年報 2013

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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PRINCIPAL BANKER

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

LEGAL ADVISOR

Herbert Smith Freehills LLP

AUDITOR

Ernst & Young
Certified Public Accountants

Chairman's Statement

Dear Shareholders

The enterprises in China had encountered more uncertainties in 2013 recently. Cyclical effects of post easing macro policies, the structural impacts of deepening economic reform, proactive campaign in anti-corruptions and the impacts of the rising new economy. The mode of reform as known as crossing the river by touching the stones and the policy driven economy have made the markets featured with over-swinging and instabilities. Employment is the main policy target, economic growth ensures the absorption of new working population and the improvement of the living standards. Following the change in population structure and the continuous increase in social cost of the growth, the slowdown seemed necessary for the return of sustainable growth. It is premature to define China economy is hard landing but only flying low. "When the tides goes out do you discover who's been swimming naked." The decrease in aggregate demand reduces the momentum of cost inflation but not falling, especially the labour costing. The workers need to pay for their lives, a high cost of living pushes up the wage levels or the shortage. Being the world factory, housing cannot be rely on the quarters provided by enterprises. A decent living makes the people love their job. It is more obvious in retail and service industries since most of their working places are located in the city centres, with a higher living costs. Providing more subsided or low-rent housing may solve this issues and subsiding the working class are indeed helping the enterprises in cost controlling. Of course, resident registration system is another complicated issue.

Apparel market is huge in overall but tiny in segments, with some small alternative markets. Sex, age, income, style, function, occasion, fabrics, region, climate are basics of the segmentation. When the society is more open and free, the boundaries are ambiguous. One consumer can be the customer of different segments, though the ultimate battle field is to occupy his wardrobe. The China consumption markets, as the markets in other emerging markets, position of heritage is not essential compare with foreign cultural impacts. The culture communications are affected by various factors over time and thus the aging of brands in China is relatively rapid. China Outfitters Holdings Limited ("the company") is establishing a cost effective and high efficient multi-brands China apparel retail platform since its formation, with focus on mid-to-high ends. The platform consists of two parts, the visible one is the brands, products, supply chains and sales networks; the invisible part is the understanding of the market and responsive to its changes. This platform ensures the sustainable growth of the company under different economic conditions. During the fast growing periods, expanding the sales networks of leading brands. Expansion and optimisation of the brand portfolio in the slow-down periods for imputing new growth drivers in the future.

The major reason for the company to be listed at Hong Kong exchanges in 2011 is to improve our transparency and visibility for more appealing to foreign brands in cooperation. The end of improving and diversifying our brand portfolio is providing more drivers in future growth. This tactic is successful. After the listing, the company has been discussed and finalised the launching of a number of brands. After Manhattan of Perry Ellis (Joint-venture), Maxim's of Pierre Cardin (License), Zoo York and Artful Dodger of Iconix (Acquisition), MCS of Emerisque Brands (Joint venture), Lincs of Mr. David Chu (Joint venture), the most recent one is being China partner of Barbour from England with 120 years' history (Import and License). Our brand portfolio becomes more rich and profound. Also the different cultures and lifestyles they represented make the portfolio more healthy and balanced. Besides the uses of brands, there will be different working combination with our partners, working with Italian design team of MCS, importing from Barbour classic overcoats, supplying for foreign markets of Lincs, imputing of creativity of Mr. Nicholas Tse in Zoo York. The company is very excited and expected for the above new projects. The target is to launch all of the above brands except Artful Dodger in 2014.

Although the net earnings of 2013 decreased, the company is working with high confidence on the future. We decided to suggest an increase in dividend to enable all of our shareholders sharing the results. Finally, wishing all of you having good health and success in this year of horse.

LO Peter
Chairman
24 March 2014

Management Discussion and Analysis

MARKET OVERVIEW

With the slowdown of China's macro-economy, the frugality advocated by the new leadership of the central government, structural reforms as well as the sluggish external demands from major economies such as the United States and Europe, China achieved a nominal gross domestic product (GDP) growth of 7.7% for the year 2013 (2012: 7.8%), being the slowest growth rate in the past 14 years since 1999. As impacted by the continuing slackening in the macro-economy, the growth rate of the consumer market of the PRC further decelerated in 2013. According to the data of the National Bureau of Statistics of China, the total retail sales of consumer products rose 13.1% to RMB23.44 trillion in 2013, representing a fall of 1.2 percentage points from the growth rate of 14.3% in 2012. Meanwhile, according to the statistics of the National Commercial Information Center of China (CNCIC) (中華全國商業信息中心), the retail sales of apparel products by the top 50 key and large-scale retailers across the country reported a year-on-year growth of 4.1% in 2013, representing a decrease of 5.9 percentage points from the growth rate of 10.0% for the last year, in which the retail sales of apparel products accounted for 13.8% of the overall retail sales growth in 2013, representing a decline of 17.6 percentage points from 31.4% in 2012. In particular, menswear sales reported the most significant decline, with the annual retail sales in 2013 decreased by 0.6% from that of the last year.

Confronted with the complicated and volatile economic environment at home and abroad as well as the challenges from the industry, our Directors adjusted operation strategies timely after assessing the situation and paying close attention to changes in the market, so as to manage a robust business presence in the times of adversity. Despite the responsive measures adopted, it is still unlikely that we can eliminate all the adverse impact from the harsh environment. China Outfitters Holdings Limited reported a decline in results in 2013. The Group recorded revenues of RMB1,247.2 million in 2013, representing a decrease of 11.4% compared to RMB1,407.8 million for the last year. Profit attributable to owners of the parent reached RMB384.0 million, representing a decrease of 16.6% compared to RMB460.2 million for the last year.

FINANCIAL REVIEW

Revenue

We generate revenue from the retail sales of our products to our end consumers, in most cases through self-operated retail points in department stores in major cities in the PRC, which we consider as our core markets, as well as from the sales of our products to third-party retailers who directly manage concession counters and retail stores in other cities in the PRC, where we do not operate retail points. The Group's revenue decreased by RMB160.6 million, or approximately 11.4%, from RMB1,407.8 million in 2012 to RMB1,247.2 million in 2013.

By Sales Channel

Revenue from self-operated retail sales decreased by RMB30.1 million, or 3.7 %, from RMB822.5 million in 2012 to RMB792.4 million in 2013. Revenue from sales to third-party retailers decreased by RMB130.5 million, or 22.3%, from RMB585.3 million in 2012 to RMB454.8 million in 2013. The decrease in revenue was primarily due to (i) slowdown in consumption of apparel products in the third and fourth tier cities in the PRC, especially in northern China, due to the frugality measures advocated by the new leadership of the central government; (ii) e-commerce presenting more choices to consumers in the third and fourth tier cities in the PRC, thus impacting conventional retailers; and (iii) third-party retailers becoming more conservative when placing orders and making procurement as the market uncertainties increased.

Despite the extremely challenging environment of the retail market in 2013, we continued to implement the multi-channel strategy in response to the changes in consumption model as well as channel structure and we saw higher growth in sales for outlet stores and retail points in shopping malls. Revenue from outlet stores increased by RMB22.1 million, or 20.8 %, from RMB106.0 million in 2012 to RMB128.1 million in 2013. Revenue from self-operated retail points in shopping malls increased by RMB1.1 million, or 10.0%, from RMB11.0 million in 2012 to RMB12.1 million in 2013.

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

	2013		2012	
	Revenue RMB million	**% of total revenue**	Revenue RMB million	% of total revenue
Sales from self-operated retail points	**792.4**	**63.5%**	822.5	58.4%
Sales to third-party retailers	**454.8**	**36.5%**	585.3	41.6%
Total	**1,247.2**	**100%**	1,407.8	100%

By Brand

Revenue contributed from self-owned brands accounted for approximately 4% to 5% of the total revenue for the both years indicated.

The table below sets forth the breakdown of our revenue contributed by self-owned brands and licensed brands:

	2013		2012	
	Revenue RMB million	**% of total revenue**	Revenue RMB million	% of total revenue
Licensed brands	**1,195.0**	**95.8%**	1,336.2	94.9%
Self-owned brands	**52.2**	**4.2%**	71.6	5.1%
Total	**1,247.2**	**100%**	1,407.8	100%

Cost of sales

Our cost of sales decreased by RMB32.7 million, or approximately 9.3%, from RMB353.3 million in 2012 to RMB320.6 million in 2013. The decrease in cost of sales was primarily due to a mixed effect of: (i) a corresponding decrease in cost of goods sold as a result of the decrease in revenue; and partially offset by (ii) an increase in inventory provision of RMB14.7 million from RMB79.1 million in 2012 to RMB93.8 million in 2013.

Gross profit and gross profit margin

Our gross profit decreased by RMB127.9 million, or approximately 12.1%, from RMB1,054.5 million in 2012 to RMB926.6 million in 2013 as a result of the decrease in total revenue. Our overall gross profit margin remained consistent for the both years indicated.

Other income and gains, net

Our other income and gains increased by RMB4.7 million, or approximately 10.3%, from RMB45.5 million in 2012 to RMB50.2 million in 2013. The increase was primarily due to a mixed effect of: (i) a foreign exchange gain of RMB8.3 million recorded during the year as a result of the rising of the exchange rate for Renminbi against Hong Kong dollar, as compared to the foreign exchange loss of RMB1.4 million in 2012; and partially offset by (ii) a decrease in government subsidies and sales of consumables to third-party retailers.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB2.0 million, or approximately 0.5%, from RMB443.6 million in 2012 to RMB441.6 million in 2013. The decrease was primarily due to a mixed effect of: (i) a decline in concession fees for occupying concession counters within department stores as the revenue from self-operated retail points decreased; and partially offset by (ii) an increase in the cost of marketing staff due to the increase of salaries.

Administrative expenses

Our administrative expenses decreased by RMB12.4 million, or approximately 16.4%, from RMB75.4 million in 2012 to RMB63.0 million in 2013, primarily attributable to a decrease in amortization of equity-settled share option expenses under the Pre-IPO Share Option Scheme by RMB14.9 million from RMB31.9 million in 2012 to RMB17.0 million in 2013.

Other expenses

We did not incur any other expenses in 2013. Other expenses represented foreign exchange losses in 2012.

Finance income

Our finance income increased by RMB3.3 million, or approximately 7.3%, from RMB45.4 million in 2012 to RMB48.7 million in 2013 primarily due to our relatively healthy cash position in 2013.

Profit before tax

As a result of the foregoing factors, our profit before tax decreased by RMB104.4 million, or approximately 16.7%, from RMB625.0 million in 2012 to RMB520.6 million in 2013.

Income tax expense

Our income tax expenses decreased by RMB28.0 million, or approximately 17.0%, from RMB164.7 million in 2012 to RMB136.7 million in 2013, primarily attributable to a decrease in profit before tax generated by our operating entities in the PRC. The effective income tax rate in 2013 was 26.3% (2012: 26.4%).

Profit for the year

Our profit for the year decreased by RMB76.4 million, or approximately 16.6%, from RMB460.3 million in 2012 to RMB383.9 million in 2013. In addition, the decrease in the net profit margin from 32.7% in 2012 to 30.8% in 2013 was mainly due to a mixed effect of:

(i) percentage of sales from self-operated retail points increased from 58.4% in 2012 to 63.5% in 2013. The self-operated retail business incurred higher selling and distribution expenses than those of sales to third-party retailers. As a result, the percentage of selling and distribution expenses over total revenue increased from 31.5% in 2012 to 35.4% in 2013; and partially offset by

(ii) an increase in the percentage of other income and gains and finance income over total revenue from 6.5% in 2012 to 7.9% in 2013, and there was no other expenses in 2013.

Profit attributable to owners of the parent

As a result of the foregoing, profit attributable to owners of the parent decreased by RMB76.2 million, or approximately 16.6%, from RMB460.2 million in 2012 to RMB384.0 million in 2013.

Working capital management

	2013	2012
Inventory turnover days	**428**	373
Trade receivables turnover days	**35**	30
Trade payables turnover days	**39**	33

The increase in inventory turnover days by 55 days was primarily due to the prolonged sluggish of the retail market resulted in a decrease in our Group's revenue, which in turn led to a slower turnover of the Group's inventories and an increase in inventory turnover days. However, the inventory balance of the Group decreased by RMB9.7 million, or 2.5%, from RMB386.2 million as at 31 December 2012 to RMB376.5 million as at 31 December 2013.

Turnover days of the trade payables and those of the trade receivables were comparable for the years indicated.

Liquidity, financial position and cash flow

As at 31 December 2013, we had net current assets of approximately RMB1,507.2 million, and the current ratio, being current assets divided by current liabilities, of our Group was 5.6 times.

As at 31 December 2013, we had an aggregate cash and cash equivalents, pledged bank deposits and structured bank deposits of approximately RMB1,278.9 million. Our Group did not have any bank borrowings or other financing facilities during the year. The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	2013 **RMB million**	2012 RMB million
Net cash flows from operating activities	**327.7**	360.3
Net cash flows from/(used in) investing activities	**137.0**	(1,094.0)
Net cash flows used in financing activities	**(279.4)**	(197.4)
Net increase/(decrease) in cash and cash equivalents	**185.3**	(931.1)
Effect of foreign exchange rate changes, net	**(2.3)**	0.2
Cash and cash equivalents at the beginning of year as stated in the consolidated statement of cash flows	**104.8**	1,036.0
Cash and cash equivalents at the end of year as stated in the consolidated statement of cash flows	**287.8**	104.8
Add: time deposits with original maturity of over three months when acquired	**63.0**	274.1
Less: time deposits with original maturity of less than three months when acquired, pledged as security for issuing bank acceptance notes	**(4.3)**	—
Cash and cash equivalents as stated in the consolidated statement of financial position	**346.5**	378.9

Operating activities

Net cash flows from operating activities decreased by RMB32.6 million, or approximately 9.0% from RMB360.3 million in 2012 to RMB327.7 million in 2013 which was primarily attributable to (i) the operating cash inflows before changes in working capital of RMB593.8 million (2012: RMB700.6 million); and (ii) changes in working capital representing a decrease of cash of RMB266.1 million (2012: RMB340.3 million).

Investing activities

Net cash flows of investing activities changed from an outflow of RMB1,094.0 million in 2012 to an inflow of RMB137.0 million in 2013, which was primarily attributable to:

(i) recovery of structured bank deposits investment and time deposits, resulting in a net cash inflows from investing activities of RMB365.9 million; and partially offset by

(ii) an annual capital expenditures for brand acquisitions, lands and buildings and the construction of logistic center in Shanghai of approximately RMB266.8 million.

Financing activities

Net cash flows used in financing activities increased from RMB197.4 million in 2012 to RMB279.4 million in 2013, which was primarily attributable to the payment of dividends of RMB279.4 million (2012: RMB204.1 million).

Pledge of assets

As at 31 December 2013, save for the bank deposits of RMB4.3 million which were pledged for issuance of bank acceptance notes, no asset of our Group was pledged as a security for bank borrowings or any other financing facilities.

Capital commitments and contingent liability

Capital commitments for the construction of the logistic center of the Group in Shanghai were RMB61.6 million and capital commitments for the purchase of a parcel of land in Dezhou, Shandong Province were RMB3.8 million as at 31 December 2013.

There was no significant contingent liability for the Group as at 31 December 2013.

Foreign exchange management

We conduct business primarily in Hong Kong and the PRC with most of our transactions denominated and settled in Hong Kong dollar ("HK$") and RMB.

We have not entered into any forward contracts to hedge against fluctuations in the exchange rate between RMB and HK$. However, our management monitors foreign exchange exposure regularly and will consider if there is a need to hedge against significant foreign currency exposure.

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 2013, an aggregate of HK$188.0 million (equivalent to RMB149.3 million) was used for the acquisition of the intellectual property rights of Artful Dodger and Zoo York brands in the PRC, Hong Kong, Macau and Taiwan (the "Greater China Region"), royalty for the licence of Maxim's brand in the PRC and 50% interest in the intellectual property rights of MCS brand in the Greater China Region. In addition, an aggregate of HK$106.6 million (equivalent to RMB84.2 million) was used for the acquisition of a parcel of land in Shanghai, a warehouse in Jinan, Shandong Province and the construction of our logistic center in Shanghai.

The table below sets forth the utilisation of the net proceeds from the IPO and the unused amount as at 31 December 2013. All the unused proceeds were deposited in licensed banks in the PRC and Hong Kong.

Use of fund raised

	Percentage to total amount	Net proceeds (HK$ million)	Utilised amount (as at 31 December 2013) (HK$ million)	Unutilised amount (as at 31 December 2013) (HK$ million)
Licensing or acquisition of additional recognized international brands	47%	380.7	188.0	192.7
Expansion and enhancement of existing logistical system	24%	193.1	106.6	86.5
Settlement of shareholder's loan	19%	152.8	147.1	5.7
General working capital	10%	77.3	—	77.3
	100%	803.9	441.7	362.2

OPERATIONS REVIEW

Although the sales and profits for companies operating in China's men's casual wear market were significantly slashed during the year amid the slowdown of growth in macro-economy, the frugality policy advocated by the new leadership of the central government and the impact of e-commerce on conventional retail stores, we believe the retail market for men's casual wear in the PRC will continue to flourish in the medium-to-long term. The middle-class population of Mainland China is 230 million currently, and the number is forecast to grow to 630 million in ten years time. The continuous growing of the middle-class population presents enormous opportunities to the Group. In view of the foregoing, we increased our investments in respects of branding, logistics, warehousing and supply chains, with an aim to further increase our competitive edge and once the retail market of China resumes its rapid growth we will benefit from our investments made.

Retail and distribution network

We made a remarkable effort to adjust and optimize our sales network in 2013. For new brands such as Jeep Lady, Manhattan and Maxim's, we expanded their sales network by opening new retail points. Meanwhile, we closed down some retail points that were loss-making or had low profitability. The purpose of these initiatives is to lay a solid foundation for the continuous development of our brands through a well-managed sales network.

The following table sets forth the number of our self-operated retail points and retail points operated by our third-party retailers in the PRC by brand as at 31 December 2013 and 2012:

Brand	2013 Self-operated retail points	2013 Retail points operated by third-party retailers	2013 Total retail points	2012 Self-operated retail points	2012 Retail points operated by third-party retailers	2012 Total retail points
Jeep						
— menswear	219	524	743	197	486	683
— lady	56	32	88	46	29	75
Santa Barbara Polo & Racquet Club ("SBPRC")	193	141	334	192	189	381
London Fog	69	18	87	72	59	131
Others	52	—	52	42	—	42
Total	589	715	1,304	549	763	1,312

Self-operated retail points

- Self-operated concession counters: as at 31 December 2013 and 2012, we had a network of 575 and 535, respectively, which were directly operated by us. All of our self-operated concession counters are located within mainstream department stores, including Bailian (百聯), Wangfujing (王府井), Silver Plaza (銀座), Golden Eagle (金鷹), Parkson (百盛), Dashang (大商), MOI (茂業) and Wanda (萬達).

- Self-operated stores: as at 31 December 2013 and 2012, we had a network of 14 and 14, respectively, most of 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.

Retail points operated by third-party retailers

During the year, we engaged 14 new third-party retailers for our Jeep products, 5 for our SBPRC products and 4 for our Jeep Lady products.

We had also engaged professional advisors to provide training and guidance to our third-party retailers in the trade fair conferences aiming to improve their product displays and other retailing skills.

Building brand equity

The continuing implementation of a multi-brand strategy is critical to our sustainable expansion and growth. We believe that our multi-brand strategy will allow us to capture more market segments, take advantage of a wider range of market opportunities and ultimately increase our overall market share in China's fast-growing menswear market. Our diversification initiatives in brand portfolio in 2013 included the followings:

- We entered into an agreement in respect of the acquisition of intellectual property rights of "Artful Dodger" and "Zoo York" trademarks in the Greater China Region at the end of 2012, and the acquisition was completed during the year;

- We entered into a letter of intent with Mr. David Chu, a world renowned designer and founder of "Nautica" and pursuant to which we intend to engage in design, manufacturing and sales of apparel products and accessories under the "LINCS" brand in the Greater China Region. LINCS is a high-end designer's brand created by Mr. David Chu. The brand pursues a delicate and elegant style. Its products are made with quality fabric of rich texture into simple slim tailoring with exquisite craftsmanship, yet sold at a reasonable price, which reflects the natural, elegant, understated and stately features of the LINCS brand;

- We acquired the 50% interest in the intellectual property rights of the "MCS" trademarks in the Greater China Region during the year through an acquisition of the 50% equity interest in MCS Apparel Hong Kong Limited. Subsequent to the acquisition on 25 November 2013, the joint venture will engage in design, manufacturing and sales of apparel and accessories under the MCS brand in the Greater China Region. The history of the MCS dates back to the 1970s, when it began with Marlboro Country Stores. Over the past 40 years of development, it has become an apparel brand that merges the unique lifestyle of western America and Italian design and traditional craftsmanship to create a "rugged and refined" brand image. Our Directors believe the investment in the joint venture will, through the combination of the extensive experience in design, marketing and global supply chains of the MCS Italian team with the Group's profound knowledge of the market and consumers in the PRC, cultivate the MCS brand to be a leading brand in the mid-to-high-end men's casual wear market of China;

- We completed the market research and brand positioning for Manhattan and Maxim's and launched the first fall/winter season products of the two brands in the second half of 2013. As at 31 December 2013, we had a retail network comprising 9 and 8 self-operated retail points for each of the Manhattan and Maxim's brands in mainstream department stores in the first and second tier cities in the PRC;

- A parcel of land in Shanghai acquired during the year will be used as our Group's research and development and product display center; and

- Online marketing was an important marketing initiative for the year. The official Tencent Wechat for each of our brands was launched with an aim to increase interaction and communication with our target customers through providing dressing advice, posting promotional information and displaying product images.

Production and supply chain

One of our priorities in 2013 was to increase investments in warehouses and logistic centres, and optimizing the existing logistic resources to further improve the efficiency of our supply chains. We commenced the construction of our logistic center in Shanghai during the year, which will be completed and put into use in the second half of

2014. The gross floor area of the new logistic center is expected to reach 55,000 square meters and will significantly enhance our operation efficiency in warehousing, product distribution and logistics. Moreover, the purchase of a new warehouse in Jinan, Shandong Province improved our logistics operation in northern China region. In addition, the optimization of existing warehousing and logistics resources during the year improved our responses to the distribution requirements of our e-commerce business as well as conventional retail operations.

Employee information

As at 31 December 2013, the Group had approximately 2,842 full-time employees. Staff costs, including Directors' remuneration, totalled RMB102.9 million during the year.

Our 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 199,224,000 options under the Pre-IPO Share Option Scheme that granted to 19 participants (including 8 directors), were outstanding as at 31 December 2013.

Corporate social responsibility

Being a responsible citizen is a core fundamental of our culture. During the year, we continued to participate in the sponsorship of the "I Fly" rural teachers training sessions organized by the Chinese Red Cross Foundation and Cui Yongyuan Commonweal Foundation for the purpose of supporting China's rural education. A total donation of RMB0.2 million was made by the Group to the programs in 2013.

Prospects

The management will continue to focus on the following key objectives for 2014:

- We will continue to implement a multi-brand strategy and seize the market opportunities, in order to increase our overall market share in the menswear market in China and ensure our sustainable growth. As at the date of this announcement,

    — We entered into a shareholders' agreement with Mr. David Chu and Century China Holdings Limited on 28 January 2014, pursuant to which we will engage in the design, manufacturing and sales of apparel products and accessories under the "LINCS" brand in the Greater China Region. Mr. David Chu will personally serve as the design director of "LINCS" and be in charge of the design of apparel products and accessories of LINCS;

    — We entered into a licensing agreement with J. Barbour & Sons Limited on 14 February 2014 which grants us the right to design, manufacture and sell products under the "Barbour" brand in Mainland China starting in 2014. The history of Barbour, a brand granted with 3 British Royal Warrants, dates back to 1894. Over the past 120 years, it has always been overwhelmingly popular worldwide with its consistently high quality waxed cotton jackets;

    — We completed a shareholders' agreement with Mr. Nicholas Tse on 14 March 2014, pursuant to which we will 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 and creative collaborators of the Zoo York brand.

We plan to launch the first spring/summer season products of MCS and Jeep Spirit, a sub-line of Jeep targeting at younger customer group, in the first half of 2014, and the first fall/winter season products of Barbour, LINCS and Zoo York in the second half of 2014. The Directors of our Company believe the introduction of these new brands will further enrich our brand portfolio and generate synergies with our existing brands, and therefore further strengthen our presence in the mid-to-high-end men's casual wear market of China.

- We will continue to implement our multi-channel strategy and focus on adjusting and optimizing our sales network which includes expansion of the retail network of outlet stores and retail points within shopping malls, developing e-commerce business and actively exploration of a business model that allows the integration and interaction of on-line and off-line resources;

- Cost will continue to be managed through meticulous operational management and optimisation and standardization of procedures;

- A parcel of land acquired in the second half of 2011 in Shanghai will be used to construct our Group's logistic center in Shanghai. The construction of the logistic center commenced in 2013 and is scheduled to be completed and put into use in the second half of 2014. The gross floor area of the new logistic center is expected to reach 55,000 square meters and will significantly increase our operation efficiency in warehousing, distribution and logistics; and

- A parcel of land acquired in 2013 in Shanghai will be used as our Group's research and development and product display center. The construction of this centre is expected to commence in the second half of 2014.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. LO Peter (路嘉星先生), aged 58, 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, the joint venture of our Company, since November 2013. He also serves as a director in a number of our subsidiaries. Mr. Lo joined our Group in 2006 and is primarily responsible for our Group's overall strategic planning and brand selection and sourcing. He is also a director of China Enterprise Capital Limited. Mr. Lo is 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 was the chief executive officer and executive director of Harbin Brewery Group Limited, a company formerly listed on the Main Board of the Stock Exchange until 2004. 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. ZHANG Yongli (張永力先生), aged 54, 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, the joint venture of our Company, since November 2013. 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 and 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 48, 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 been serving as an executive director of MCS Apparel Hong Kong Limited, the joint venture of our Company, since November 2013. He joined our Group in 2006 and serves as a director in a number of our subsidiaries. Mr. Sun is primarily responsible for brands sourcing and transaction management. Mr. Sun has also been an independent non-executive director of Dynasty Fine Wines Group Limited since November 2012 and re-designated from non-executive director to executive director of Asia Coal Limited on 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 42, 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 and 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 Chief Financial Officer on 14 May 2012.

NON-EXECUTIVE DIRECTORS

Mr. WANG Wei (王瑋先生), aged 31, 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 39, is a non-executive director of our Company. Mr. Lin is an Investment Director of China Everbright Investment Management Limited ("CEIM"), 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 Stock Exchange since 2012. Prior to joining CEIM, Mr. Lin worked at 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 48, is an independent non-executive director of our Company. He has been appointed as 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 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 59, 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 53, 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 an independent non-executive director of Noble House (China) Holdings Limited, a company currently listed on the Growth Enterprise Market of the Stock Exchange, since October 2013.

SENIOR MANAGEMENT

Mr. WANG Hai (王海先生), aged 48, is a Vice President of our Company. He joined our Group in 1999. Previously, he held the positions of Vice General Manager for Southern Region in 1999, General Manager for Southern Region from 1999 to 2001 and Sales Controller of our Group from 2001 to 2008. He is responsible for the overall sales strategies alignment, product management and enterprise resources management of our Group. He has over 10 years of experience in the apparel industry.

Mr. WANG Jianshang (王建尚先生), aged 41, is the Chief Operation Officer of our Company. He joined our Group in 1999. Previously, he was the Administrative Officer for Southern Region from 1999 to 2000 and Administrative Manager and Sales Manager for Southern Region of our Group from 2000 to 2001. He is primarily responsible for sales strategies planning and sales activities of the Group in the PRC. He has over 10 years of experience in the apparel industry.

Mr. LU Yi (呂毅先生), aged 35, 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 44, 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 39, 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 45, 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 49, 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 47, 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.

COMPANY SECRETARY

Ms. LI Rita Yan Wing (李昕穎女士), aged 48, 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 23 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 2013, 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 2013.

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. LI Guoqiang (Resigned on 10 January 2014)
Mr. WANG Wei
Mr. LIN Yang (Appointed on 10 January 2014)

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 16 to 18 of the annual report for the year ended 31 December 2013.

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 2013, 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.

During the year ended 31 December 2013 the Company organized a training session conducted by the qualified professionals for executive Directors on anti-corruption policy.

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. LI Guoqiang (Resigned on 10 January 2014)	✓
Mr. WANG Wei	✓
Mr. LIN Yang (Appointed on 10 January 2014)	Not applicable
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 2013 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 2013 is set out below:

	Number of persons
Nil to RMB1,000,000	7
RMB1,000,001 to RMB2,000,000	7
RMB2,000,001 to RMB3,000,000	2
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 once 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 2013 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	6/6	1/1	—	—	1/1
Mr. ZHANG Yongli	5/6	—	1/1	—	1/1
Mr. SUN David Lee	6/6	—	—	—	1/1
Ms. HUANG Xiaoyun	5/6	—	1/1	3/3	1/1
Mr. LI Guoqiang	4/6	—	—	—	1/1
Mr. WANG Wei	4/6	—	—	—	1/1
Mr. KWONG Wilson Wai Sun	4/6	1/1	1/1	3/3	1/1
Mr. CUI Yi	4/6	—	1/1	3/3	1/1
Mr. YEUNG Chi Wai	4/6	1/1	—	3/3	1/1

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 2013.

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 42 to 43.

The fees paid or payable to Ernst & Young and its affiliated firms, for services rendered in respect of the year ended 31 December 2013 are as follows:

Service Category	**Fees Paid/Payable** (HK$'000)
Audit Services	2,685
Non-audit Services	—
	2,685

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 Unit 713, 7/F., East Ocean Centre, 98 Granville 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 Unit 713, 7/F., East Ocean Centre, 98 Granville 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 Unit 713, 7/F., East Ocean Centre, 98 Granville 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 Unit 713, 7/F., East Ocean Centre, 98 Granville 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 2013.

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 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2013.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 44 to 111 of the annual report.

The Board recommends the payment of a final dividend of HK7.1 cents per ordinary share and a special final dividend of HK4.9 cents per ordinary share in respect of the year ended 31 December 2013 to shareholders on the register of members on 16 May 2014.

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

RECORD DATES

The proposed final and special final dividends are subject to approval by the shareholders at the forthcoming annual general meeting ("AGM") to be held on Monday, 12 May 2014. The record date for the entitlement to attend and vote at the AGM is on Friday, 9 May 2014. 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, 9 May 2014.

The record date for the entitlement to the proposed final and special final dividends is on Friday, 16 May 2014. In order to qualify for the final and special final dividends, 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, 16 May 2014.

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 112 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 2013 are set out in notes 17 and 19 to the financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2013 are set out in note 33 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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2013.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2013 are set out in note 35 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2013, 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 RMB3,803.4 million, of which RMB326.3 million has been proposed as final and special final dividends for the year ended 31 December 2013. 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 2013 amounted to RMB0.2 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2013, the aggregate sales attributable to the Group's five largest customers and the sales attributable to the Group's largest customer were approximately 5.0% and 1.3%, 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 20.7% and 5.2%, respectively, of the Group's total purchases during the year ended 31 December 2013.

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 2013 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. LI Guoqiang	(Resigned on 10 January 2014)
Mr. WANG Wei	
Mr. LIN Yang	(Appointed on 10 January 2014)
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. LO Peter, Mr. CUI Yi and Mr. YEUNG Chi Wai will retire from the Board by rotation and Mr. LIN Yang will retire at the AGM. All of the above four retiring Directors, being eligible, 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 16 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.

Mr. LIN Yang has entered into a letter of appointment with the Company and is appointed for a initial fixed term of three years commencing from 10 Jan 2014 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 letter of appointment.

Other than Mr. LIN Yang and Mr. WANG Wei, each of the Non-executive Directors, including 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 11 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 2013.

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

At 31 December 2013, 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	412,000	8,328,000	8,740,000	0.25
Ms. HUANG Xiaoyun	Beneficial owner	396,000	14,400,000	14,796,000	0.43
Mr. LI Guoqiang	Beneficial owner	512,000	4,328,000	4,840,000	0.14
Mr. WANG Wei	—	—	—	—	—
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 2013, 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 2013.

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 8 directors.

The details of valid grantees and share options under the Pre-IPO Share Option Scheme during the year ended 31 December 2013 by category of grantees are set out below:

	Number of grantees		
Category of grantees	Valid as at 31 December 2012	Invalid during the year	**Valid as at 31 December 2013**
Executive Directors	4	—	**4**
Non-executive Directors	1	—	**1**
Independent Non-executive Directors	3	—	**3**
Other employees	11	—	**11**
	19	—	**19**

	Number of shares to be issued upon fully exercise of all share options granted under the Pre-IPO Share Option Scheme		
Category of grantees	Outstanding as at 31 December 2012	Forfeited during the year	**Outstanding as at 31 December 2013**
Executive Directors	63,384,000	—	**63,384,000**
Non-executive Directors	4,328,000	—	**4,328,000**
Independent Non-executive Directors	3,000,000	—	**3,000,000**
Other employees	128,512,000	—	**128,512,000**
	199,224,000	—	**199,224,000**

Details of the share options granted by the Company under the Pre-IPO Share Option Scheme are set out on pages 100 to 103 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 2013.

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 2013.

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 2013.

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

At 31 December 2013, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

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)	14.77 (L)
Mr. LI Gabriel	(2)	Other	506,100,000 (L)	14.77 (L)
Managecorp Limited	(2)	Trustee	506,100,000 (L)	14.77 (L)
YM Investment Limited	(3)	Corporate interest	506,100,000 (L)	14.77 (L)
OAIV Holdings, L.P.	(3)	Corporate interest	495,990,000 (L)	14.48 (L)
Orchid Asia IV Group Management, Limited	(3)	Corporate interest	495,990,000 (L)	14.48 (L)
Orchid Asia IV Group, Limited	(3)	Corporate interest	495,990,000 (L)	14.48 (L)
Orchid Asia IV Investment, Limited	(3)	Corporate interest	495,990,000 (L)	14.48 (L)
Orchid Asia IV, L.P.	(3)	Beneficial owner	495,990,000 (L)	14.48 (L)
KKR & Co. L.P.	(4)	Corporate interest	285,366,000 (L)	8.33 (L)
KKR Associates China Growth L.P.	(4)	Corporate interest	285,366,000 (L)	8.33 (L)
KKR China Apparel Limited	(4)	Beneficial owner	285,366,000 (L)	8.33 (L)
KKR China Growth Fund L.P.	(4)	Corporate interest	285,366,000 (L)	8.33 (L)
KKR China Growth Limited	(4)	Corporate interest	285,366,000 (L)	8.33 (L)
KKR Fund Holdings GP Limited	(4)	Corporate interest	285,366,000 (L)	8.33 (L)
KKR Fund Holdings L.P.	(4)	Corporate interest	285,366,000 (L)	8.33 (L)
KKR Group Holdings L.P.	(4)	Corporate interest	285,366,000 (L)	8.33 (L)
KKR Group Limited	(4)	Corporate interest	285,366,000 (L)	8.33 (L)
KKR Management LLC	(4)	Corporate interest	285,366,000 (L)	8.33 (L)
KKR SP Limited	(4)	Corporate interest	285,366,000 (L)	8.33 (L)
Mr. KRAVIS Henry Roberts	(4)	Corporate interest	285,366,000 (L)	8.33 (L)
Mr. ROBERTS George R.	(4)	Corporate interest	285,366,000 (L)	8.33 (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 2013, 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 2013 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 2013, 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.

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 2013.

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 2013 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 2013 of the Group are set out in note 43 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 2013 have been reviewed by the Audit Committee.

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 2013, 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
24 March 2014

Independent Auditors' Report

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 44 to 111, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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 2013 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
24 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	8	**1,247,158**	1,407,777
Cost of sales		**(320,587)**	(353,325)
Gross profit		**926,571**	1,054,452
Other income and gains, net	8	**50,180**	45,509
Selling and distribution expenses		**(441,592)**	(443,595)
Administrative expenses		**(63,036)**	(75,426)
Other expenses		**—**	(1,424)
Operating profit		**472,123**	579,516
Finance income	9	**48,732**	45,445
Share of loss of:			
Joint venture		**(225)**	—
PROFIT BEFORE TAX	10	**520,630**	624,961
Income tax expense	13	**(136,739)**	(164,706)
PROFIT FOR THE YEAR		**383,891**	460,255
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(5,923)**	(145)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**377,968**	460,110
Profit attributable to:			
Owners of the parent	14	**383,951**	460,246
Non-controlling interests		**(60)**	9
		383,891	460,255
Total comprehensive income attributable to:			
Owners of the parent		**378,056**	460,105
Non-controlling interests		**(88)**	5
		377,968	460,110
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	16		
Basic and diluted		**RMB11.14 cents**	RMB13.33 cents

Details of the dividends paid and proposed for the year are disclosed in note 15 to the financial statements.

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**128,243**	86,504
Prepaid land lease payments	18	**76,096**	42,230
Investment properties	19	**5,222**	5,405
Goodwill	22	**70,697**	70,697
Other intangible assets	23	**125,418**	67,513
Investment in a joint venture — MCS	21	**89,541**	—
Prepayment for lands and buildings		**29,567**	—
Deferred tax assets	25	**63,149**	42,832
Total non-current assets		**587,933**	315,181
CURRENT ASSETS			
Inventories	26	**376,503**	386,195
Trade and bills receivables	27	**120,022**	122,963
Prepayments, deposits and other receivables	28	**56,981**	56,049
Structured bank deposits	29	**928,000**	1,082,800
Pledged bank deposits	30	**4,263**	—
Cash and cash equivalents	30	**346,561**	378,894
Total current assets		**1,832,330**	2,026,901
CURRENT LIABILITIES			
Trade and bills payables	31	**31,899**	40,825
Deposits received, other payables and accruals	32	**128,040**	136,375
Tax payable		**165,194**	174,379
Total current liabilities		**325,133**	351,579
NET CURRENT ASSETS		**1,507,197**	1,675,322
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,095,130**	1,990,503
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	**8,060**	19,024
Net assets		**2,087,070**	1,971,479

	Notes	2013 RMB'000	2012 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	33	**280,661**	280,661
Reserves	35	**1,477,703**	1,408,968
Proposed final and special final dividends	15	**326,318**	279,374
		2,084,682	1,969,003
Non-controlling interests		**2,388**	2,476
Total equity		**2,087,070**	1,971,479

LO Peter
Director

SUN David Lee
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 33)	Capital redemption reserve RMB'000	Merger reserve RMB'000 (note 35 (a))	Acquisition reserve RMB'000 (note 35 (b))	Share option reserve RMB'000 (note 34)	Statutory surplus reserve RMB'000 (note 35 (c))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final and special final dividends RMB'000 (note 15)	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**

	Attributable to owners of the parent												
	Issued capital RMB'000 (note 33)	Share premium account RMB'000	Capital redemption reserve RMB'000	Merger reserve RMB'000 (note 35 (a))	Acquisition reserve RMB'000 (note 35 (b))	Share option reserve RMB'000 (note 34)	Statutory surplus reserve RMB'000 (note 35 (c))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final and special final dividends RMB'000 (note 15)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	279,120	113,630	–	389,848	(186,036)	1,529	35,247	5,337	813,270	204,113	1,656,058	4,552	1,660,610
Profit for the year	–	–	–	–	–	–	–	–	460,246	–	460,246	9	460,255
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(141)	–	–	(141)	(4)	(145)
Total comprehensive income for the year	–	–	–	–	–	–	–	(141)	460,246	–	460,105	5	460,110
Appropriations to statutory surplus reserve	–	–	–	–	–	–	8,594	–	(8,594)	–	–	–	–
Issue of shares	2,084	32,086	–	–	–	–	–	–	–	–	34,170	–	34,170
Share issue expenses	–	(1,028)	–	–	–	–	–	–	–	–	(1,028)	–	(1,028)
Equity-settled share option arrangements	–	–	–	–	–	31,928	–	–	–	–	31,928	–	31,928
Transfer of share option reserve upon the forfeiture of share options	–	–	–	–	–	(62)	–	–	62	–	–	–	–
Final 2011 dividend declared	–	–	–	–	–	–	–	–	–	(204,113)	(204,113)	–	(204,113)
Repurchase and cancellation of shares	(543)	(7,574)	543	–	–	–	–	–	(543)	–	(8,117)	–	(8,117)
Capital contributed by a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	2,500	2,500
Dissolution of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(4,581)	(4,581)
Proposed final and special final 2012 dividends	–	(137,114)	–	–	–	–	–	–	(142,260)	279,374	–	–	–
At 31 December 2012	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

* These components of equity comprise the consolidated reserves of RMB1,477,703,000 (2012: RMB1,408,968,000) in the consolidated statement of financial position as at 31 December 2013.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**520,630**	624,961
Adjustments for:			
Finance income	9	**(48,732)**	(45,445)
Share of loss of a joint venture		**225**	—
Equity-settled share option expenses	10	**16,997**	31,928
Gain on disposal of items of property, plant and equipment	8	**–**	(85)
Depreciation of items of property, plant and equipment	10	**9,162**	8,882
Depreciation of investment properties	10	**183**	133
Amortisation of prepaid land lease payments	10	**1,753**	965
Amortisation of intangible assets	10	**1,131**	249
Write-down of inventories to net realisable value	10	**93,825**	79,057
Reversal of provision for impairment of trade receivables	10	**(1,409)**	—
		593,765	700,645
Increase in inventories		**(84,133)**	(128,798)
Decrease/(increase) in trade and bills receivables		**4,350**	(17,868)
Decrease in prepayments, deposits and other receivables		**11,115**	9,712
(Decrease)/increase in trade and bills payables		**(8,924)**	14,399
Decrease in deposits received, other payables and accruals		**(11,217)**	(44,798)
Cash received from operations		**504,956**	533,292
Withholding tax paid		**(17,904)**	—
PRC corporate income tax paid		**(159,303)**	(172,961)
Net cash flows from operating activities		**327,749**	360,331

	Note	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(57,191)**	(13,881)
Proceeds from disposal of items of property, plant and equipment		**516**	342
Additions to prepaid land lease payments		**(60,370)**	(318)
Additions to other intangible assets		**(62,403)**	—
Decrease/(increase) in short term deposits with original maturity of over three months		**211,083**	(271,143)
Interest received from bank deposits		**4,686**	5,938
Interest received from structured bank deposits		**32,751**	22,892
Decrease/(increase) in structured bank deposits		**154,800**	(837,800)
Purchase of shareholding in a joint venture		**(86,884)**	—
Net cash flows from/(used in) investing activities		**136,988**	(1,093,970)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**—**	34,170
Share issue expenses		**—**	(17,071)
Repurchase of shares		**—**	(8,117)
Dissolution of a subsidiary		**—**	(2,331)
Dividends paid	15	**(279,374)**	(204,113)
Net cash flows used in financing activities		**(279,374)**	(197,462)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**185,363**	(931,101)
Effect of foreign exchange rate changes, net		**(2,350)**	(179)
Cash and cash equivalents at beginning of year		**104,751**	1,036,031
CASH AND CASH EQUIVALENTS AT END OF YEAR		**287,764**	104,751

	Note	2013 RMB'000	2012 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**283,501**	104,751
Time deposits		**63,060**	274,143
Cash and cash equivalents as stated in the consolidated statement of financial position	30	**346,561**	378,894
Time deposits with original maturity of less than three months when acquired, pledged as security for issuing bank acceptance notes	30	**4,263**	—
Less: Time deposits with original maturity of over three months		**(63,060)**	(274,143)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**287,764**	104,751

Statement of Financial Position

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property	17	**6,539**	6,909
Other intangible assets	23	**48,189**	—
Investments in subsidiaries	20	**3,679,077**	3,794,283
Investment in a joint venture — MCS	21	**89,766**	—
Total non-current assets		**3,823,571**	3,801,192
CURRENT ASSETS			
Prepayments and other receivables	28	**532**	3,519
Amounts due from subsidiaries	20	**31,225**	126,315
Cash and cash equivalents	30	**66,973**	268,747
Total current assets		**98,730**	398,581
CURRENT LIABILITIES			
Other payables and accruals	32	**3,093**	165
NET CURRENT ASSETS		**95,637**	398,416
Net assets		**3,919,208**	4,199,608
EQUITY			
Issued capital	33	**280,661**	280,661
Reserves	35	**3,312,229**	3,639,573
Proposed final and special final dividends	15	**326,318**	279,374
Total equity		**3,919,208**	4,199,608

LO Peter	**SUN David Lee**
Director	*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 713, 7/F, East Ocean Centre, 98 Granville 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, manufacturing, 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") and disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention. They 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 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of IFRSs issued in May 2012

The adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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*[3]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[3]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — *Investment Entities*[1]
IFRS 14	*Regulatory Deferred Accounts*[4]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs issued in December 2013[2]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs issued in December 2013[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption
4 Effective for annual periods beginning on or after 1 January 2016

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

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In November 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in November 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

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 disposed operation and the portion of the CGU retained.

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 statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

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

Investment in a joint venture

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 investment in a joint venture is 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 a joint venture is included in the consolidated statement of profit or loss. 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 a joint venture is included as part of the Group's investment in a joint venture.

The result of a joint venture is included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investment in a joint venture is treated as non-current asset and is stated at cost less any impairment losses.

Fair value measurement

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.

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

Fair value measurement *(continued)*

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 other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and goodwill), 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.

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.

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

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;

  (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.

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

Property, plant and equipment and depreciation *(continued)*

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.

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 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.

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

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 lives ranging from two to seven years.

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.

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

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.

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 other expenses.

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.

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

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.

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.

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).

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

Impairment of financial assets *(continued)*

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.

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.

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.

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.

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.

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

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 for the current and prior periods 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

- 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.

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

Income tax *(continued)*

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 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 34 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 is reflected as additional share dilution in the computation of earnings per share.

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.

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

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.

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.

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.

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

Foreign currencies *(continued)*

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.

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.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements *(continued)*

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 25 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.

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.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimation uncertainty *(continued)*

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 2013 was RMB70,697,000 (2012: RMB70,697,000). More details are given in note 24 below.

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 24 below.

7. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the business of design, manufacturing, 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	
	2013 RMB'000	2012 RMB'000
Revenue		
Sale of goods	1,247,158	1,407,777
Other income and gains, net		
Government subsidies*	38,688	39,313
Arrangement fees#	2,098	3,094
Rental income, net	515	322
Sale of consumables, net	372	2,536
Gain on disposal of items of property, plant and equipment	—	85
Exchange gain, net	8,292	—
Others	215	159
	50,180	45,509

* 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	
	2013 RMB'000	2012 RMB'000
Interest income on bank deposits	4,736	10,237
Interest income from structured bank deposits	43,996	35,208
	48,732	45,445

10. PROFIT BEFORE TAX

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

		Group	
	Notes	**2013 RMB'000**	2012 RMB'000
Cost of inventories sold		**226,762**	274,268
Depreciation:			
Property, plant and equipment	17	**9,162**	8,882
Investment properties	19	**183**	133
		9,345	9,015
Amortisation of prepaid land lease payments*	18	**1,753**	965
Amortisation of intangible assets*	23	**1,131**	249
Minimum lease payments under operating leases in respect of buildings		**10,990**	10,209
Auditors' remuneration		**2,111**	2,200
Employee benefit expenses (including directors' remuneration (note 11)):			
Wages and salaries		**75,827**	59,470
Equity-settled share option expenses		**16,997**	31,928
Pension scheme contributions		**10,058**	8,956
		102,882	100,354
Reversal of provision for impairment of trade receivables	27	**(1,409)**	—
Write-down of inventories to net realisable value#		**93,825**	79,057
Foreign exchange differences, net		**(8,292)**	1,424

* The amortisation of prepaid land lease payments and 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.

11. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group 2013 RMB'000	2012 RMB'000
Fees	**2,500**	2,434
Other emoluments:		
Salaries, allowances and benefits in kind	**3,218**	3,200
Equity-settled share option expenses	**5,813**	10,796
Pension scheme contributions	**38**	35
	9,069	14,031
	11,569	16,465

In prior year, 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 34 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.

(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
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**
2012			
KWONG Wilson Wai Sun (鄺偉信)	180	153	333
CUI Yi (崔義)	180	153	333
YEUNG Chi Wai (楊志偉)	180	153	333
	540	459	999

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

11. 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
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
2012					
Executive directors:					
LO Peter (路嘉星)	500	–	3,103	11	3,614
ZHANG Yongli (張永力)	500	2,522	3,103	5	6,130
SUN David Lee (孫如暐)	300	–	1,271	11	1,582
HUANG Xiaoyun (黃曉雲)	300	678	2,199	8	3,185
	1,600	3,200	9,676	35	14,511
Non-executive directors:					
LI Guoqiang (李國強)	180	–	661	–	841
WANG Wei (王瑋)	114	–	–	–	114
	294	–	661	–	955
	1,894	3,200	10,337	35	15,466

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

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2012: three), details of whose remuneration are set out in note 11 above. Details of the remuneration for the year of the remaining two (2012: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**417**	473
Equity-settled share option expenses	**2,565**	4,764
Pension scheme contributions	**23**	21
	3,005	5,258

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	
	2013	2012
Nil to RMB1,000,000	**—**	—
RMB1,000,001 to RMB1,500,000	**1**	—
RMB1,500,001 to RMB3,000,000	**1**	2
	2	2

In prior year, 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 34 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.

13. 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 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.

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 2013.

	Group	
	2013	2012
	RMB'000	RMB'000
Current — PRC		
Charge for the year	**150,116**	171,479
Deferred (note 25)	**(13,377)**	(6,773)
Total tax charge for the year	**136,739**	164,706

13. INCOME TAX EXPENSE *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions 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			
	2013		2012	
	RMB'000	**%**	RMB'000	%
Profit before tax	**520,630**		624,961	
Tax charge at the statutory tax rate	**130,158**	**25**	156,240	25
Entities subject to lower statutory income tax rates	**(233)**	**—**	2,421	—
Effect of withholding tax on undistributed profits of the PRC subsidiaries	**7,125**	**1**	5,000	1
Expenses not deductible for tax	**—**	**—**	63	—
Income not subject to tax	**(435)**	**—**	—	—
Tax losses not recognised	**361**	**—**	705	—
Others	**(237)**	**—**	277	—
Tax charge at the Group's effective tax rate	**136,739**	**26**	164,706	26

None of the share of tax attributable to a joint venture (2012: Nil) is included in "Share of loss of a joint venture" in the consolidated statement of profit or loss and other comprehensive income.

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a profit of RMB101,686,000 (2012: RMB5,132,000) which has been dealt with in the financial statements of the Company (note 35).

15. DIVIDENDS

	2013 RMB'000	2012 RMB'000
Proposed final — HK7.1 cents (2012: HK8.2 cents) per ordinary share	191,945	230,123
Proposed special final — HK4.9 cents (2012: HK1.8 cents) per ordinary share	134,373	49,251
	326,318	279,374

The proposed final and special final dividends 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 2012 on ordinary shares of RMB279,374,000 were approved by shareholders of the Company at the annual general meeting on 20 May 2013 and were subsequently paid in June 2013.

16. 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 3,445,450,000 (2012: 3,451,579,425) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2013 and 2012 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:

	2013 RMB'000	2012 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	383,951	460,246

	Number of shares 2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	3,445,450,000	3,451,579,425

17. 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 2012,						
net of accumulated depreciation	60,581	6,617	9,260	5,304	—	81,762
Additions	10,031	1,046	961	1,843	—	13,881
Disposals	—	(231)	(14)	(12)	—	(257)
Depreciation provided during the year	(3,678)	(829)	(2,512)	(1,863)	—	(8,882)
At 31 December 2012 and 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,						
net of accumulated depreciation	**77,204**	**5,776**	**6,407**	**5,482**	**33,374**	**128,243**
At 1 January 2012:						
Cost	72,198	8,169	16,303	12,115	—	108,785
Accumulated depreciation	(11,617)	(1,552)	(7,043)	(6,811)	—	(27,023)
Net carrying amount	60,581	6,617	9,260	5,304	—	81,762
At 31 December 2012:						
Cost	82,229	8,924	16,992	13,833	—	121,978
Accumulated depreciation	(15,295)	(2,321)	(9,297)	(8,561)	—	(35,474)
Net carrying amount	66,934	6,603	7,695	5,272	—	86,504
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**

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

Company	**Buildings** RMB'000
At 1 January 2012, net of accumulated depreciation	—
Additions	6,959
Depreciation provided during the year	(50)
At 31 December 2012 and 1 January 2013, net of accumulated depreciation	6,909
Additions	2
Depreciation provided during the year	(165)
Exchange realignment	(207)
At 31 December 2013, net of accumulated depreciation	6,539
At 1 January 2012:	
Cost	—
Accumulated depreciation	—
Net carrying amount	—
At 31 December 2012:	
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

As at 31 December 2013, a certificate of ownership in respect of a warehouse in Chengdu with a net carrying amount of approximately RMB6,500,000 (2012: RMB6,875,000) has not been issued by the relevant PRC authorities. The Group is in the process of obtaining the certificate.

18. PREPAID LAND LEASE PAYMENTS

	Group	
	2013	2012
	RMB'000	RMB'000
Carrying amount at 1 January	**43,196**	43,843
Additions	**36,370**	318
Amortisation charged during the year	**(1,753)**	(965)
Carrying amount at 31 December	**77,813**	43,196
Current portion included in prepayments, deposits and other receivables	**(1,717)**	(966)
Non-current portion	**76,096**	42,230

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

As at 31 December 2013, two certificates of land use right in respect of two pieces of land in Shanghai with net carrying amounts of approximately RMB14,252,000 (2012: RMB14,307,000) and RMB35,642,000 (2012: Nil), respectively, have not been issued by the relevant PRC authorities. The Group is in the process of obtaining the certificates.

19. INVESTMENT PROPERTIES

Group	Investment properties RMB'000
At 1 January 2012, net of accumulated depreciation	5,538
Depreciation provided during the year	(133)
At 31 December 2012 and 1 January 2013, net of accumulated depreciation	5,405
Depreciation provided during the year	(183)
At 31 December 2013, net of accumulated depreciation	5,222
At 1 January 2012:	
Cost	5,907
Accumulated depreciation	(369)
Net carrying amount	5,538
At 31 December 2012:	
Cost	5,907
Accumulated depreciation	(502)
Net carrying amount	5,405
At 31 December 2013:	
Cost	5,907
Accumulated depreciation	(685)
Net carrying amount	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 36(a) below.

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

20. INVESTMENTS IN SUBSIDIARIES

	Company 2013 RMB'000	2012 RMB'000
Unlisted, at cost	**3,679,077**	3,794,283

The amounts due from subsidiaries included in the Company's current assets of RMB31,225,000 (2012: RMB126,315,000) are unsecured, interest-free and are repayable on demand.

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	Issued 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
Shinemax Corporation Limited ("Shinemax")[(1)]	Hong Kong 26 October 2006	HK$1	100	–	Corporate office
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/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/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/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

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Company name	Place and date of incorporation/ registration	Issued capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
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
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/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/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/women's wear 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/women's wear and accessories
Shanghai Ruiguo Real Estate Co., Ltd. (上海瑞國置業有限公司)#(3)	PRC 9 August 2013	RMB5,000,000	—	100	Property development, operation and management

\# 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.

21. INVESTMENT IN A JOINT VENTURE — MCS

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investment, at cost	—	—	89,766	—
Share of net assets	33,095	—	—	—
Goodwill on acquisition	56,446	—	—	—
	89,541	—	89,766	—

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest	Percentage of voting power	Percentage of profit sharing	Principal activity
MCS Apparel Hong Kong Limited	Ordinary shares of HK$1 each	Hong Kong	50	50	50	Sale of menswear and accessories

The investment in MCS Apparel Hong Kong Limited is directly held by the Company.

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 center 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.

21. INVESTMENT IN A JOINT VENTURE — MCS *(continued)*

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

	2013 RMB'000
Cash and cash equivalents	6,268
Other current assets	10,624
Current assets	16,892
Non-current assets	60,010
Current financial liabilities (excluding trade and other payables)	(7,991)
Other current liabilities	(2,405)
Current liabilities	(10,396)
Non-current financial liabilities (excluding trade and other payables)	—
Other non-current liabilities	(316)
Non-current liabilities	(316)
Net assets	66,190
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	50%
Group's share of net assets of the joint venture	33,095
Goodwill on acquisition	56,446
Carrying amount of the investment	89,541
Revenue	24,143
Interest income	—
Depreciation and amortisation	(25)
Income tax expense	—
Other comprehensive income	—
Loss and total comprehensive loss for the year	(449)

22. GOODWILL

As at 31 December 2013, the carrying value of goodwill was RMB70,697,000 (2012: 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 24 below.

23. OTHER INTANGIBLE ASSETS

Group	Licensing agreements RMB'000	Retail networks RMB'000	Trademarks RMB'000	Total RMB'000
At 1 January 2012, net of accumulated amortisation and impairment	—	3,715	64,014	67,729
Amortisation charged during the year	—	(249)	—	(249)
Exchange realignment	—	—	33	33
At 31 December 2012 and 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, net of accumulated amortisation and impairment	11,909	3,217	110,292	125,418
At 1 January 2012:				
Cost	84,668	4,981	64,014	153,663
Accumulated amortisation and impairment	(84,668)	(1,266)	—	(85,934)
Net carrying amount	—	3,715	64,014	67,729
At 31 December 2012:				
Cost	84,668	4,981	64,047	153,696
Accumulated amortisation and impairment	(84,668)	(1,515)	—	(86,183)
Net carrying amount	—	3,466	64,047	67,513
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

23. OTHER INTANGIBLE ASSETS *(continued)*

Company	**Trademarks** RMB'000
At 31 December 2012 and 1 January 2013, net of accumulated amortisation and impairment	—
Additions	48,189
At 31 December 2013, net of accumulated amortization and impairment	48,189
At 31 December 2012 and 1 January 2013:	
Cost	—
Accumulated amortisation	—
Net carrying amount	—
At 31 December 2013:	
Cost	48,189
Accumulated amortisation	—
Net carrying amount	48,189

The Group classified the trademarks of "London Fog", "Artful Dodger" and "Zoo York" as intangible assets with indefinite lives. The registration of trademarks of "Artful Dodger" and "Zoo York" is still in progress. The Group has performed impairment reviews of the carrying values of trademarks as at 31 December 2013 and 31 December 2012 based on a forecast of operating performance, cash flows and the key assumptions as detailed in note 24 below and has concluded that no impairment is required.

24. 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 2013, the discount rate applied to the cash flow projections is 19.0% (2012: 19.0%) and cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2012: 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 2013, the discount rates applied to the cash flow projection are 20.0% (2012: 20.0%) for London Fog and 25.0% for Artful Dodger and Zoo York and cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2012: 3%) which does not exceed the projected long-term average growth rate for the relevant industry in the PRC.

24. 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.

25. DEFERRED TAX

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

Deferred tax assets

Group	**Impairment of assets** RMB'000	**Unrealised profits on inventories** RMB'000	**Losses available for offsetting against future taxable profits** RMB'000	**Total** RMB'000
At 1 January 2012	30,490	754	—	31,244
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 13)	11,614	(26)	—	11,588
At 31 December 2012 and 1 January 2013	42,104	728	—	42,832
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 13)	14,385	(618)	6,550	20,317
At 31 December 2013	56,489	110	6,550	63,149

25. DEFERRED TAX *(continued)*

The Group had tax losses arising in the PRC of approximately RMB6,583,000 and RMB33,911,000 as at 31 December 2012 and 2013, 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 RMB7,711,000 as at 31 December 2013 (31 December 2012: RMB6,583,000) 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.

Deferred tax liabilities

Group	Fair value adjustments arising from acquisitions RMB'000	Withholding tax on distributable profits of the PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2012	5,930	8,279	14,209
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 13)	(185)	5,000	4,815
At 31 December 2012 and 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 13)	(185)	7,125	6,940
At 31 December 2013	5,560	2,500	8,060

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 2013, the Group has not recognised deferred tax liabilities of RMB63,010,000 (2012: RMB51,601,000) in respect of temporary differences relating to the unremitted profits of the Group's subsidiaries established in the PRC, amounting to RMB1,260,198,000 (2012: RMB1,032,016,000), 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.

26. INVENTORIES

	Group	
	2013	2012
	RMB'000	RMB'000
Raw materials	**18,378**	17,994
Work in progress	**8,488**	9,590
Finished goods	**349,637**	358,611
	376,503	386,195

27. TRADE AND BILLS RECEIVABLES

	Group	
	2013	2012
	RMB'000	RMB'000
Trade receivables	**118,417**	124,120
Impairment	**—**	(1,409)
Trade receivables, net	**118,417**	122,711
Bills receivable	**1,605**	252
	120,022	122,963

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.

27. TRADE AND BILLS RECEIVABLES *(continued)*

An aged analysis of the trade receivables as at 31 December 2012 and 2013, based on the invoice date and net of provision, and the balances of bills receivable are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Trade receivables		
Within 60 days	**111,037**	118,019
61 to 90 days	**992**	895
91 to 180 days	**1,794**	1,940
181 to 360 days	**3,351**	1,857
Over 360 days	**1,243**	—
	118,417	122,711
Bills receivable	**1,605**	252
	120,022	122,963

The bills receivable are due to mature within three months.

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

	Group	
	2013	2012
	RMB'000	RMB'000
At 1 January	**1,409**	1,409
Impairment losses reversed (note 10)	**(1,409)**	—
At 31 December	**—**	1,409

The above provision for impairment of trade receivables is the full provision for individually impaired trade receivables. The individually impaired trade receivables relate to customers that were in financial difficulties or in default in payments.

27. 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	
	2013	2012
	RMB'000	RMB'000
Neither past due nor impaired	**111,037**	118,019
1 to 180 days past due	**2,786**	2,835
181 to 360 days past due	**4,594**	1,857
	118,417	122,711

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.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**31,868**	28,463	**—**	—
Deposits and other receivables	**25,113**	27,586	**532**	3,519
	56,981	56,049	**532**	3,519

Other receivable of RMB1,800,000, as at 31 December 2012 and 2013, 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.

29. STRUCTURED BANK DEPOSITS

	Group	
	2013	2012
	RMB'000	RMB'000
Structured bank deposits, in licensed banks in Mainland China, at amortised cost	**928,000**	1,082,800

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

30. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**283,501**	104,751	**7,913**	2,604
Time deposits	**67,323**	274,143	**59,060**	266,143
	350,824	378,894	**66,973**	268,747
Less: Bank deposits pledged for issuing bank acceptance notes	**(4,263)**	—	**—**	—
Cash and cash equivalents as stated in the consolidated statement of financial position	**346,561**	378,894	**66,973**	268,747

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB259,242,000 (2012: RMB99,840,000). The RMB is not freely convertible into other currencies, however, under the 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.

31. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables as at 31 December 2012 and 2013, based on the invoice date, and the balances of bills payable are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Trade payables		
Within 30 days	**22,132**	36,645
31 to 90 days	**5,019**	3,616
91 to 180 days	**129**	407
181 to 360 days	**356**	157
	27,636	40,825
Bills payable	**4,263**	—
	31,899	40,825

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

32. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances from customers	**50,868**	49,904	**—**	—
Other payables	**42,277**	55,339	**2,489**	—
Accruals	**12,284**	11,558	**604**	165
Other taxes payable	**22,611**	19,574	**—**	—
	128,040	136,375	**3,093**	165

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

33. ISSUED CAPITAL

Shares

	2013 HK$'000	2012 HK$'000
Authorised:		
1,000,000,000,000 (2012: 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 (2012: 3,445,450,000) ordinary shares of HK$0.1 each	**344,545**	344,545
Equivalent to RMB'000	**280,661**	280,661

A summary of the transactions during the year in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued capital		Share premium account		Total	
		HK$'000	RMB'000	HK$'000	RMB'000	HK$'000	RMB'000
At 1 January 2012	3,426,510,000	342,651	279,120	137,900	113,630	480,551	392,750
Issue of shares under over-allotment option	25,638,000	2,564	2,084	39,483	32,086	42,047	34,170
Repurchase and cancellation of shares	(6,698,000)	(670)	(543)	(9,341)	(7,574)	(10,011)	(8,117)
	3,445,450,000	344,545	280,661	168,042	138,142	512,587	418,803
Share issue expenses	—	—	—	(1,265)	(1,028)	(1,265)	(1,028)
Proposed final and special final 2012 dividends (note 15)	—	—	—	(166,777)	(137,114)	(166,777)	(137,114)
At 31 December 2012, 1 January 2013 and 31 December 2013	3,445,450,000	344,545	280,661	—	—	344,545	280,661

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 34 to the financial statements.

34. 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").

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.

34. SHARE OPTION SCHEMES *(continued)*

Pre-IPO Share Option Scheme *(continued)*

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

	Year ended 31 December 2013		Year ended 31 December 2012	
	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	205,552,000
Forfeited	**1.64**	**—**	1.64	(6,328,000)
At the end of year	**1.64**	**199,224,000**	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 RMB16,997,000 during the year ended 31 December 2013 (2012: RMB31,928,000).

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 2013, the Company had 199,224,000 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 199,224,000 additional ordinary shares of the Company and additional share capital of HK$19,922,400 (equivalent to RMB15,664,000) and share premium of HK$306,804,960 (equivalent to RMB241,219,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 199,224,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 5.78% of the Company's shares in issue as at that date.

34. SHARE OPTION SCHEMES *(continued)*

Share Option Scheme

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.

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.

34. SHARE OPTION SCHEMES *(continued)*

Share Option Scheme *(continued)*

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 closing price 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 2013 and the date of approval of these financial statements, no share option was granted and outstanding under the Share Option Scheme.

35. 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 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.

(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.

35. RESERVES *(continued)*

Company

	Share premium account RMB'000	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
As at 1 January 2012	113,630	–	3,873,324	1,529	(97,891)	(33,989)	3,856,603
Total comprehensive income for the year	–	–	–	–	1,800	5,132	6,932
Issue of shares	32,086	–	–	–	–	–	32,086
Share issue expenses	(1,028)	–	–	–	–	–	(1,028)
Equity-settled share option arrangements	–	–	–	31,928	–	–	31,928
Transfer of share option reserve upon the forfeiture of share options	–	–	–	(62)	–	62	–
Repurchase and cancellation of shares	(7,574)	543	–	–	–	(543)	(7,574)
Proposed final and special final 2012 dividends	(137,114)	–	(142,260)	–	–	–	(279,374)
As at 31 December 2012 and 1 January 2013	–	543	3,731,064	33,395	(96,091)	(29,338)	3,639,573
Total comprehensive loss 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	–	543	3,404,746	50,392	(215,800)	72,348	3,312,229

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the corporate reorganisation (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.

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 19 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to three years.

At 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Within one year	**289**	539
In the second to fifth years, inclusive	**108**	398
	397	937

(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 ten years.

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Within one year	**6,118**	9,764
In the second to fifth years, inclusive	**2,285**	4,298
After five years	**13**	—
	8,416	14,062

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36(b), the Group had the following capital commitments at the end of the reporting period:

	Group	
	2013	2012
	RMB'000	RMB'000
Contracted, but not provided for:		
Lands and buildings	**65,374**	—
Other intangible assets — trademarks	**—**	50,284
Other intangible assets — licensing agreements	**—**	13,828
	65,374	64,112

38. CONTINGENT LIABILITY

The Group had no significant contingent liability as at 31 December 2012 and 2013.

39. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group, including directors' remuneration as detailed in note 11 above, is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Fees	**2,500**	2,434
Salaries, allowances and benefits in kind	**4,384**	4,364
Equity-settled share option expenses	**14,299**	26,553
Pension scheme contributions	**159**	143
Total compensation paid to key management personnel	**21,342**	33,494

None of the transactions with related parties as described above falls under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

40. 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					
	2013			2012		
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	**120,022**	**—**	**120,022**	122,963	—	122,963
Financial assets included in prepayments, deposits and other receivables (note 28)	**25,113**	**—**	**25,113**	27,586	—	27,586
Structured bank deposits	**—**	**928,000**	**928,000**	—	1,082,800	1,082,800
Cash and cash equivalents	**346,561**	**—**	**346,561**	378,894	—	378,894
	491,696	**928,000**	**1,419,696**	529,443	1,082,800	1,612,243

Financial liabilities	**Financial liabilities at amortised cost**	
	2013 RMB'000	2012 RMB'000
Trade and bills payables	**31,899**	40,825
Financial liabilities included in deposits received, other payables and accruals (note 32)	**42,277**	55,339
	74,176	96,164

Financial assets	**Company**	
	Loans and receivables	
	2013 RMB'000	2012 RMB'000
Financial assets included in prepayments, deposits and other receivables (note 28)	**532**	3,519
Amounts due from subsidiaries	**31,225**	126,315
Cash and cash equivalents	**66,973**	268,747
	98,730	398,581

40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities	Company Financial liabilities at amortised cost **2013** **RMB'000**	 2012 RMB'000
Other payables	**2,489**	—

41. FAIR VALUES OF FINANCIAL INSTRUMENTS

The financial assets and liabilities of the Group and the Company at 31 December 2012 and 2013 are detailed in note 40 to the financial statements.

At 31 December 2012 and 2013, the fair values of the Group's financial assets and financial liabilities approximated to their carrying amounts.

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 fair values of these financial assets and financial liabilities approximate to their respective carrying amounts largely due to the short term maturities of these instruments.

42. 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 has no significant interest-bearing assets other than cash and cash equivalents (note 30) and structured bank deposits (note 29). The Group does not have any significant exposure to the risk of changes in market interest rates as the Group's debt obligations are minimal. The Group has not used any financial instruments to hedge its exposure to interest rate risk during the reporting period.

42. 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 2013		
If RMB weakens against HK$	**5**	**6,751**
If RMB strengthens against HK$	**(5)**	**(6,751)**
31 December 2012		
If RMB weakens against HK$	5	17,424
If RMB strengthens against HK$	(5)	(17,424)

* Excluding retained profits

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

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 27 and 28.

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.

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

	31 December 2012		
	On demand RMB'000	Less than 1 year RMB'000	Total RMB'000
Trade and bills payables	—	40,825	40,825
Other payables	—	55,339	55,339
	—	96,164	96,164

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

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.

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 and other payables less cash and cash equivalents and pledged bank deposits. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2013 **RMB'000**	2012 RMB'000
Trade and bills payables	**31,899**	40,825
Other payables	**42,277**	55,339
Less: Cash and cash equivalents	**(346,561)**	(378,894)
Net debt	**(272,385)**	(282,730)
Capital — equity attributable to owners of the parent	**2,084,682**	1,969,003
Capital and net debt	**1,812,297**	1,686,273
Gearing ratio	**N/A**	N/A

43. EVENT AFTER THE REPORTING PERIOD

On 10 January 2014, Mr. Li Guoqiang resigned as the non-executive director of the Company, and Mr. Lin Yang ("Mr. Lin") was appointed as a non-executive director of the Company. The service term of Mr. Lin is three years, which can be terminated by either party giving three months' written notice. Mr. Lin is entitled to receive an annual remuneration of RMB180,000.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 24 March 2014.

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:

	Year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
REVENUE	**1,247,158**	1,407,777	1,248,026	909,991	648,918
Cost of sales	**(320,587)**	(353,325)	(298,124)	(215,735)	(190,592)
Gross profit	**926,571**	1,054,452	949,902	694,256	458,326
Other income and gains	**50,180**	45,509	26,122	15,178	14,425
Selling and distribution costs	**(441,592)**	(443,595)	(385,087)	(284,771)	(230,150)
Administrative expenses	**(63,036)**	(75,426)	(33,581)	(43,368)	(40,701)
Other expenses	**—**	(1,424)	(17,802)	(11,838)	(3,306)
Finance income	**48,732**	45,445	16,262	5,843	3,162
Share of loss of:					
Joint venture	**(225)**	—	—	—	—
PROFIT BEFORE TAX	**520,630**	624,961	555,816	375,300	201,756
Income tax expense	**(136,739)**	(164,706)	(144,590)	(111,393)	(53,485)
PROFIT FOR THE YEAR	**383,891**	460,225	411,226	263,907	148,271
Attributable to:					
Owners of the parent	**383,951**	460,246	408,226	262,573	150,168
Non-controlling interests	**(60)**	9	3,000	1,334	(1,897)

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets, Liabilities and Non-controlling interests					
TOTAL ASSETS	**2,420,263**	2,342,082	2,074,322	1,254,483	873,435
TOTAL LIABILITIES	**333,193**	(370,603)	(413,712)	(529,087)	(413,119)
Non-controlling interests	**2,388**	2,476	4,552	29,137	27,803