commerce is also a priority of our sales channel strategy, and in 2015 the Group will seek to develop more online third-party retailers for online retailing of the Group's products and will actively participate in sales fairs organised by online discount platform;

- The Group's self-developed O2O system has been deployed by all self-operated retail points and retail points operated by major third-party retailers. We will continue to leverage of the system for quick response to ultimate consumers' demands and reduce the level of our inventories;

- We will continue to leverage of experience from the operation of our own production facilities in Dezhou, Shandong Province and increase bargaining power on negotiation of favorable trading terms with our third-party manufacturers;

- The Group's logistic centre in Shanghai will be operational in the first half of 2015. With the new logistics centre being put into use, product distribution between logistic centre and retail points nationwide will be more accurate, thus improving supply chain efficiency. The construction of the Group's research and development and product display center in Shanghai will also be commenced in the first half of 2015.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. LO Peter (路嘉星先生), aged 59, is the Chairman and an executive director of our Company. He has been serving as a director of Manhattan (China) Limited, one of our subsidiaries, since April 2012. He has been serving as an executive director of MCS Apparel Hong Kong Limited and Henry Cotton's Greater China Company Limited, the joint ventures of our company, since November 2013 and September 2014, respectively. He also serves as a director in a number of our subsidiaries. He is also a director of China Enterprise Capital Limited. Mr. Lo is also an independent non-executive director of Ajisen (China) Holdings Limited and Uni-President China Holdings Ltd., companies currently listed on the Main Board of the Stock Exchange. Mr. Lo joined our Group in 2006 and is primarily responsible for our Group's overall strategic planning and brand selection and sourcing. Mr. Lo received a Bachelor of Science (Economics) degree in Mathematical Economics and Econometrics from the London School of Economics and Political Science in 1982. He received the "Director of the Year 2004" award from The Hong Kong Institute of Directors. He was appointed as our Chairman and executive director on 10 March 2011. Mr. Lo was a non-executive director of Sino Distillery Group Limited (formerly known as Bio-Dynamic Group Limited) until 8 May 2013.

Mr. ZHANG Yongli (張永力先生), aged 55, is the Chief Executive Officer and an executive director of our Company. He has been serving as an executive director of 上海曼克頓服飾有限公司 (Shanghai Manhattan Fashion Co., Ltd.) and Manhattan (China) Limited since September 2012 and October 2012, respectively; both the aforementioned companies are our subsidiaries. He has been serving as an executive director of 上海瑞國置業有限公司 (Shanghai Ruiguo Real Estate Co., Ltd.), a subsidiary of our Company, since August 2013 and an executive director of MCS Apparel Hong Kong Limited and Henry Cotton's Greater China Company Limited, the joint ventures of our company, since November 2013 and September 2014, respectively. Mr. Zhang joined our Group in 1999 and is primarily responsible for our Group's overall strategic planning and the management of our Group's business operations. He also serves as a director in almost all of our subsidiaries. Mr. Zhang has over 10 years of experience in the PRC menswear industry. Mr. Zhang was selected as one of the "25 Influential Chinese in Global Fashion" in 2011 by Forbes China. Mr. Zhang is the brother of one of our Controlling Shareholders, Mr. Zhang Bruce Yongfu. He was appointed as our Chief Executive Officer and executive director on 8 June 2011. Mr. Zhang was a director of Guangdong Rieys until May 2009.

Mr. SUN David Lee (孫如暐先生), aged 49, is an executive director of our Company. He has been serving as a director of Manhattan (China) Limited, one of our subsidiaries, since October 2012. He has also been serving as an executive director of MCS Apparel Hong Kong Limited and Henry Cotton's Greater China Company Limited, the joint ventures of our company, since November 2013 and September 2014, respectively. He joined our Group in 2006 and also serves as a director in a number of our subsidiaries. Mr. Sun is primarily responsible for brands sourcing and transaction management. He has been an independent non-executive director of Dynasty Fine Wines Group Limited since November 2012 and an executive director of Asia Coal Limited since 23 October 2013, both companies are listed on the Main Board of the Stock Exchange. He was the managing director of Pacific Alliance Group Limited, an Asia-focused alternative investment management firm. Mr. Sun was the director for strategy and business development Asia at Interbrew (currently known as Anheuser-Busch InBev). He was also a consultant in the corporate finance and strategy practice of McKinsey & Company, Inc. in Hong Kong. Prior to his position at McKinsey, Mr. Sun practised law as an associate in the corporate group at Linklaters. Mr. Sun holds a Juris Doctor from the University of Illinois College of Law. He is a registered attorney in Illinois of the U.S. Mr. Sun was appointed as our executive director on 8 June 2011.

Ms. HUANG Xiaoyun (黃曉雲女士), aged 43, is the Chief Financial Officer and an executive director of our Company. She has also been serving as a director of Manhattan (China) Limited, one of our subsidiaries, since October 2012. Ms. Huang joined our Group in 2000. Previously, she was a manager in our Group's financial department from 2000 to 2001. She is responsible for the financial reporting and administration of our Group's PRC operations. She has over 10 years of experience in accounting and financial management. Ms. Huang holds a Master of Business Administration Degree from The South China University of Technology. Ms. Huang was appointed as our executive director on 8 June 2011 and appointed as our Chief Financial Officer on 14 May 2012.

NON-EXECUTIVE DIRECTORS

Mr. WANG Wei (王瑋先生), aged 32, is a non-executive director of our Company. Mr. Wang is a Principal of KKR Investment Consultancy (Beijing) Company Limited ("KKR"), focusing on private equity transactions in the Greater China region. Prior to joining KKR, Mr. Wang worked at Orchid Asia Investment Group and McKinsey & Company. Mr. Wang has been actively involved in advising on investments in Sino Prosperity Real Estate Platform, China Cord Blood Corporation and the Company at KKR and Orchid Asia Investment Group. Mr. Wang graduated from Shanghai Jiaotong University with a Bachelor of Science degree in Economics in 2005. Mr. Wang was appointed as our non-executive director on 14 May 2012.

Mr. LIN Yang (林煬先生), aged 40, is a non-executive director of our Company. Mr. Lin is an executive director of Forebright Capital Management Limited ("FCM"), focusing on private equity transactions in the Greater China region. He is also a non-executive director of SPT Energy Group Inc., a company listed on The Main Board of the Hong Kong Stock Exchange since 2012. Prior to joining FCM, Mr. Lin worked at China Everbright Investment Management Limited and earlier the research department of China Everbright Limited. Mr. Lin holds a Master of Business Administration Degree from the University of Ottawa and a Bachelor Degree in Mechanical and Automation Engineering from the South China University of Technology. He is a Chartered Financial Analyst charter holder and is currently a member of the CFA Institute. Mr. Lin was appointed as our non-executive director on 10 January 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KWONG Wilson Wai Sun (鄺偉信先生), aged 49, is an independent non-executive director of our Company. Mr. Kwong has been appointed as an independent non-executive director of Shunfeng International Clean Energy Limited, a company listed on the Main Board of the Stock Exchange, since 16 July 2014. He has been appointed as an executive director of China Metal Resources Utilization Limited, a manufacturer of recycled copper products in China, a company listed on the Main Board of the Stock Exchange, since 16 August 2013. He is also the independent non-executive director of C. Banner International Holdings Limited, a company listed on the Main Board of the Stock Exchange, since 26 August 2011. Mr. Kwong acted as the President of Gushan Environment Energy Limited, a copper products manufacturer and biodiesel producer in China, until 16 August 2013. He has 12 years of experience in corporate finance and equity capital markets in Asia, having previously worked at a number of investment banks in Hong Kong. Prior to joining Gushan Environmental Energy Limited in 2006, he was the managing director of investment banking and he held the position as the head of Hong Kong and China equity capital markets at CLSA Equity Capital Markets Limited since March 2004. From 2002 to 2003, Mr. Kwong was a director and the head of equity capital markets for Cazenove Asia Limited. After graduating from the University of Cambridge, England with a Bachelor's degree in 1987, he qualified as a chartered accountant in the United Kingdom with KPMG in 1990 and as a chartered secretary and administrator in the United Kingdom in 1991. Mr. Kwong is currently an associate member of the Institute of Chartered Accountant in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries.

Mr. CUI Yi (崔義先生), aged 60, is an independent non-executive director of our Company. He is the founder and director of PMC China Trading Company Limited (合力洋行（中國）有限公司), and was responsible for managing the authorised dealership of glass tube products under a German brand in the PRC and Hong Kong. Mr. Cui is also the director of Jescove Company Limited (宏銀有限公司). He has also been acting as the executive director and deputy general manager of Hong Kong Zhanyou Company Limited (香港湛佑有限公司) since 1993 and responsible for the preparation and establishment of ZIP Comayagus, S.A., a textile industrial complex, in Honduras, Central America. From 1995 to 1998, Mr. Cui was the executive director and executive general manager of the companies of ZIP Comayagua S.A., responsible for management of the textile industrial complex. From 1990 to 1991, he was the assistant general manager of Textile Development Company (上海紡織住宅開發總公司) under the Shanghai Textile Industry Council (上海紡織工業局), and he was the deputy general manager of Hainan Shenhai Enterprise Group (海南申海企業集團) under the same council in 1991, responsible for the trading of textile products and the development of overseas markets for textile products. Mr. Cui graduated from The East China University of Political Science and Law majoring in law.

Mr. YEUNG Chi Wai (楊志偉先生), aged 54, is an independent non-executive director of our Company. Mr. Yeung is the founder and director of Edwin Yeung & Company (CPA) Limited and has been practising as a certified public accountant with the firm since 1991. He has been an associate of the Chartered Association of Certified Accountants since 1988. Mr. Yeung became an associate member and a fellow member of the Hong Kong Institute of Certified Public Accountants in 1989 and 1996, respectively. He is also a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accounts. Mr. Yeung has been a fellow member of the Association of Chartered Certified Accountants since 1993, an associate of the Institute of Chartered Accountants in England and Wales since 2005 and a Fellow Member of CPA Australia since 2010. He was awarded the Medal of Honour by the Hong Kong SAR Government in 2010. He was also the president of the Society of Chinese Accountants and Auditors in 2008 and appointed as a director of Accounting Development Foundation Limited in 2012. He has been appointed as a member of the Chinese People's Political Consultative Conference in Shandong Province since January 2013 and a committee member of Home Purchase Allowance Appeals Committee since 14 July 2014. Mr. Yeung was an independent non-executive director of Noble House (China) Holdings Limited, a company currently listed on the Growth Enterprises Market of the Stock Exchange until October 2014.

SENIOR MANAGEMENT

Mr. LU Yi (呂毅先生), aged 36, is the Chief Branding Officer and Regional Sales Controller of our Company. He joined our Group in 2000. Previously, he was Manager of the President's Office from 2003 to 2004 and the Chief Human Resource Officer of our Group from 2005 to 2013. He is responsible for management of licensed brands of our Group, information management as well as business development planning and management of retail sales.

Mr. YAN Zhong (閆仲先生), aged 45, is our Regional Sales Controller of our Company. Mr. Yan joined our Group in 1999. Previously, he was the Manager for Northern Region in 1999 and Deputy General Manager for Northern Region of our Group in 2000. He is primarily responsible for the Group's business development planning and management of retail sales. He has over 10 years of experience in the apparel retail industry. Mr. Yan is the holder of a Bachelor's Degree from 中國青年政治學院 (China Youth University for Political Sciences).

Mr. LI Zhujun (李祝軍先生), aged 40, is the Chief Marketing Officer of our Company. Mr. Li joined our Group in 1999. Previously, he was the Marketing Manager for Southern Region of our Group from 2001 to 2006. He is responsible for the assessment of the authorisation of third-party retailers of our Group in the PRC and maintaining our business and strategic relationships with them. He has over 10 years of experience in the apparel industry.

Mr. WONG Hon Wing (王漢嶸先生), aged 46, is the Chief Procurement Officer — Fashion of our Company. He joined our Group in 1999. Previously, he was the Procurement Manager of our Group in 1999. He is responsible for the purchase planning and manufacturing functions of the Group. He has over 20 years of experience in the purchase and production of apparels.

Mr. LIU Wenbo (劉文波先生), aged 50, is the Chief Human Resource Officer. Previously, he was the Procurement Manager from 1999 to 2000, Vice General Manager for Southern Region from 2000 to 2001, General Manager for Southern Region from 2001 to 2003, Chief Human Resource Officer of our Group from 2004 to 2005, and Chief Procurement Officer — Accessories from 2005 to 2013. He is responsible for overall business administration, including the human resources, of our Group. Mr. Liu holds a doctor's degree from the Shanghai International Studies University.

Ms. LEUNG Shuk Yi, (梁淑儀女士), aged 48, is the Chief Designer of our Company. She joined our group in 2002 and has over 20 years experience in design and garment of apparels. Ms. Leung holds a Honor Diploma in fashion design from the Académie Internationale de Coupe de Paris (Ecole Supérieure Internationale des Modélistes du Vêtement) and Ecole Bellecour Supdemod (Haute Couture) Lyon in France.

Mr. LIU Dong, (劉東先生), aged 51, is the Chief Manufacturing Officer — Fashion of our company. He joined our Group in January 2015 and is responsible for management of our manufacturing plant in Dezhou, Shandong province. Mr. Liu has over 30 years of experience in quality management and business administration.

COMPANY SECRETARY

Ms. LI Rita Yan Wing (李昕穎女士), aged 49, is a director of the corporate services division of Tricor Services Limited and a fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She has over 25 years' experience in corporate advisory services. Prior to joining Tricor Services Limited, Ms. Li served as a senior manager of the company secretarial department of Tengis Limited. Ms. Li has provided various secretarial and corporate services to a number of listed companies.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Directors") of the Company (the "Board") has committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Board is of the view that throughout the year ended 31 December 2014, the Company has complied with all the code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2014.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Board currently comprises 9 members, consisting of 4 Executive Directors, 2 Non-executive Directors, and 3 Independent Non-executive Directors as follows:

Executive Directors:
Mr. LO Peter *(Chairman)*
Mr. ZHANG Yongli *(Chief Executive Officer)*
Mr. SUN David Lee
Ms. HUANG Xiaoyun

Non-executive Directors:
Mr. WANG Wei
Mr. LIN Yang

Independent Non-executive Directors:
Mr. KWONG Wilson Wai Sun
Mr. CUI Yi
Mr. YEUNG Chi Wai

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 17 to 19 of the annual report for the year ended 31 December 2014.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. LO Peter, who provides leadership for the Board and is also responsible for chairing the meetings, managing the operations of the Board, and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. He is also responsible for our Group's overall strategic planning and brand selection and sourcing.

The Chief Executive Officer is Mr. ZHANG Yongli, who is responsible for our Group's overall strategic planning and the management of our Group's business operations.

The Board considers that the responsibilities of the Chairman and Chief Executive Officer respectively are clear and distinctive and hence written terms thereof are not necessary.

Independent Non-executive Directors

During the year ended 31 December 2014, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors, representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

Non-executive Directors and Directors' Re-election

In accordance with the Company's Articles of Association and code provision A.4.1 of the CG Code, non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors is appointed for a specific term of three years and is subject to retirement by rotation once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Directors take decisions objectively in the interests of the Company.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

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

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

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

A summary of training received by Directors according to the records provided by the Directors is as follows:

Director	Training on corporate governance, regulatory development and other relevant topics
Executive Directors	
Mr. LO Peter	✓
Mr. ZHANG Yongli	✓
Mr. SUN David Lee	✓
Ms. HUANG Xiaoyun	✓
Non-executive Directors	
Mr. WANG Wei	✓
Mr. LIN Yang	✓
Independent Non-executive Directors	
Mr. KWONG Wilson Wai Sun	✓
Mr. CUI Yi	✓
Mr. YEUNG Chi Wai	✓

BOARD COMMITTEES

The Board has established the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All the said Board committees of the Company are established with defined written terms of reference, which are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of the said Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of the annual report.

Audit Committee

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer, internal auditor or external auditors before submission to the Board;

- To review the adequacy and effectiveness of the Company's financial controls system, internal control system and risk management system;

- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors; and

- To review arrangements by which employees, in confidence can raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure proper arrangements are in place for the fair and independent investigation of such concerns and appropriate follow up action.

The Audit Committee oversees the internal control system of the Group, reviews the internal audit report submitted by the internal auditor, reports to the Board on any material issues, and makes recommendations to the Board.

The Audit Committee held three meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2014 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors.

Remuneration Committee

The primary functions of the Remuneration Committee include the following:

- To make recommendations on the establishment of procedures for developing the remuneration policy and structure for the Executive Directors and the senior management, which policy shall ensure that no director or any of his/her associates will participate in deciding his/her own remuneration;

- To review and approve the remuneration packages of the Executive Directors and the senior management by reference to the performance of the individual and the Company as well as market practice and conditions;

- To make recommendations on the remuneration packages of the Non-executive Directors and Independent Non-executive Directors by reference to the performance of the individual and the Company as well as market practice and conditions; and

- To review and approve the compensation arrangements for the Executive Directors and the senior management in connection with any loss or termination of their offices or appointments.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration.

The Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company, and to determine the remuneration packages of the Executive Directors and senior management and other related matters.

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and the senior management.

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

	Number of persons
Nil to RMB1,000,000	12
RMB1,000,001 to RMB2,000,000	2
RMB2,000,001 to RMB3,000,000	—
RMB3,000,001 to RMB4,000,000	—
RMB4,000,001 to RMB5,000,000	1

Nomination Committee

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

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural background, religion, ethnicity, nationality and sexual orientation, in addition to educational background, professional experience, skills, knowledge and length of service. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character and integrity, qualifications, experience, time commitment and independence (for appointment of Independent Non- executive Director) and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met twice to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, to consider the qualifications of the retiring Directors standing for election at the Annual General Meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Corporate Governance Functions

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

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2014 is set out in the table below:

Director	Attendance/Number of Meetings				
	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting
Mr. LO Peter	7/7	2/2	—	—	1/1
Mr. ZHANG Yongli	7/7	—	1/1	—	1/1
Mr. SUN David Lee	7/7	—	—	—	1/1
Ms. HUANG Xiaoyun	6/7	—	1/1	3/3	1/1
Mr. LIN Yang*	5/7	—	—	—	1/1
Mr. WANG Wei	6/7	—	—	—	1/1
Mr. KWONG Wilson Wai Sun	6/7	2/2	1/1	3/3	1/1
Mr. CUI Yi	6/7	—	1/1	3/3	1/1
Mr. YEUNG Chi Wai	6/7	2/2	—	3/3	1/1

* Appointed on 10 January 2014

Apart from regular Board meetings, the Chairman also held meetings with the Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors during the year.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

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

AUDITORS' REMUNERATION

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 43 to 115.

The fees paid or payable to Ernst & Young and its affiliated firms, for services rendered in respect of the year ended 31 December 2014 are as follows:

Service Category	**Fees Paid/Payable** (RMB'000)
Audit Services	2,197
Non-audit Services	—
	2,197

INTERNAL CONTROLS

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

COMPANY SECRETARY

Ms. LI Rita Yan Wing of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. Its primary contact person at the Company is Mr. LO Peter, the Chairman of the Company.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual Directors. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

Putting Forward Proposals at General Meetings

To put forward proposals at an annual general meeting, or extraordinary general meeting, the shareholders should submit a written notice of those proposals with the detail contact information to the Company Secretary at Company's principal place of business in Hong Kong at Room 1303, 13/F., New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The request will be verified with the Company's Share Registrars in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

The notice period to be given to all the shareholders for consideration of the proposal raised by the shareholders concerned at annual general meeting, or extraordinary general meeting varies according to the nature of the proposal as follows:

- At least 21 clear days' notice (the notice period must include 20 clear business days) in writing if the proposal constitutes an ordinary resolution of the Company in an annual general meeting.
- At least 21 clear days' notice (the notice period must include 10 clear business days) in writing if the proposal constitutes a special resolution of the Company in an extraordinary general meeting.
- At least 14 clear days' notice (the notice period must include 10 clear business days) in writing if the proposal constitutes an ordinary resolution of the Company in an extraordinary general meeting.

Convening an Extraordinary General Meeting by Shareholders

Any two or more shareholders of the Company deposit a written requisition, specifying the objects of the meeting and signed by the requisitionists, at the Company Secretary at the Company's principal place of business in Hong Kong at Room 1303, 13/F., New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

Any one shareholder of the Company which is a recognized clearing house (or its nominee(s)) deposits a written requisition, specifying the objects of the meeting and signed by the requisitionist, at the Company Secretary at the Company's principal place of business in Hong Kong at Room 1303, 13/F., New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

The request will be verified with the Company's Share Registrars in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the extraordinary general meeting.

If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, provided that any meeting so convened shall not be held after the expiration of 3 months from the date of deposit of the requisition.

Putting Forward Enquiries to the Board

The enquiries must be in writing with contact information of the requisitionists and deposited at the Company Secretary at the Company's principal place of business in Hong Kong at Room 1303, 13/F., New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

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

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all other members of the Board including Non-executive Directors, Independent Non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

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

Report of the Directors

The Board has pleasure in presenting the report together with the audited consolidated financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 21 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2014.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 45 to 115 of the annual report.

The Board recommends the payment of a final dividend of HK3.7 cents per ordinary share in respect of the year ended 31 December 2014 to shareholders on the register of members on 22 May 2015.

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividends.

RECORD DATES

The proposed final dividend is subject to approval by the shareholders at the forthcoming annual general meeting ("AGM") to be held on Monday, 18 May 2015. The record date for the entitlement to attend and vote at the AGM is on Friday, 15 May 2015. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 15 May 2015.

The record date for the entitlement to the proposed final dividend is on Friday, 22 May 2015.

In order to qualify for the final dividend, if approved, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 22 May 2015.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 116 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment of the Company and the Group, and investment properties of the Group during the year ended 31 December 2014 are set out in notes 18 and 20 to the financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2014 are set out in note 36 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands where the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF SHARES OF THE COMPANY

The Share Award Scheme was approved by the Board on 4 November 2014. To facilitate the implementation of the Share Award Scheme, a trust deed is entered into by the Group and South Zone Holding Limited (the "Trustee") pursuant to which the Trustee shall purchase and hold shares for the benefit of certain employees of the Group and any subsidiary and in such manner as the Board may determine from time to time. The Trustee purchased 4,762,000 shares of the Company at a total cost (including related transaction costs) of HK$4,525,000 (equivalent to RMB3,669,000) during the year ended 31 December 2014.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2014 are set out in note 39 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company's reserves, including the share premium account and contributed surplus less the accumulated loss, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"), amounted to approximately RMB2,819.0 million, of which RMB101.8 million has been proposed as final and special final dividends for the year ended 31 December 2014. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account and contributed surplus under certain circumstances.

DONATION

Charitable and other donations made by the Group during the year ended 31 December 2014 amounted to RMB0.1 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2014, the aggregate sales attributable to the Group's five largest customers and the sales attributable to the Group's largest customer were approximately 6.3% and 2.3%, respectively, of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers and the purchases attributable to the Group's largest supplier were approximately 18.4% and 5.7%, respectively, of the Group's total purchases during the year ended 31 December 2014.

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

DIRECTORS

During the year ended 31 December 2014 and up to the date of this report, the Directors were:

Executive Directors:
Mr. LO Peter *(Chairman)*
Mr. ZHANG Yongli *(Chief Executive Officer)*
Mr. SUN David Lee
Ms. HUANG Xiaoyun

Non-executive Directors:
Mr. WANG Wei
Mr. LIN Yang
Mr. KWONG Wilson Wai Sun*
Mr. CUI Yi*
Mr. YEUNG Chi Wai*

* Independent Non-executive Directors

In accordance with the Company's articles of association, Mr. ZHANG Yongli, Mr. SUN David Lee and Ms. HUANG Xiaoyun will retire from the Board by rotation, will offer themselves for re-election at the AGM.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 17 to 20 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service agreement with the Company for a initial fixed term of three years commencing from 8 June 2011 until terminated by not less than three months' notice in writing served by either party on the other or in accordance with the terms set out in the respective service contracts.

Other than Mr. WANG Wei and Mr. LIN Yang, each of the Independent Non-executive Directors has entered into a letter of appointment with the Company and is appointed for a initial fixed term of three years commencing from 8 June 2011, until terminated by not less than three months' notice in writing served by either party on the other or in accordance with the terms set out in the respective letters of appointment.

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

DIRECTORS' REMUNERATION

The primary duties of the Remuneration Committee are mainly to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance based remuneration and ensure none of the Directors is involved in determining his/her own remuneration. Details of Directors' remuneration are set out in note 12 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during or at the end of the year ended 31 December 2014.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

At 31 December 2014, the interests and short positions of the Directors and chief executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long Positions in Ordinary Shares and Underlying Shares of the Company:

Name of director	Capacity	Number of Ordinary Shares Owned	Underlying Shares Interested (Note 1)	Total	Percentage of the Company's Issued Share Capital (%)
Mr. LO Peter	Beneficial owner	1,000,000	20,328,000	21,328,000	0.62
Mr. ZHANG Yongli	Beneficial owner	9,028,000	20,328,000	29,356,000	0.85
Mr. SUN David Lee	Beneficial owner	452,000	8,328,000	8,780,000	0.25
Ms. HUANG Xiaoyun	Beneficial owner	396,000	14,400,000	14,796,000	0.43
Mr. KWONG Wilson Wai Sun	Beneficial owner	—	1,000,000	1,000,000	0.03
Mr. CUI Yi	Beneficial owner	—	1,000,000	1,000,000	0.03
Mr. YEUNG Chi Wai	Beneficial owner	—	1,000,000	1,000,000	0.03

Note:

(1) The number of underlying shares represents the shares in which the Directors are deemed to be interested as a result of holding share options,

Save as disclosed above, as at 31 December 2014, none of the Directors and chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SHARE OPTION SCHEMES

The Company operates two share option schemes, pursuant to which the Company is entitled to grant options prior to and after the listing of the Company on the Stock Exchange. The details of both share option schemes are as follows:

Share Option Scheme

A share option scheme ("Share Option Scheme") was conditionally approved by the written resolutions of the shareholders passed on 25 November 2011 (the "Resolutions") and the terms of such Share Option Scheme are disclosed in the Prospectus. No share option was granted, exercised or cancelled by the Company under the Share Option Scheme during the year ended 31 December 2014.

Pre-IPO Share Option Scheme ("Pre-IPO Share Option Scheme")

1. *Summary of Terms*

The purpose of the Pre-IPO Share Option Scheme is to provide incentive and/or reward to the Directors, senior management and employees for their contribution to, and continuing efforts to promote the interests of, the Company. The principal terms of the Pre-IPO Share Option Scheme, approved by the Resolutions, are substantially the same as the terms of the Share Option Scheme except that:

(a) the subscription price per share under the Pre-IPO Share Option Scheme is HK$1.64;

(b) the total number of shares which may be issued upon the exercise of all share options granted under the Pre-IPO Share Option Scheme is 205,552,000 shares representing approximately 6.00% of the enlarged issued share capital of the Company immediately after completion of the global offering and the capitalisation issue (assuming that the over-allotment option is not exercised);

(c) save for the share options which have been granted, no further share options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date; and

(d) each share option granted under the Pre-IPO Share Option Scheme has a three-year exercise period after vesting of the relevant option.

All the share options under the Pre-IPO Share Option Scheme were granted on 9 December 2011 at a consideration of HK$1 paid by each participant.

Each of the above share options is subject to a vesting schedule of four years pursuant to which one-fourth (1/4) of the share options shall become vested and exercisable on 9 December 2012, 2013, 2014 and 2015, respectively.

Share options under the Pre-IPO Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

2. Outstanding Share Options Granted

A total of 205,552,000 shares options were granted to 20 participants by the Company on 9 December 2011 under the Pre-IPO Share Option Scheme, including 7 directors. On 31 July 2014, Mr. Wang Jianshang, to whom 14,400,000 share options were granted under the Pre-IPO Share Option Scheme, resigned from his office as the Chief Operating Officer of the Company. On 31 December 2014, Mr. Wang Hai to whom 16,800,000 share options were granted under the Pre-IPO Share Option Scheme, resigned from his office as the Vice President of the Company. According to the terms and conditions of the Pre-IPO Share Option Scheme, the share options granted to Mr. Wang Jianshang and Mr. Wang Hai were forfeited.

The details of valid grantees and share options under the Pre-IPO Share Option Scheme during the year ended 31 December 2014 by category of grantees are set out below:

	Number of grantees			
Category of grantees	Valid as at 31 December 2013	Invalid during the year	Reclassification	**Valid as at 31 December 2014**
Executive Directors	4	—	—	**4**
Non-executive Director	1	—	(1)	**—**
Independent Non-executive Directors	3	—	—	**3**
Other employees and consultant	11	(2)	1	**10**
	19	(2)	—	**17**

Category of grantees	Number of shares to be issued upon fully exercise of all share options granted under the Pre-IPO Share Option Scheme Outstanding as at 31 December 2013	Forfeited during the year	Reclassification	**Outstanding as at 31 December 2014**
Executive Directors	63,384,000	—	—	**63,384,000**
Non-executive Director	4,328,000	—	(4,328,000)	**—**
Independent Non-executive Directors	3,000,000	—	—	**3,000,000**
Other employees and consultant	128,512,000	(31,200,000)	4,328,000	**101,640,000**
	199,224,000	(31,200,000)	—	**168,024,000**

Details of the share options granted by the Company under the Pre-IPO Share Option Scheme are set out on pages 102 to 105 of the annual report.

Saved as disclosed above, no share option granted under Pre-IPO Share Option Scheme was exercised, forfeited, lapsed or cancelled during the year ended 31 December 2014.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2014.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2014.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, so far as is known to any Director or the chief executive of the Company, the persons who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or as otherwise notified to the Company were as follows:

Long positions:

Name	Notes	**Capacity and Nature of Interest**	**Number of Ordinary Shares held**	**Percentage of the Company's Issued Share Capital**
CEC Menswear Limited	(1)	Corporate interest	1,831,656,000(L)	53.16 (L)
CEC Outfitters Limited	(1)	Beneficial Owner	1,831,656,000(L)	53.16 (L)
China Enterprise Capital Limited	(1)	Corporate interest	1,831,656,000(L)	53.16 (L)
Vinglory Holdings Limited	(1)	Corporate interest	1,831,656,000(L)	53.16 (L)
Mr. ZHANG Bruce Yongfu	(1)	Corporate interest	1,831,656,000(L)	53.16 (L)
Ms. LAM Lai Ming	(2)	Other	506,100,000 (L)	14.69 (L)
Mr. LI Gabriel	(2)	Other	506,100,000 (L)	14.69 (L)
Managecorp Limited	(2)	Trustee	506,100,000 (L)	14.69 (L)
YM Investment Limited	(3)	Corporate interest	506,100,000 (L)	14.69 (L)
OAIV Holdings, L.P.	(3)	Corporate interest	495,990,000 (L)	14.40 (L)
Orchid Asia IV Group Management, Limited	(3)	Corporate interest	495,990,000 (L)	14.40 (L)
Orchid Asia IV Group, Limited	(3)	Corporate interest	495,990,000 (L)	14.40 (L)
Orchid Asia IV Investment, Limited	(3)	Corporate interest	495,990,000 (L)	14.40 (L)
Orchid Asia IV, L.P.	(3)	Beneficial owner	495,990,000 (L)	14.40 (L)
KKR & Co. L.P.	(4)	Corporate interest	285,366,000 (L)	8.28 (L)
KKR Associates China Growth L.P.	(4)	Corporate interest	285,366,000 (L)	8.28 (L)
KKR China Apparel Limited	(4)	Beneficial owner	285,366,000 (L)	8.28 (L)
KKR China Growth Fund L.P.	(4)	Corporate interest	285,366,000 (L)	8.28 (L)
KKR China Growth Limited	(4)	Corporate interest	285,366,000 (L)	8.28 (L)
KKR Fund Holdings GP Limited	(4)	Corporate interest	285,366,000 (L)	8.28 (L)
KKR Fund Holdings L.P.	(4)	Corporate interest	285,366,000 (L)	8.28 (L)
KKR Group Holdings L.P.	(4)	Corporate interest	285,366,000 (L)	8.28 (L)
KKR Group Limited	(4)	Corporate interest	285,366,000 (L)	8.28 (L)
KKR Management LLC	(4)	Corporate interest	285,366,000 (L)	8.28 (L)
KKR SP Limited	(4)	Corporate interest	285,366,000 (L)	8.28 (L)
Mr. KRAVIS Henry Roberts	(4)	Corporate interest	285,366,000 (L)	8.28 (L)
Mr. ROBERTS George R.	(4)	Corporate interest	285,366,000 (L)	8.28 (L)

(L) Long position.

Notes:

(1) CEC Outfitters Limited, holding 1,831,656,000 shares (long position) of the Company, was owned as to 56.13% and 43.87% by CEC Menswear Limited ("CEC Menswear") and Vinglory Holdings Limited ("Vinglory") respectively. CEC Menswear was wholly owned by China Enterprise Capital Limited. Vinglory was wholly owned by Mr. ZHANG Bruce Yongfu. The interest in 1,831,656,000 shares (long position) relates to the same block of shares in the Company.

(2) YM Investment Limited, holding 506,100,000 (long position) of the Company, was owned by Managecorp Limited as trustee of a discretionary trust with Mr. LI Gabriel and Ms. LAM Lai Ming as founders and Managecorp Limited as trustee.

(3) YM Investment Limited held interests in a total of 506,100,000 shares (long position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:

(3.1) Orchid Asia IV, L.P. held 495,990,000 shares (long position) in the Company. Orchid Asia IV, L.P. was wholly owned by OAIV Holdings, L.P. which was in turn wholly owned by Orchid Asia IV Group Management, Limited. Orchid Asia IV Group Management, Limited was wholly owned by Orchid Asia IV Group, Limited which was in turn wholly owned by Orchid Asia IV Investment, Limited. Orchid Asia IV Investment, Limited was owned as to 92.61% by YM Investment Limited.

(3.2) Orchid Asia IV Co-Investment, Limited held 10,110,000 shares (long position) in the Company. Orchid Asia IV Co-Investment Limited was a wholly owned subsidiary of YM Investment Limited.

(4) KKR China Apparel Limited, holding 285,366,000 shares (long position) of the Company, was owned as to 90% by KKR China Growth Fund L.P. KKR Associates China Growth L.P. ("KKR Associates") is the general partner of KKR China Growth Fund L.P. KKR SP Limited is the voting partner of KKR Associates while KKR China Growth Limited is the general partner of KKR Associates. KKR China Growth Limited was wholly owned by KKR Fund Holdings L.P. KKR Fund Holdings GP Limited is the general partner of KKR Fund Holdings L.P. KKR Group Holdings L.P. is the general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings G.P. Limited KKR Group Limited is the general partner of KKR Group Holdings L.P. KKR Group Limited was wholly owned by KKR & Co. L.P. while KKR Management LLC is the general partner of KKR & Co. L.P. Each of Mr. KRAVIS Henry Roberts and Mr. ROBERTS George R. is a designated member of KKR Management LLC. Mr. KRAVIS Henry Roberts and Mr. ROBERTS George R. disclaim any beneficial ownership interest in the Shares held by KKR China Apparel Limited. The interest in 285,366,000 shares (long position) relates to the same block of shares in the Company.

Save as disclosed above, as at 31 December 2014, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS

Save as disclosed under the sections headed "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" and "Share option schemes" above, at no time during the year ended 31 December 2014 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2014, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

During the year, none of the controlling shareholders of CEC Outfitters Limited, Vinglory Holdings Limited and Mr. Zhang Bruce Yongfu, nor any of their respective associates is a director or a shareholder of any business apart from the business of the Group which competes or likely to compete, either directly or indirectly, with the business of the Group.

DISCLOSURES PURSUANT TO RULES 13.21 AND 13.22 OF THE LISTING RULES

The Board is not aware of any circumstances resulting in the responsibility of disclosure under Rules 13.21 and 13.22 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2014.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year ended 31 December 2014 and up to the date of this report, none of the Directors has any interest in business, which competes or may compete with the business of the Group.

REMUNERATION POLICY

The Group's remuneration policies are formulated on the performance of individual employee and on the basis of the salary trends in the PRC and Hong Kong, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted the Pre-IPO Share Option Scheme and the Share Option Scheme for its employees.

PENSION SCHEME

Details of the retirement benefits plans of the Group are set out in note 5 under the heading "Other employee benefits" to the financial statements.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event took place subsequent to 31 December 2014 of the Group are set out in note 46 to the financial statements.

CORPORATE GOVERNANCE

A report on the principal governance practices adopted by the Company is set out on pages 21 to 30 of the annual report.

AUDIT COMMITTEE

The Company established the Audit Committee pursuant to the Resolutions in compliance with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures of the Company. At present, the Audit Committee of the Company consists of three members who are Mr. KWONG Wilson Wai Sun, Mr. CUI Yi and Mr. YEUNG Chi Wai. Mr. KWONG Wilson Wai Sun is the chairman of the Audit Committee. The Company's and the Group's financial statements for the year ended 31 December 2014 have been reviewed by the Audit Committee in conjunction with the Company's external auditors.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these financial statements for the year ended 31 December 2014, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable; and have prepared the financial statements on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

AUDITORS

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

ON BEHALF OF THE BOARD

LO Peter
Chairman
Hong Kong
23 March 2015

Independent Auditors' Report

EY 安永

To the shareholders of China Outfitters Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Outfitters Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 115, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

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

Ernst & Young
Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
23 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	8	**1,094,327**	1,247,158
Cost of sales		**(328,789)**	(320,587)
Gross profit		**765,538**	926,571
Other income and gains, net	8	**30,424**	50,180
Selling and distribution expenses		**(454,304)**	(441,592)
Administrative expenses		**(53,410)**	(63,036)
Other expenses		**(12,726)**	—
Operating profit		**275,522**	472,123
Finance income	9	**55,137**	48,732
Finance costs	10	**(7,512)**	—
Share of loss of:			
Joint venture		**(3,590)**	(225)
PROFIT BEFORE TAX	11	**319,557**	520,630
Income tax expense	14	**(116,646)**	(136,739)
PROFIT FOR THE YEAR		**202,911**	383,891
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**5,505**	(5,923)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**208,416**	377,968
Profit attributable to:			
Owners of the parent	15	**203,607**	383,951
Non-controlling interests		**(696)**	(60)
		202,911	383,891
Total comprehensive income attributable to:			
Owners of the parent		**209,111**	378,056
Non-controlling interests		**(695)**	(88)
		208,416	377,968
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	17		
Basic and diluted		**RMB5.91 cents**	RMB11.14 cents

Details of the dividends paid and proposed for the year are disclosed in note 16 to the financial statements.

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**207,367**	128,243
Prepaid land lease payments	19	**88,136**	76,096
Investment properties	20	**4,945**	5,222
Investments in joint ventures	22	**117,824**	89,541
Goodwill	23	**70,697**	70,697
Other intangible assets	24	**112,697**	125,418
Prepayment for lands and buildings		**—**	29,567
Deferred tax assets	26	**94,928**	63,149
Total non-current assets		**696,594**	587,933
CURRENT ASSETS			
Inventories	27	**409,361**	376,503
Trade and bills receivables	28	**128,955**	120,022
Prepayments, deposits and other receivables	29	**76,153**	56,981
Derivative financial assets	30	**2,243**	—
Structured bank deposits	31	**707,700**	928,000
Pledged bank deposits	32	**432,098**	4,263
Cash and cash equivalents	32	**190,154**	346,561
Total current assets		**1,946,664**	1,832,330
CURRENT LIABILITIES			
Interest-bearing bank borrowings	33	**646,827**	—
Trade and bills payables	34	**53,986**	31,899
Deposits received, other payables and accruals	35	**116,172**	128,040
Tax payable		**150,783**	165,194
Total current liabilities		**967,768**	325,133
NET CURRENT ASSETS		**978,896**	1,507,197
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,675,490**	2,095,130
NON-CURRENT LIABILITIES			
Deferred tax liabilities	26	**38,438**	8,060
Net assets		**1,637,052**	2,087,070

	Notes	2014 RMB'000	2013 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	36	**280,661**	280,661
Shares held for share award scheme	38	**(3,669)**	—
Reserves	39	**1,254,380**	1,477,703
Proposed final and special final dividends	16	**101,804**	326,318
		1,633,176	2,084,682
Non-controlling interests		**3,876**	2,388
Total equity		**1,637,052**	2,087,070

LO Peter
Director

SUN David Lee
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Attributable to owners of the parent												
	Issued capital RMB'000 (note 36)	Shares held for Share Award Scheme RMB'000 (note 38)	Capital redemption reserve RMB'000	Merger reserve RMB'000 (note 39 (a))	Acquisition reserve RMB'000 (note 39 (b))	Share option reserve RMB'000 (note 37)	Statutory surplus reserve RMB'000 (note 39 (c))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final and special final dividends RMB'000 (note 16)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	280,661	–	543	389,848	(186,036)	50,392	47,507	(699)	1,176,148	326,318	2,084,682	2,388	2,087,070
Profit for the year	–	–	–	–	–	–	–	–	203,607	–	203,607	(696)	202,911
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations	–	–	–	–	–	392	–	5,112	–	–	5,504	1	5,505
Total comprehensive income for the year	–	–	–	–	–	392	–	5,112	203,607	–	209,111	(695)	208,416
Appropriations to statutory surplus reserve	–	–	–	–	–	–	276	–	(276)	–	–	–	–
Capital contributed by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	2,183	2,183
Equity-settled share option arrangements	–	–	–	–	–	9,318	–	–	–	–	9,318	–	9,318
Transfer of share option reserve upon the forfeiture of share options	–	–	–	–	–	(9,579)	–	–	–	–	(9,579)	–	(9,579)
Share award scheme arrangements	–	(3,669)	–	–	–	–	–	–	–	–	(3,669)	–	(3,669)
Final and special final 2013 dividends declared	–	–	–	–	–	–	–	–	–	(326,318)	(326,318)	–	(326,318)
Special 2014 dividend declared	–	–	–	–	–	–	–	–	(330,369)	–	(330,369)	–	(330,369)
Proposed 2014 final dividend	–	–	–	–	–	–	–	–	(101,804)	101,804	–	–	–
At 31 December 2014	280,661	(3,669)	543*	389,848*	(186,036)*	50,523*	47,783*	4,413*	947,306*	101,804	1,633,176	3,876	1,637,052

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 36)	Capital redemption reserve RMB'000	Merger reserve RMB'000 (note 39 (a))	Acquisition reserve RMB'000 (note 39 (b))	Share option reserve RMB'000 (note 37)	Statutory surplus reserve RMB'000 (note 39 (c))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final and special final dividends RMB'000 (note 16)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	280,661	543	389,848	(186,036)	33,395	43,841	5,196	1,122,181	279,374	1,969,003	2,476	1,971,479
Profit for the year	–	–	–	–	–	–	–	383,951	–	383,951	(60)	383,891
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(5,895)	–	–	(5,895)	(28)	(5,923)
Total comprehensive income for the year	–	–	–	–	–	–	(5,895)	383,951	–	378,056	(88)	377,968
Appropriations to statutory surplus reserve	–	–	–	–	–	3,666	–	(3,666)	–	–	–	–
Equity-settled share option arrangements	–	–	–	–	16,997	–	–	–	–	16,997	–	16,997
Final and special final 2012 dividends declared	–	–	–	–	–	–	–	–	(279,374)	(279,374)	–	(279,374)
Proposed final and special final 2013 dividends	–	–	–	–	–	–	–	(326,318)	326,318	–	–	–
At 31 December 2013	280,661	543*	389,848*	(186,036)*	50,392*	47,507*	(699)*	1,176,148*	326,318	2,084,682	2,388	2,087,070

* These components of equity comprise the consolidated reserves of RMB1,254,380,000 (2013: RMB1,477,703,000) in the consolidated statement of financial position as at 31 December 2014.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**319,557**	520,630
Adjustments for:			
Finance income	9	**(55,137)**	(48,732)
Finance costs	10	**7,512**	—
Share of loss of joint ventures		**3,590**	225
Equity-settled share option expenses	11	**9,318**	16,997
Share option forfeiture		**(9,579)**	—
Fair value gains, net: derivative instruments — transactions not qualifying as hedges	11	**(2,243)**	—
Depreciation of items of property, plant and equipment	11	**9,585**	9,162
Depreciation of investment properties	11	**277**	183
Amortisation of prepaid land lease payments	11	**1,892**	1,753
Amortisation of intangible assets	11	**1,572**	1,131
Impairment of intangible assets	11	**11,500**	—
Write-down of inventories to net realisable value	11	**114,688**	93,825
Reversal of provision for impairment of trade receivables	11	**—**	(1,409)
		412,532	593,765
Increase in inventories		**(153,810)**	(84,133)
(Increase)/decrease in trade and bills receivables		**(8,933)**	4,350
(Increase)/decrease in prepayments, deposits and other receivables		**(19,218)**	11,115
Increase/(decrease) in trade and bills payables		**22,087**	(8,924)
Decrease in deposits received, other payables and accruals		**(11,868)**	(11,217)
Cash generated from operations		**240,790**	504,956
Interest paid		**(7,512)**	—
Withholding tax paid		**—**	(17,904)
PRC corporate income tax paid		**(132,458)**	(159,303)
Net cash flows from operating activities		**100,820**	327,749

	Notes	2014 RMB'000	2013 RMB'000
Net cash flows from operating activities		**100,820**	327,749
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(83,219)**	(57,191)
Proceeds from disposal of items of property, plant and equipment		**98**	516
Additions to prepaid land lease payments		**(13,885)**	(60,370)
Additions to other intangible assets		**—**	(62,403)
Decrease in short term deposits with original maturity of over three months		**59,060**	211,083
Decrease in prepayment for fixed assets		**24,000**	—
Interest received from bank deposits		**10,929**	4,686
Interest received from structured bank deposits		**44,208**	32,751
Decrease in structured bank deposits		**220,300**	154,800
Increase in due from a joint venture		**(7,889)**	—
Purchase of investment in a joint venture		**(17,495)**	(86,884)
Net cash flows from investing activities		**236,107**	136,988
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**646,827**	—
Purchase of shares for share award scheme		**(3,669)**	—
Increase in pledged deposits		**(418,864)**	—
Capital injected by non-controlling interests		**2,183**	—
Dividends paid	16	**(656,687)**	(279,374)
Net cash flows used in financing activities		**(430,210)**	(279,374)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(93,283)**	185,363
Effect of foreign exchange rate changes, net		**4,907**	(2,350)
Cash and cash equivalents at beginning of year		**287,764**	104,751
CASH AND CASH EQUIVALENTS AT END OF YEAR		**199,388**	287,764

	Notes	2014 RMB'000	2013 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**186,154**	283,501
Time deposits		**4,000**	63,060
Cash and cash equivalents as stated in the consolidated statement of financial position	32	**190,154**	346,561
Time deposits with original maturity of less than three months when acquired, pledged as security for issuing bank acceptance notes and forward contract	32	**13,234**	4,263
Less: Time deposits with original maturity of over three months		**(4,000)**	(63,060)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**199,388**	287,764

Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property	18	30,086	6,539
Other intangible assets	24	48,351	48,189
Investments in subsidiaries	21	3,700,109	3,679,077
Investments in joint ventures	22	115,150	89,766
Total non-current assets		3,893,696	3,823,571
CURRENT ASSETS			
Prepayments and other receivables	29	541	532
Amounts due from related parties		633	—
Amounts due from subsidiaries	21	15,110	31,225
Cash and cash equivalents	32	37,826	66,973
Total current assets		54,110	98,730
CURRENT LIABILITIES			
Interest-bearing bank borrowings	33	526,019	—
Amounts due to subsidiaries	21	144,484	—
Other payables and accruals	35	2,802	3,093
Total current liabilities		673,305	3,093
NET CURRENT (LIABILITIES)/ASSETS		(619,195)	95,637
Net assets		3,274,501	3,919,208
EQUITY			
Issued capital	36	280,661	280,661
Shares held for share award scheme	38/39	(3,669)	—
Reserves	39	2,895,705	3,312,229
Proposed final and special final dividends	16	101,804	326,318
Total equity		3,274,501	3,919,208

LO Peter
Director

SUN David Lee
Director

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 7 March 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. The address of its principal place of business is Room 1303, 13/F, New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 December 2011 (the "Listing Date").

The principal activity of the Company is investment holding. The Group is principally engaged in the business of design, manufacture, marketing and sale of apparel products and accessories in the People's Republic of China (the "PRC", or Mainland China which excludes, for the purpose of this report, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan), with a focus on menswear. There has been no significant change in the Group's principal activities during the year.

In the opinion of the directors of the Company (the "Directors"), as of the date of this report, the immediate holding company and the ultimate holding company of the Company are CEC Outfitters Limited and China Enterprise Capital Limited, respectively, which were incorporated in the British Virgin Islands (the "BVI").

2. BASIS OF PREPARATION

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

These financial statements have been prepared under the historical cost convention, except for derivative financial liabilities which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries and a trust ("the Share Award Scheme Trust"), a controlled special purpose entity, are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

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

The Board has approved a share award schemes (the "Share Award Scheme") to provide incentives to employees of the Group and to retain and encourage employees for the continual operation and development of the Group. Pursuant to the rules of the Share Award Scheme, the Group has set up the Share Award Scheme Trust for the purpose of administering the Share Award Scheme and holding the award shares before they vest. As the Group has the power to govern the financial and operating policies of the Share Award Scheme Trust and derives benefits from the contributions of the Group, the Group is required to consolidate the Share Award Scheme Trust under IAS 27 (Revised) *Separate Financial Statements*.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010–2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to IFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendment to IFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective IFRSs*

[1] Effective from 1 July 2014

Except that certain presentation and disclosure of financial statement items have been revised, the adoption of these revised standards and new interpretation did not have any significant effect on the financial position or performance of the Group.

4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

IFRS 9	*Financial Instruments*[4]
IFRS 10 and IAS 28 (2011) Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
IFRS 11 Amendments	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
IAS 16 and IAS 38 Amendments	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
IAS 16 and IAS 41 Amendments	*Agriculture: Bearer Plants*[2]
IAS 19 Amendments	*Defined Benefit Plans: Employee Contributions*[1]
IAS 27 (2011) Amendments	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap.622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

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

In September 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(continued)*

The amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirement, including disaggregation of total revenue, information about performance obligation, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(continued)*

The *Annual Improvements to IFRSs 2010–2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Except for those described in note 3, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Goodwill

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

The results of joint ventures are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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

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

Related parties

A party is considered to be related to the Group if:

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

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) *(continued)*

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

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

Property, plant and equipment and depreciation

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

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

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

Buildings	2%
Plant and machinery	9%
Motor vehicles	11%
Office and other equipment	19%

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

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

Construction in progress represents buildings and plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in lands and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided using the straight-line method to write off the cost of the investment properties over the estimated useful lives. Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of profit or loss for the period in which they are incurred.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

Other intangible assets (other than goodwill)

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

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

Licensing agreements

Licensing agreements acquired in a business combination are stated at cost less any impairment losses and are amortised on the straight-line basis over their respective estimated useful lives ranging from two to seven years.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other intangible assets (other than goodwill) *(continued)*

Retail networks

Retail networks acquired in a business combination represent flagship stores and department stores operated by the PRC Doright Group at the acquisition date. The retail networks are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of twenty years, being the operation tenure of the group companies engaged in the retail business.

Trademarks

The trademarks of "London Fog", "Artful Dodger" and "Zoo York" are classified as intangible assets with indefinite useful lives. The directors are of the opinion that the trademarks will contribute cash flows for an indefinite period and the legal rights of the trademarks are capable of being renewed at minimal cost. The trademarks are stated at cost less any impairment losses.

Operating leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

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

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the consolidated statement of profit or loss. The loss arising from impairment is recognised in the consolidated statement of profit or loss in other expenses.

Derecognition of financial assets

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and bills payables and other payables, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement of loans and borrowings

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

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

Inventories

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

Cash and cash equivalents

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

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

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

Income tax

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) subsidy income, on a cash basis;

(c) arrangement fees, on a cash basis;

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

(e) rental income, on a time proportion basis over the lease terms.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the binomial option pricing model, further details of which are given in note 37 and note 38 to the financial statements.

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

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

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

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

The dilutive effect of outstanding options and awarded shares through new issue of shares is reflected as additional share dilution in the computation of earnings per share.

Shares held for the Share Award Scheme

As disclosed in note 38 to the financial statements, the Group has set up the Share Award Scheme Trust for the Share Award Scheme, where the Share Award Scheme Trust purchases shares issued by the Group, the consideration paid by the Company, including any directly attributable incremental costs, is presented as "Shares held for Share Award Scheme" and deducted from the Group's equity.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

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

Other employee benefits

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

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

Borrowing costs

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

Foreign currencies

These financial statements are presented in RMB, which the Company adopts as the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

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

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

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

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 26 below.

The Group's determination as to whether to accrue for deferred tax for withholding taxes from the distribution of dividends from the subsidiaries in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend, where the Group considers if it is probable that the profits of the subsidiaries in the PRC will not be distributed in the foreseeable future, no deferred tax for withholding taxes is provided.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

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

Useful lives and residual values of property, plant and equipment

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

Useful lives of intangible assets

The Group determines the estimated useful lives and related amortisation charges for its intangible assets. Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Write-down of inventories to net realisable value

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was RMB70,697,000 (2013: RMB70,697,000). More details are given in note 25 below.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 25 below.

7. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the business of the design, manufacture, marketing and sale of apparel products and accessories in the PRC, with a focus on menswear.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The information reported to the directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, does not contain profit or loss information of each product line and the directors reviewed the financial results of the Group as a whole reported under IFRSs. Therefore, the operation of the Group constitutes one single reportable segment. Accordingly, no operating segment is presented.

All of the external revenues of the Group during the financial periods presented are attributable to customers established in the PRC, the place of domicile of the Group's operating entities. Since the principal non-current assets held by the Group are located in the PRC, no geographical information is presented in accordance with IFRS 8.

No revenue from a single external customer amounted to 10% or more of the Group's revenue during the financial periods presented.

8. REVENUE AND OTHER INCOME AND GAINS, NET

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

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

	Group	
	2014	2013
	RMB'000	RMB'000
Revenue		
Sale of goods	**1,094,327**	1,247,158
Other income and gains, net		
Government subsidies*	**26,958**	38,688
Arrangement fees#	**328**	2,098
Rental income, net	**793**	515
Sale of consumables, net	**88**	372
Fair value gains, net:		
Derivative instruments — transactions not qualifying as hedges	**2,243**	—
Exchange gain, net	**—**	8,292
Others	**14**	215
	30,424	50,180

* These represent incentive subsidies provided by local governments as a measure to attract investments in these localities. The amounts of these subsidies are generally determined by reference to value-added tax, corporate income tax, city maintenance and construction tax and other taxes paid by the Group's operating entities in these localities, but are subject to the government's further discretion.

These represent the one-off charges paid by third-party retailers when they entered into the initial retail agreements with the Group.

9. FINANCE INCOME

	Group	
	2014	2013
	RMB'000	RMB'000
Interest income on bank deposits	**10,929**	4,736
Interest income on structured bank deposits	**44,208**	43,996
	55,137	48,732

10. FINANCE COSTS

	Group	
	2014	2013
	RMB'000	RMB'000
Interest on bank loans	**7,512**	—

11. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Group	
		2014	2013
	Notes	**RMB'000**	RMB'000
Cost of inventories sold		**214,101**	226,762
Depreciation:			
Property, plant and equipment	18	**9,585**	9,162
Investment properties	20	**277**	183
		9,862	9,345
Amortisation of prepaid land lease payments*	19	**1,892**	1,753
Amortisation of intangible assets*	24	**1,572**	1,131
Minimum lease payments under operating leases in respect of buildings		**14,111**	10,990
Auditors' remuneration		**2,197**	2,111
Employee benefit expenses (including directors' remuneration (note 12)):			
Wages and salaries		**85,948**	75,827
Equity-settled share option expenses		**9,318**	16,997
Transfer of share option reserve upon the forfeiture of share options		**(9,579)**	—
Pension scheme contributions		**11,275**	10,058
		96,962	102,882
Reversal of provision for impairment of trade receivables	28	**—**	(1,409)
Impairment of other intangible assets^		**11,500**	—
Fair value gains, net:			
Derivative instruments — transactions not qualifying as hedges		**(2,243)**	—
Write-down of inventories to net realisable value#		**114,688**	93,825
Foreign exchange differences, net		**1,226**	(8,292)

11. PROFIT BEFORE TAX *(continued)*

* The amortisation of prepaid land lease payments and the amortisation of intangible assets for the year are included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

The write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

^ The impairment of other intangible assets is included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

12. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap.622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap.32), is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Fees	**2,920**	2,500
Other emoluments:		
Salaries, allowances and benefits in kind	**3,221**	3,218
Equity-settled share option expenses	**3,109**	5,813
Pension scheme contributions	**41**	38
	6,371	9,069
	9,291	11,569

In prior years, certain directors were granted share options, in respect of their services to the Group, under the Pre-IPO Share Option Scheme of the Company, further details of which are set out in note 37 to the financial statements. The fair value of these options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant, and the amount included in the consolidated financial statements for the current year is included in the above directors' remuneration disclosures.

12. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

The remuneration paid to independent non-executive directors during the year was as follows:

	Fees RMB'000	Equity-settled share option expenses RMB'000	Total remuneration RMB'000
2014			
KWONG Wilson Wai Sun (鄺偉信)	**200**	**44**	**244**
CUI Yi (崔義)	**200**	**44**	**244**
YEUNG Chi Wai (楊志偉)	**200**	**44**	**244**
	600	**132**	**732**
2013			
KWONG Wilson Wai Sun (鄺偉信)	180	82	262
CUI Yi (崔義)	180	82	262
YEUNG Chi Wai (楊志偉)	180	82	262
	540	246	786

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

12. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2014					
Executive directors:					
LO Peter (路嘉星)	600	–	894	13	1,507
ZHANG Yongli (張永力)	600	2,528	894	5	4,027
SUN David Lee (孫如暐)	380	–	366	13	759
HUANG Xiaoyun (黃曉雲)	380	693	633	10	1,716
	1,960	3,221	2,787	41	8,009
Non-executive directors:					
LI Guoqiang (李國強) (resigned on 10 January 2014)	–	–	190	–	190
WANG Wei (王瑋)	180	–	–	–	180
LIN Yang (林楊) (appointed on 10 January 2014)	180	–	–	–	180
	360	–	190	–	550
	2,320	3,221	2,977	41	8,559
2013					
Executive directors:					
LO Peter (路嘉星)	500	–	1,671	12	2,183
ZHANG Yongli (張永力)	500	2,530	1,671	5	4,706
SUN David Lee (孫如暐)	300	–	685	12	997
HUANG Xiaoyun (黃曉雲)	300	688	1,184	9	2,181
	1,600	3,218	5,211	38	10,067
Non-executive directors:					
LI Guoqiang (李國強)	180	–	356	–	536
WANG Wei (王瑋)	180	–	–	–	180
	360	–	356	–	716
	1,960	3,218	5,567	38	10,783

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

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2013: three), details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining two (2013: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**407**	417
Equity-settled share option expenses	**1,266**	2,565
Pension scheme contributions	**32**	23
	1,705	3,005

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

	Number of employees	
	2014	2013
Nil to HK$1,000,000	**2**	—
HKD1,000,001 to HK$1,500,000	**—**	1
HKD1,500,001 to HK$3,000,000	**—**	1
	2	2

In prior years, share options were granted to two non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 37 to the financial statements. The fair value of these options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

14. INCOME TAX EXPENSE

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

The Company incorporated in the Cayman Islands and its subsidiary incorporated in the BVI are exempted from taxation.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

14. INCOME TAX EXPENSE *(continued)*

In accordance with the relevant PRC income tax rules and regulations, the Group's subsidiaries registered in the PRC are subject to Corporate Income Tax ("CIT") at a statutory rate of 25% on their respective taxable income for the year ended 31 December 2014.

	Group	
	2014	2013
	RMB'000	RMB'000
Current — PRC		
Charge for the year	**118,047**	150,116
Deferred (note 26)	**(1,401)**	(13,377)
Total tax charge for the year	**116,646**	136,739

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

	Group			
	2014		2013	
	RMB'000	**%**	RMB'000	%
Profit before tax	**319,557**		520,630	
Tax charge at the statutory tax rate	**79,889**	**25**	130,158	25
Entities subject to lower statutory income tax rates	**(101)**	**—**	(2,976)	(1)
Effect of withholding tax on undistributed profits of the PRC subsidiaries	**30,000**	**9**	7,125	1
Effect of withholding tax on services fee	**1,797**	**1**	2,742	1
Income not subject to tax	**—**	**—**	(435)	—
Loss attributable to joint ventures	**897**	**—**	—	—
Tax losses not recognised	**4,118**	**2**	361	—
Others	**46**	**—**	(236)	—
Tax charge at the Group's effective tax rate	**116,646**	**37**	136,739	26

No share of tax attributable to a joint venture (2013: Nil) is included in "Share of loss of a joint venture" in the consolidated statement of profit or loss and other comprehensive income.

15. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a loss of RMB1,411,000 (2013: profit of RMB101,686,000) which has been dealt with in the financial statements of the Company (note 39).

16. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Proposed final — HK3.7 cents (2013: HK7.1 cents) per ordinary share	**101,804**	191,945
No special final dividend proposed (2013: HK4.9 cents) per ordinary share	**—**	134,373
	101,804	326,318

On 25 August 2014, the board of directors declared a special dividend of HK12.00 cents per share, in the amount of RMB330,369,000, for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

The proposed final dividend and special final dividend for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The final and special final dividends for the year ended 31 December 2013 on ordinary shares of RMB326,318,000 were approved by shareholders of the Company at the annual general meeting on 12 May 2014 and were subsequently paid on 30 May 2014.

17. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,444,915,000 (2013: 3,445,450,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the impact of the share options under the Pre-IPO Share Option Scheme outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

	2014 RMB'000	2013 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**203,607**	383,951

17. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue	**3,445,450,000**	3,445,450,000
Weighted average number of shares purchased for the Share Award Scheme	**(535,000)**	—
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**3,444,915,000**	3,445,450,000

18. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Plant and machinery	Motor vehicles	Office and other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013, net of accumulated depreciation	66,934	6,603	7,695	5,272	—	86,504
Additions	14,496	60	1,547	2,147	33,374	51,624
Disposals	—	—	(452)	(64)	—	(516)
Depreciation provided during the year	(4,019)	(887)	(2,383)	(1,873)	—	(9,162)
Exchange realignment	(207)	—	—	—	—	(207)
At 31 December 2013 and 1 January 2014, net of accumulated depreciation	**77,204**	**5,776**	**6,407**	**5,482**	**33,374**	**128,243**
Additions	**37,859**	**1,080**	**2,349**	**1,231**	**46,266**	**88,785**
Disposals	**—**	**—**	**(34)**	**(64)**	**—**	**(98)**
Depreciation provided during the year	**(5,496)**	**(1,024)**	**(1,502)**	**(1,563)**	**—**	**(9,585)**
Exchange realignment	**22**	**—**	**—**	**—**	**—**	**22**
At 31 December 2014, net of accumulated depreciation	**109,589**	**5,832**	**7,220**	**5,086**	**79,640**	**207,367**
At 31 December 2013:						
Cost	96,514	8,984	17,752	14,765	33,374	171,389
Accumulated depreciation	(19,310)	(3,208)	(11,345)	(9,283)	—	(43,146)
Net carrying amount	77,204	5,776	6,407	5,482	33,374	128,243
At 31 December 2014:						
Cost	**134,143**	**10,010**	**19,218**	**15,015**	**79,640**	**258,026**
Accumulated depreciation	**(24,554)**	**(4,178)**	**(11,998)**	**(9,929)**	**—**	**(50,659)**
Net carrying amount	**109,589**	**5,832**	**7,220**	**5,086**	**79,640**	**207,367**

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company	**Buildings** RMB'000
At 1 January 2013, net of accumulated depreciation	6,909
Additions	2
Depreciation provided during the year	(165)
Exchange realignment	(207)
At 31 December 2013 and 1 January 2014, net of accumulated depreciation	6,539
Additions	24,057
Depreciation provided during the year	(532)
Exchange realignment	22
At 31 December 2014, net of accumulated depreciation	30,086
At 1 January 2013:	
Cost	6,959
Accumulated depreciation	(50)
Net carrying amount	6,909
At 31 December 2013:	
Cost	6,961
Accumulated depreciation	(422)
Net carrying amount	6,539
At 31 December 2014:	
Cost	30,527
Accumulated depreciation	(441)
Net carrying amount	30,086

As at 31 December 2014, a certificate of ownership in respect of a warehouse in Chengdu with a net carrying amount of approximately RMB6,143,000 (2013: RMB6,500,000) has not been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificate.

19. PREPAID LAND LEASE PAYMENTS

	Group	
	2014	2013
	RMB'000	RMB'000
Carrying amount at 1 January	**77,812**	43,196
Additions	**13,885**	36,370
Amortisation charged during the year	**(1,892)**	(1,753)
Carrying amount at 31 December	**89,805**	77,813
Current portion included in prepayments, deposits and other receivables	**(1,669)**	(1,717)
Non-current portion	**88,136**	76,096

The Group's leasehold land is situated in the PRC and is held under a medium term lease.

As at 31 December 2014, a certificate of land use right in respect of a piece of land in Shanghai with a net carrying amount of approximately RMB36,105,000 (2013: two certificates of land use right with a net carrying amount of approximately RMB49,894,000) has not been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

20. INVESTMENT PROPERTIES

	Group	
	2014	2013
	RMB'000	RMB'000
Cost at 1 January, net of accumulated depreciation	**5,222**	5,405
Depreciation provided during the year	**(277)**	(183)
At 31 December	**4,945**	5,222
At 31 December:		
Cost	**5,907**	5,907
Accumulated depreciation	**(962)**	(685)
Net carrying amount	**4,945**	5,222

The Group's investment properties are situated in the PRC and are leased to third parties under operating leases, further summary details of which are included in note 40(a) below.

The Group's investment properties were revalued on 31 December 2014 by Dezhou Tianqu Assets Appraisals Co., Ltd. (德州天衢資產評估有限公司), independent professionally qualified valuers, at RMB10,473,000 (31 December 2013: RMB7,388,000) on an open market, existing use basis.

20. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Commercial properties	**—**	**—**	**10,473**	**10,473**
	—	**—**	**10,473**	**10,473**

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Commercial properties	—	—	7,388	7,388

21. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 RMB'000	2013 RMB'000
Unlisted, at cost	**3,700,109**	3,679,077

The amounts due from subsidiaries included in the Company's current assets and current liabilities of RMB15,110,000 (2013: RMB31,225,000) and RMB144,484,000 (2013: Nil), respectively, are unsecured, interest-free and are repayable on demand.

21. INVESTMENTS IN SUBSIDIARIES *(continued)*

As at the end of the year, the Company has direct or indirect interests in the following subsidiaries, all of which have substantially similar characteristics to a private company incorporated in Hong Kong, the particulars of which are set out below:

Company name	Place and date of incorporation/ registration	Registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Doright Group Limited	BVI 30 October 2009	US$1	100	–	Investment holding
CEC Menswear Limited[(1)]	Hong Kong 11 July 2006	HK$100	–	100	Investment holding
Faith Enterprise Limited[(1)]	Hong Kong 5 June 2006	HK$100	–	100	Investment holding
Sky Trend Hong Kong Investment Limited[(1)]	Hong Kong 24 October 2007	HK$10,000	–	100	Investment holding
Zoo York (China) Limited[(5)]	Hong Kong 11 October 2013	HK$10,000	88	–	Investment holding
Lincs (China) Limited[(5)]	Hong Kong 11 April 2014	HK$13,750,000	84	–	Investment holding
London Fog (China) Limited ("London Fog (China)")[(1)]	Hong Kong 26 February 2009	RMB9,000,000	100	–	Holding trademarks and investment holding
Manhattan (China) Limited[(1)]	Hong Kong 11 April 2012	RMB10,000,000	75	–	Investment holding
Shanghai Doright Fashion Co., Ltd. (上海同瑞服飾有限公司) ("Shanghai Doright")[#*(2)]	PRC 6 August 2003	US$8,500,000	–	100	Manufacture and sale of menswear and women's wear and accessories
Dezhou Sino-Union Garment Co., Ltd. (德州中合服飾有限公司) ("DZ Sino-union")[#*(2)]	PRC 6 January 2005	US$600,000	–	100	Manufacture and sale of menswear and accessories
Guangdong Leaderway Garment Co., Ltd. (廣東利威製衣有限公司)[#*(3)]	PRC 25 March 1999	RMB3,000,000	–	100	Manufacture and sale of menswear and accessories
Shanghai Baowei Fashion Co., Ltd. (上海保威服飾有限公司)[#*(3)]	PRC 5 April 1999	RMB1,000,000	–	100	Sale of menswear and accessories
Shanghai Bolderway Fashion Co., Ltd. (上海保德威服飾有限公司)[#*(3)]	PRC 28 November 2001	RMB6,000,000	–	100	Sale of menswear and women's wear and accessories
Beijing Bolderway Fashion Co., Ltd. (北京保德威服飾有限公司)[#*(3)]	PRC 28 November 2003	RMB3,000,000	–	100	Sale of menswear and women's wear and accessories
Sichuan Bolderway Trading Co., Ltd. (四川保德威商貿有限公司)[#*(3)]	PRC 19 March 2004	RMB300,000	–	100	Retail trading of menswear and accessories
Guangzhou Ruitang Trading Co., Ltd. (廣州瑞唐貿易有限公司)[#*(3)]	PRC 24 May 2004	RMB500,000	–	100	Retail trading of menswear and accessories

21. INVESTMENTS IN SUBSIDIARIES *(continued)*

Company name	Place and date of incorporation/ registration	Registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Shanghai Jiancheng Trading Co., Ltd. (上海簡成商貿有限公司)#*(3)	PRC 31 May 2004	RMB3,000,000	–	100	Sale of menswear and accessories
London Fog (Shanghai) Fashion Co., Ltd. (倫頓弗格(上海)服飾有限公司)#(4)	PRC 31 May 2009	RMB10,000,000	–	100	Sale of menswear and women's wear and accessories
Shanghai Ruiguo Fashion Co., Ltd. (上海瑞國服飾有限公司)#(2)	PRC 14 June 2012	US$1,000,000	100	–	Sale of menswear and women's wear and accessories
Shanghai Ruihe Fashion Co., Ltd. (上海瑞合服飾有限公司)#(3)	PRC 5 September 2011	RMB5,000,000	–	100	Sale of menswear and accessories
Shanghai Manhattan Fashion Co., Ltd. (上海曼克頓服飾有限公司)#(2)	PRC 6 September 2012	US$1,000,000	–	75	Sale of menswear and accessories
Shanghai Ruiguo Real Estate Co., Ltd. (上海國置業有限公司)#(3)	PRC 9 August 2013	RMB5,000,000	–	100	Property development, operation and management
Shanghai Ruiquan Information Technology Co., Ltd. (上海瑞全信息科技有限公司)#(3)	PRC 8 January 2014	RMB1,000,000	–	100	Sale of software
Lincs (Shanghai) Fashion Co., Ltd. (菱科斯(上海)服飾有限公司)#(2)	PRC 11 August 2014	HK$10,000,000	–	84	Sale of menswear and accessories
Zoo York (Shanghai) Fashion Co., Ltd. (卓約(上海)服飾有限公司)#(2)	PRC 21 October 2014	HK$1,200,000	–	88	Sale of menswear and accessories

\# The English names of the Company's subsidiaries incorporated/registered in the PRC represent the translated names of these companies as no English names have been registered.

* These companies are hereinafter collectively referred to as the "PRC Doright Group", which were acquired in 2006.

Notes:

(1) The statutory financial statements of these companies were prepared under Hong Kong Financial Reporting Standards and audited by Ernst & Young, certified public accountants registered in Hong Kong.

(2) Wholly-foreign-owned enterprises under the PRC law.

(3) Limited liability companies under the PRC law.

(4) A Sino-foreign equity joint venture under the PRC law.

(5) These companies were incorporated in Hong Kong.

22. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted investments, at cost	**—**	—	**107,261**	89,766
Share of net assets	**53,489**	33,095	**—**	—
Goodwill on acquisition	**56,446**	56,446	**—**	—
	109,935	89,541	**107,261**	89,766
Loan to a joint venture	**7,889**	—	**7,889**	—
	117,824	89,541	**115,150**	89,766

The loan to a joint venture is unsecured, interest-free and have no fixed terms of payment. In the opinion of the directors, the loan is considered as part of the Company's net investments in the joint ventures.

Particulars of the Group's joint ventures are as follows:

Name	Place of registration and business	Percentage of ownership interest	Percentage of voting power	Percentage of profit sharing	Principal activity
MCS Apparel Hong Kong Limited	Hong Kong	50	50	50	Sale of menswear and accessories
Henry Cotton's Greater China Company Limited	Hong Kong	50	50	50	Sale of menswear and accessories

All of the above investments in joint ventures are directly held by the Company.

(i) MCS Apparel Hong Kong Limited

MCS Apparel Hong Kong Limited, which is considered a material joint venture of the Group in the future, will act as the Group's operation centre of apparels branded "MCS" and is accounted for using the equity method. The financial statements of the joint venture have the same reporting date of the Group.

22. INVESTMENTS IN JOINT VENTURES *(continued)*

(i) MCS Apparel Hong Kong Limited *(continued)*

The following table illustrates the summarised financial information of MCS Apparel Hong Kong Limited reconciled to the carrying amount in the financial statements:

	2014	2013
	RMB'000	RMB'000
Cash and cash equivalents	**23,881**	6,268
Other current assets	**17,911**	10,624
Current assets	**41,792**	16,892
Non-current assets	**60,497**	60,010
Current financial liabilities (excluding trade and other payables)	**(23,944)**	(7,991)
Other current liabilities	**(5,071)**	(2,405)
Current liabilities	**(29,015)**	(10,396)
Non-current financial liabilities (excluding trade and other payables)	**—**	—
Other non-current liabilities	**(1,287)**	(316)
Non-current liabilities	**(1,287)**	(316)
Net assets	**71,987**	66,190
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture	**35,994**	33,095
Goodwill on acquisition	**56,446**	56,446
Carrying amount of the investment	**92,440**	89,541
Revenue	**53,501**	24,143
Depreciation and amortisation	**(247)**	(25)
Income tax expense	**(4,721)**	—
Other comprehensive income	**162**	—
Profit and total comprehensive income for the year	**5,348**	(449)

(ii) Henry Cotton's Greater China Company Limited

Henry Cotton's Greater China Company Limited, which is considered a material joint venture of the Group in the future, will act as the Group's operation centre of apparels branded "Henry Cotton's" and is accounted for using the equity method. The financial statements of the joint venture have the same reporting date of the Group. Up to the date of the report, Henry Cotton's Greater China Company Limited has not commenced operating.

22. INVESTMENTS IN JOINT VENTURES *(continued)*

(ii) Henry Cotton's Greater China Company Limited *(continued)*

The following table illustrates the financial information of Henry Cotton's Greater China Company Limited:

	2014 **RMB'000**
Share of the profit for the year	**—**
Carrying amount of the Group's investments in the joint venture	**17,495**

23. GOODWILL

As at 31 December 2014, the carrying value of goodwill was RMB70,697,000 (2013: RMB70,697,000).

No impairment loss provision for the carrying value of goodwill has been considered necessary by the directors as at the end of the financial period. Impairment testing of goodwill is detailed in note 25 below.

24. OTHER INTANGIBLE ASSETS

Group	**Licensing agreements** RMB'000	**Retail networks** RMB'000	**Trademarks** RMB'000	**Total** RMB'000
At 1 January 2013, net of accumulated amortisation and impairment	—	3,466	64,047	67,513
Additions	12,791	—	48,189	60,980
Amortisation charged during the year	(882)	(249)	—	(1,131)
Exchange realignment	—	—	(1,944)	(1,944)
At 31 December 2013 and 1 January 2014, net of accumulated amortisation and impairment	11,909	3,217	110,292	125,418
Amortisation charged during the year	(1,323)	(249)	—	(1,572)
Impairment during the year	—	—	(11,500)	(11,500)
Exchange realignment	—	—	351	351
At 31 December 2014, net of accumulated amortisation and impairment	10,586	2,968	99,143	112,697
At 31 December 2013:				
Cost	97,459	4,981	110,292	212,732
Accumulated amortisation and impairment	(85,550)	(1,764)	—	(87,314)
Net carrying amount	11,909	3,217	110,292	125,418
At 31 December 2014:				
Cost	97,460	4,981	99,143	201,584
Accumulated amortisation and impairment	(86,874)	(2,013)	—	(88,887)
Net carrying amount	10,586	2,968	99,143	112,697

24. OTHER INTANGIBLE ASSETS *(continued)*

Company	**Trademarks** RMB'000
At 31 December 2013 and 1 January 2014, net of accumulated amortisation and impairment	48,189
Additions	—
Exchange realignment	162
At 31 December 2014, net of accumulated amortisation and impairment	48,351
At 31 December 2013 and 1 January 2014:	
Cost	48,189
Accumulated amortisation	—
Exchange realignment	162
Net carrying amount	48,351
At 31 December 2014:	
Cost	48,351
Accumulated amortisation	—
Net carrying amount	48,351

The Group classified the trademarks of "London Fog", "Artful Dodger" and "Zoo York" as intangible assets with indefinite lives. The Group has performed impairment reviews of the carrying values of trademarks as at 31 December 2014 and 31 December 2013 based on a forecast of operating performance, cash flows and the key assumptions as detailed in note 25 below. Based on the result of impairment test, the recoverable amount of trademark of "London Fog" was RMB 51,805,000 as 31 December 2014. Accordingly, the management had determined that there was an impairment of trademark of "London Fog", and recognised an impairment charge of RMB11,500,000, which was recorded within other expenses in the statement of profit or loss.

25. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES

Goodwill arising from the acquisition of the PRC Doright Group in 2006 has been allocated to the Group's CGU (the "Menswear CGU") for impairment testing.

The recoverable amount of the Menswear CGU has been determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period approved by senior management. For the year ended 31 December 2014, the discount rate applied to the cash flow projections is 19.0% (2013: 19.0%) and cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2013: 3%) which does not exceed the projected long term average growth rate for the relevant industry in the PRC.

The recoverable amount of the trademarks with indefinite lives has been determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period approved by senior management. For the year ended 31 December 2014, the discount rates applied to the cash flow projection were 20.0% (2013: 20.0%) for London Fog and 25.0% for Artful Dodger and Zoo York and cash flows beyond the five-year period were extrapolated using a growth rate of 3% (2013: 3%) which does not exceed the projected long term average growth rate for the relevant industry in the PRC.

25. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES *(continued)*

Assumptions were used in the value in use calculation of the Menswear CGU and the trademarks with indefinite lives. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and trademarks:

Budgeted gross profit margins

Budgeted gross profit margins are based on average values achieved historically. These are adjusted over the budget period in accordance with anticipated efficiency improvements and expected market developments.

Discount rates

The discount rates used are before tax and reflect specific risks relating to the Menswear CGU and the trademarks with indefinite lives.

In the opinion of the directors, any reasonably possible change in the key assumptions on which the recoverable amounts are based would not cause the carrying amounts of goodwill and trademarks with indefinite lives to exceed their recoverable amounts, respectively.

26. DEFERRED TAX

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

Deferred tax assets

Group	Impairment of assets	Unrealised profits on inventories	Losses available for offsetting against future taxable profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	42,104	728	—	42,832
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 14)	18,116	(618)	2,819	20,317
At 31 December 2013 and 1 January 2014	60,220	110	2,819	63,149
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 14)	26,379	2,699	2,701	31,779
At 31 December 2014	86,599	2,809	5,520	94,928

26. DEFERRED TAX *(continued)*

Deferred tax assets *(continued)*

The Group had tax losses arising in the PRC of approximately RMB24,800,000 and RMB31,000,000 as at 31 December 2013 and 2014, respectively, that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the losses amounting to RMB8,920,000 as at 31 December 2014 (31 December 2013: RMB13,524,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the taxable losses can be utilised.

The Group has recognised deferred tax assets of approximately RMB22,080,000 as at 31 December 2014 (31 December 2013: RMB 11,276,000), the utilisation of which is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The amount of deferred tax assets is based on the profit forecast approved by the management of the Group.

Deferred tax liabilities

Group	**Fair value adjustments arising from acquisitions**	**Fair value adjustments from financial instruments**	**Withholding tax on distributable profits of the PRC subsidiaries**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	5,745	—	13,279	19,024
Deferred tax transferred out in respect of withholding tax paid by a PRC subsidiary	—	—	(17,904)	(17,904)
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 14)	(185)	—	7,125	6,940
At 31 December 2013 and 1 January 2014	5,560	—	2,500	8,060
Deferred tax transferred out in respect of withholding tax paid by a PRC subsidiary	—	—	—	—
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 14)	(184)	562	30,000	30,378
At 31 December 2014	5,376	562	32,500	38,438

26. DEFERRED TAX *(continued)*

Deferred tax liabilities *(continued)*

Pursuant to the PRC Corporate Income Tax Law (the "New CIT Law") which was approved and became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective on 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding tax on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2014, the Group has not recognised deferred tax liabilities of RMB44,504,000 (2013: RMB63,010,000) in respect of temporary differences relating to the unremitted profits of the Group's subsidiaries established in the PRC, amounting to RMB890,080,000 (2013: RMB1,260,198,000), that would be payable on the distribution of these profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

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

27. INVENTORIES

	Group	
	2014	2013
	RMB'000	RMB'000
Raw materials	**15,855**	18,378
Work in progress	**9,307**	8,488
Finished goods	**384,199**	349,637
	409,361	376,503

28. TRADE AND BILLS RECEIVABLES

	Group	
	2014	2013
	RMB'000	RMB'000
Trade receivables	**123,742**	118,417
Impairment	**—**	—
Trade receivables, net	**123,742**	118,417
Bills receivable	**5,213**	1,605
	128,955	120,022

28. TRADE AND BILLS RECEIVABLES *(continued)*

The Group's trading terms with its customers are mainly on credit, except for third party retailers, where payment in advance is normally required. The credit period normally ranges from 30 to 90 days. The Group grants a longer credit period to those long-standing customers with good payment history.

Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances.

Trade receivables are non-interest-bearing and the carrying amounts of the trade and bills receivables approximate to their fair values.

An aged analysis of the trade receivables as at 31 December 2013 and 2014, based on the invoice date and net of provision, and the balances of bills receivable are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Trade receivables		
Within 60 days	**117,127**	111,037
61 to 90 days	**1,763**	992
91 to 180 days	**2,032**	1,794
181 to 360 days	**2,262**	3,351
Over 360 days	**558**	1,243
	123,742	118,417
Bills receivable	**5,213**	1,605
	128,955	120,022

The bills receivable are due to mature within three months.

The movements in the provision for impairment of trade receivables are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
At 1 January	**–**	1,409
Impairment losses reversed (note 11)	**–**	(1,409)
At 31 December	**–**	–

28. TRADE AND BILLS RECEIVABLES *(continued)*

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	**117,127**	111,037
1 to 180 days past due	**3,795**	2,786
181 to 360 days past due	**2,820**	4,594
	123,742	118,417

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**31,066**	31,868	**358**	—
Deposits and other receivables	**45,087**	25,113	**183**	532
	76,153	56,981	**541**	532

Other receivable of RMB1,800,000, as at 31 December 2013 and 2014, was impaired and fully provided for. The individually impaired other receivable related to a debtor that was in default in payments. The Group does not hold any collateral or other credit enhancements over the balance.

The carrying amounts of the other receivables which are neither past due nor impaired and included in the above balances relate to receivables for which there was no recent history of default. The carrying amounts of the financial assets included in the above balances approximate to their fair values.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2014	2013
	RMB'000	RMB'000
Forward currency contracts	**2,243**	—

The Group has entered into various forward currency contracts to manage its exchange rate exposure. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging currency derivatives amounting to RMB2,243,000 were charged to profit or loss during the year (2013: Nil).

31. STRUCTURED BANK DEPOSITS

	Group	
	2014	2013
	RMB'000	RMB'000
Structured bank deposits, in licensed banks in PRC, at amortised cost	**707,700**	928,000

The structured bank deposits have terms of less than one year and are denominated in RMB.

The structured bank deposits of RMB275,200,000 are pledged to secure the short term bank loans of RMB268,169,000 at 31 December 2014.

32. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**186,154**	283,501	**37,826**	7,913
Time deposits	**436,098**	67,323	**—**	59,060
	622,252	350,824	**37,826**	66,973
Less: Bank deposits pledged	**(432,098)**	(4,263)	**—**	—
Cash and cash equivalents as stated in the consolidated statement of financial position	**190,154**	346,561	**37,826**	66,973

* Bank deposits are pledged for securing short term bank loans, the forward currency contract and for issuing bank acceptance notes, amounting to RMB401,564,000, RMB25,584,000 and RMB4,950,000, respectively.

32. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS *(continued)*

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB525,732,000 (2013: RMB350,824,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between seven days and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and short term deposits are deposited with creditworthy banks with no recent history of default.

33. INTEREST-BEARING BANK BORROWINGS

	2014			2013		
Group	**Effective interest rate (%)**	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Interest-bearing bank loans — secured (USD)*	**3.25%**	**2015**	**120,808**	—	—	—
Interest-bearing bank loans — secured (HKD)*	**HIBOR+1.8%– HIBOR+2.33%**	**2015**	**526,019**	—	—	—
Total:			**646,827**	—	—	—

	2014			2013		
Company	**Effective interest rate (%)**	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Interest-bearing bank loans — secured (HKD)**	**HIBOR+1.8%– HIBOR+2.33%**	**2015**	**526,019**	—	—	—

* These bank borrowings are secured by RMB denominated structured bank deposits and pledged bank deposits placed with financial institutions in China of RMB275,200,000 and RMB401,564,000 as at 31 December 2014.

** These bank borrowings are secured by RMB denominated structured bank deposits and pledged bank deposits placed with financial institutions in China of RMB150,000,000 and RMB401,564,000 as at 31 December 2014.

The pledged deposits for securing the bank borrowings were included in "Structured bank deposits" and "Pledged bank deposits" in the consolidated statement of financial position as at 31 December 2014.

33. INTEREST-BEARING BANK BORROWINGS *(continued)*

	Group	
	2014	2013
	RMB'000	RMB'000
Analysed into:		
Within one year and denominated in HK$	**526,019**	—
Within one year and denominated in US$	**120,808**	—
	646,827	—

The Group has the following undrawn banking facilities:

	2014	2013
	RMB'000	RMB'000
At floating rate	**110,442**	—

34. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables as at 31 December 2013 and 2014, based on the invoice date, and the balances of bills payable are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Trade payables		
Within 30 days	**36,517**	22,132
31 to 90 days	**11,315**	5,019
91 to 180 days	**395**	129
181 to 360 days	**809**	356
	49,036	27,636
Bills payable	**4,950**	4,263
	53,986	31,899

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 45 days.

35. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances from customers	**67,150**	50,868	**—**	—
Other payables	**32,396**	42,277	**2,507**	2,489
Accruals	**6,856**	12,284	**295**	604
Other taxes payable	**9,770**	22,611	**—**	—
	116,172	128,040	**2,802**	3,093

Other payables are non-interest-bearing and are due within one year.

36. ISSUED CAPITAL

Shares

	2014	2013
	HK$'000	HK$'000
Authorised: 1,000,000,000,000 (2013: 1,000,000,000,000) ordinary shares of HK$0.1 each	**100,000,000**	100,000,000
Issued and fully paid: 3,445,450,000 (2013: 3,445,450,000) ordinary shares of HK$0.1 each	**344,545**	344,545
Equivalent to RMB'000	**280,661**	280,661

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 37 to the financial statements.

37. SHARE OPTION SCHEMES

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme"), approved by the written resolutions of the shareholders passed on 25 November 2011 (the "Resolutions").

37. SHARE OPTION SCHEMES *(continued)*

Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to provide incentives and/or rewards to the directors, senior management and employees for their contribution to, and continuing efforts to promote the interests of, the Company. The principal terms of the Pre-IPO Share Option Scheme, approved by the Resolutions, are substantially the same as the terms of the Share Option Scheme except that:

(a) the subscription price per share under the Pre-IPO Share Option Scheme is HK$1.64;

(b) the total number of shares which may be issued upon the exercise of all share options granted under the Pre-IPO Share Option Scheme is 205,552,000 shares, representing approximately 6.00% of the enlarged issued share capital of the Company immediately after the completion of IPO and the capitalisation issue (assuming that the Over-allotment Option is not exercised);

(c) save for the share options which have been granted, no further share options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date; and

(d) each share option granted under the Pre-IPO Share Option Scheme has a three-year exercise period after the vesting of the relevant option.

All the share options under the Pre-IPO Share Option Scheme were granted on 9 December 2011 at a consideration of HK$1 paid by each participant.

Each of the above share options is subject to a vesting schedule of four years pursuant to which one-fourth (1/4) of the share options shall become vested and exercisable on 9 December 2012, 2013, 2014 and 2015, respectively.

Share options under the Pre-IPO Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

A summary of movements in share options during the year is presented below:

	Year ended 31 December 2014		Year ended 31 December 2013	
	Weighted average exercise price HK$ per share	**Number of share options**	Weighted average exercise price HK$ per share	Number of share options
At beginning of year	**1.64**	**199,224,000**	1.64	199,224,000
Forfeited	**1.64**	**(31,200,000)**	1.64	—
At the end of year	**1.64**	**168,024,000**	1.64	199,224,000

The fair value of the share options under the Pre-IPO Share Option Scheme granted was estimated at approximately RMB65,108,000, of which the Group recognised a share option expense of RMB9,318,000 during the year ended 31 December 2014 (2013: RMB16,997,000).

37. SHARE OPTION SCHEMES *(continued)*

Pre-IPO Share Option Scheme *(continued)*

The fair value of the share options under the Pre-IPO Share Option Scheme granted was estimated as at the date of grant, using the binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

	First batch	Second batch	Third batch	Fourth batch
Dividend yield (%)	4.87	4.87	4.87	4.87
Expected volatility (%)	46.63	46.17	44.17	42.92
Risk-free interest rate (%)	0.58	0.75	0.90	1.03
Expected life of options (year)	3.94	4.94	5.94	6.94
Weighted average share price (HK$ per share)	1.49	1.49	1.49	1.49

The expected life of the share options is not necessarily indicative of the exercise patterns that may occur. The expected volatility may not necessarily reflect the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

No share option was exercised during the year. As at 31 December 2014, the Company had 168,024,000 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 168,024,000 additional ordinary shares of the Company and additional share capital of HK$16,802,400 (equivalent to RMB13,255,000) and share premium of HK$258,756,960 (equivalent to RMB204,126,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 168,024,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 4.9% of the Company's shares in issue as at that date.

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and/or rewards to eligible participants for their contribution to and continuing efforts to promote the interest of the Company. Eligible participants of the Share Option Scheme include a) any proposed executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; b) a director or proposed director (including an independent non-executive director) of any member of the Group; c) a direct or indirect shareholder of any member of the Group; d) a supplier of goods or services to any member of the Group; e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and g) an associate of any of the foregoing persons. The Share Option Scheme became effective on 9 December 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

37. SHARE OPTION SCHEMES *(continued)*

Pre-IPO Share Option Scheme *(continued)*

The maximum number of shares to be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share options granted and yet to be exercised under any other scheme of the Company shall not, in aggregate, exceed 6% of the total number of shares in issue on the Listing Date (assuming that the Over-allotment Option is not exercised) until the expiration of the period from the Listing Date to the fourth anniversary of the Listing Date and 30% of the shares of the Company in issue from time to time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or a substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors, excluding the independent non-executive director who or whose associates are the grantee. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the board of directors (the "Board"), and commences after a certain vesting period and ends on a date which is not later than ten years from the date of grant of the share options.

The exercise price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the exercise price shall be at least the highest of: (a) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day; (b) the average of the closing prices of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (c) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

As at 31 December 2014 and the date of approval of these financial statements, no share option was granted and outstanding under the Share Option Scheme.

38. SHARE AWARD SCHEME

The Company adopted a share award scheme (the "Share Award Scheme"), approved by the solutions of the Board passed on 4 November 2014.

The specific purposes and objectives of the Share Award Scheme are to:

(a) recognise the contributions by certain employees and to give incentives to them in order to retain them for the continual operation and development of the Group; and

(b) attract suitable personnel for further development of the Group.

To facilitate the implementation of the Share Award Scheme, a trust Deed is entered into by the Group and South Zone Holding Limited (the "Trustee") pursuant to which the Trustee shall purchase and hold shares for the benefit of certain employees of the Group and any subsidiary and in such manner as the Board may determine from time to time.

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date being 4 November 2014 unless being earlier terminated by a resolution of the Board.

The Board may from time to time at its absolute discretion, select any employee (excluding any excluded employee) for participation in the Share Award Scheme as a selected employee and grant to such selected employee the award shares for free or at a price/consideration per award share determined by the Board at its sole discretion.

The Trustee will hold the shares and any income derived from them in accordance with the terms of the trust deed.

The Trustee purchased 4,762,000 shares of the Company at a total cost (including related transaction costs) of HK$4,524,655 (equivalent to RMB3,669,000) during the year ended 31 December 2014.

The Board did not yet grant any shares to any employees from 4 November 2014 to 31 December 2014.

39. RESERVES

Group

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

(a) The merger reserve represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the corporate reorganisation ("Reorganisation") and the nominal value of the Company's shares issued in exchange therefor.

(b) The acquisition reserve represents the differences between considerations paid and the book value of the share of net assets acquired in respect of the acquisition of non-controlling interests in the PRC Doright Group.

39. RESERVES *(continued)*

Group *(continued)*

(c) In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses), determined in accordance with generally accepted accounting principles in the PRC, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase the registered capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the registered capital after these usages.

Company

	Share premium account RMB'000	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Share award scheme RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
As at 1 January 2013	–	543	3,731,064	33,395	–	(96,091)	(29,338)	3,639,573
Total comprehensive income for the year	–	–	–	–	–	(119,709)	101,686	(18,023)
Equity-settled share option arrangements	–	–	–	16,997	–	–	–	16,997
Proposed final and special final 2013 dividends	–	–	(326,318)	–	–	–	–	(326,318)
As at 31 December 2013 and 1 January 2014	–	543	3,404,746	50,392	–	(215,800)	72,348	3,312,229
Total comprehensive loss for the year	–	–	–	392	–	343,247	(1,411)	342,228
Equity-settled share option arrangements	–	–	–	9,318	–	–	–	9,318
Transfer of share option reserve upon the forfeiture of share options	–	–	–	(9,579)	–	–	–	(9,579)
Share Award Scheme	–	–	–	–	(3,669)	–	–	(3,669)
Proposed final and special 2014 dividends	–	–	(101,804)	–	–	–	–	(101,804)
Final and special final 2013 and special 2014 dividends declared	–	–	(656,687)	–	–	–	–	(656,687)
As at 31 December 2014	–	543	2,646,255	50,523	(3,669)	127,447	70,937	2,892,036

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Reorganisation detailed in the prospectus of the Company dated 29 November 2011, over the nominal value of the Company's shares issued in exchange therefor.

Pursuant to the Companies Law (2001 Second Revision) of the Cayman Islands, the share premium account and the contributed surplus are distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 5 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 20 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to three years.

At 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within one year	**432**	289
In the second to fifth years, inclusive	**864**	108
	1,296	397

(b) As lessee

The Group leases certain of its retail outlets and office premises under non-cancellable operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years.

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within one year	**8,140**	6,118
In the second to fifth years, inclusive	**8,432**	2,285
After five years	**—**	13
	16,572	8,416

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40(b), the Group had the following capital commitments at the end of the reporting period:

	Group	
	2014	2013
	RMB'000	RMB'000
Contracted, but not provided for:		
Lands and buildings	**14,134**	65,374
	14,134	65,374

42. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group, including directors' remuneration as detailed in note 12 above, is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Fees	2,920	2,500
Salaries, allowances and benefits in kind	4,364	4,384
Equity-settled share option expenses	6,275	14,299
Pension scheme contributions	152	159
Total compensation paid to key management personnel	13,711	21,342

None of the transactions with related parties as described above falls under the definition of "connected transaction" or "continuing connected transaction" under the Listing Rules.

43. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Group					
	2014			2013		
Financial assets	Loans and receivables RMB'000	Held-to-maturity investments RMB'000	Total RMB'000	Loans and receivables RMB'000	Held-to-maturity investments RMB'000	Total RMB'000
Trade and bills receivables	128,955	—	128,955	120,022	—	120,022
Financial assets included in prepayments, deposits and other receivables (note 29)	45,087	—	45,087	25,113	—	25,113
Structured bank deposits	—	707,700	707,700	—	928,000	928,000
Cash and cash equivalents	190,154	—	190,154	346,561	—	346,561
	364,196	707,700	1,071,896	491,696	928,000	1,419,696

Financial liabilities	Financial liabilities at amortised cost	
	2014	2013
	RMB'000	RMB'000
Trade and bills payables	53,986	31,899
Financial liabilities included in deposits received, other payables and accruals (note 35)	32,396	42,277
Interest-bearing bank borrowings	646,827	—
	733,209	74,176

43. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial assets	Company Loans and receivables 2014 RMB'000	2013 RMB'000
Financial assets included in prepayments, deposits and other receivables (note 29)	**183**	532
Amounts due from subsidiaries	**15,110**	31,225
Cash and cash equivalents	**37,826**	66,973
	53,119	98,730

Financial liabilities	Company Financial liabilities at amortised cost 2014 RMB'000	2013 RMB'000
Other payables	**2,507**	2,489
Interest-bearing bank borrowings	**526,019**	—
	528,526	2,489

44. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonable approximate to fair values, are as follows:

Group	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Derivative financial instruments	**2,243**	—	**2,243**	—

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related parties, dividend receivable and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

44. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the value of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including forward currency contracts and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

Group

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets Level 1	**Significant observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Derivative financial instruments	—	2,243	—	2,243

The Group did not have any financial assets measured at fair value as at 31 December 2013.

The Company did not have any financial assets measured at fair value as at 31 December 2014 (2013: Nil).

44. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 31 December 2014 (2013: Nil).

The Company did not have any financial liabilities measured at fair value as at 31 December 2014 (2013: Nil).

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The effective interest rates and terms of repayment of the interest-bearing bank loans of the Group are set out in note 33 above.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings) and the Group's equity during the year.

	Group			Company	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** RMB'000	**Increase/ (decrease) in equity*** RMB'000	**Increase/ (decrease) in basis points**	**Increase/ (decrease) in profit before tax** RMB'000
31 December 2014					
RMB	100	(4,940)	—	100	(3,351)
RMB	(100)	4,940	—	(100)	3,351

* Excluding retained profits

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

All of the Group's turnover and substantially all of the Group's cost of sales and operating expenses are denominated in RMB. Accordingly, the transactional currency exposures of the Group are not significant. However, the Group's financial assets and liabilities including certain cash and cash equivalents denominated in Hong Kong dollars ("HK$") and United States dollars ("US$") are subject to foreign currency risk. Therefore, the fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

There are limited hedging instruments available in the PRC to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risks. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Group may not be able to hedge the Group's exposure successfully, or at all.

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

	Increase/ (decrease) in HK$ exchange rate	**Increase/ (decrease) in equity***
	%	RMB'000
31 December 2014		
If RMB weakens against HK$	**5**	**5,577**
If RMB strengthens against HK$	**(5)**	**(5,577)**
31 December 2013		
If RMB weakens against HK$	5	6,751
If RMB strengthens against HK$	(5)	(6,751)

* Excluding retained profits

Credit risk

There are no significant concentrations of credit risk within the Group as the Group's trade and bills receivables are widely dispersed among different customers. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables and other receivables are disclosed in notes 28 and 29.

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The Group's policy is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

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

		31 December 2014	
		Less than	
	On demand	**1 year**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Trade and bills payables	**—**	**53,986**	**53,986**
Other payables	**—**	**32,396**	**32,396**
Interest-bearing bank borrowings	**—**	**646,827**	**646,827**
	—	**733,209**	**733,209**

		31 December 2013	
		Less than	
	On demand	1 year	Total
	RMB'000	RMB'000	RMB'000
Trade and bills payables	—	31,899	31,899
Other payables	—	42,277	42,277
	—	74,176	74,176

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

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

	2014 RMB'000	2013 RMB'000
Trade and bills payables	53,986	31,899
Other payables	32,396	42,277
Interest-bearing bank borrowings	646,827	—
Less: Cash and cash equivalents	(190,154)	(346,561)
Net debt	543,055	(272,385)
Capital — equity attributable to owners of the parent	1,633,176	2,084,682
Capital and net debt	2,176,231	1,812,297
Gearing ratio	25.0%	N/A

46. EVENTS AFTER THE REPORTING PERIOD

There have been no events subsequent to year end which require adjustment of or disclosure in the financial statements or notes thereto.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 23 March 2015.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interest of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Results					
REVENUE	**1,094,327**	1,247,158	1,407,777	1,248,026	909,991
Cost of sales	**(328,789)**	(320,587)	(353,325)	(298,124)	(215,735)
Gross profit	**765,538**	926,571	1,054,452	949,902	694,256
Other income and gains	**30,424**	50,180	45,509	26,122	15,178
Selling and distribution costs	**(454,304)**	(441,592)	(443,595)	(385,087)	(284,771)
Administrative expenses	**(53,410)**	(63,036)	(75,426)	(33,581)	(43,368)
Other expenses	**(12,726)**	—	(1,424)	(17,802)	(11,838)
Finance income	**55,137**	48,732	45,445	16,262	5,843
Finance costs	**(7,512)**	—	—	—	—
Share of loss of:					
Joint Venture	**(3,590)**	(225)	—	—	—
PROFIT BEFORE TAX	**319,557**	520,630	624,961	555,816	375,300
Income tax expense	**(116,646)**	(136,739)	(164,706)	(144,590)	(111,393)
PROFIT FOR THE YEAR	**202,911**	383,891	460,110	411,226	263,907
Attributable to:					
Owners of the parent	**203,607**	383,951	460,246	408,226	262,573
Non-controlling interests	**(696)**	(60)	9	3,000	1,334

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Assets, Liabilities and Non-controlling interests					
TOTAL ASSETS	**2,643,258**	2,420,263	2,342,082	2,074,322	1,254,483
TOTAL LIABILITIES	**1,006,206**	333,193	370,603	413,712	529,087
Non-controlling interests	**3,876**	2,388	2,476	4,552	29,137