

LILANZ 利郎

CHINA LILANG LIMITED

中國利郎有限公司

Stock Code:1234

ANNUAL REPORT 2015



China Lilang

China Lilang is a leading fashion apparel company. As an integrated fashion enterprise, the Group manufactures and sells high quality clothes and related apparel for many years. The Group has established a wide network of exclusive distribution partners, covering the major cities in the PRC.

利郎时尚服饰股份有限公司
LILANZ FASHION APPAREL CO., LTD.
CHINA LILANG LIMITED
中國利郎有限公司

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About China Lilang

China Lilang is one of the leading PRC menswear enterprises. As an integrated fashion enterprise, the Group designs, sources and manufactures high-quality business and casual apparel for men and sells under its core brand “LILANZ” and sub-brand “L2” across an extensive distribution network, covering 31 provinces, autonomous regions and municipalities in the PRC.





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Dong Xing (*Chairman*)
Mr. Wang Liang Xing
Mr. Wang Cong Xing
Mr. Cai Rong Hua
Mr. Hu Cheng Chu
Mr. Pan Rong Bin

Independent Non-Executive Directors

Dr. Lu Hong Te
Mr. Chen Tien Tui
Mr. Nie Xing
Mr. Lai Shixian

BOARD COMMITTEES

Audit Committee

Mr. Nie Xing (*Chairman*)
Dr. Lu Hong Te
Mr. Lai Shixian

Remuneration Committee

Mr. Chen Tien Tui (*Chairman*)
Mr. Wang Cong Xing
Mr. Nie Xing

Nomination Committee

Mr. Wang Dong Xing (*Chairman*)
Dr. Lu Hong Te
Mr. Chen Tien Tui

Risk Management Committee

Mr. Wang Dong Xing (*Chairman*)
Mr. Wang Cong Xing
Mr. Pan Rong Bin

COMPANY SECRETARY

Ms. Ko Yuk Lan

AUTHORISED REPRESENTATIVES

Mr. Wang Dong Xing
Ms. Ko Yuk Lan

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3402
34th Floor Lippo Centre
Tower One
No. 89 Queensway
Hong Kong

HEAD OFFICE IN THE PRC

Lilang Industrial Park
200 Chang Xing Road
Jinjiang City
Fujian Province
The PRC

SHARE REGISTRARS AND TRANSFER OFFICES

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Share Registrar

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

AUDITOR

KPMG, *Certified Public Accountants*

PRINCIPAL BANKERS

Industrial Bank Co. Ltd.
Bank of China Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2015 (RMB million)	2014 (RMB million)	Changes (%)
Revenue	2,689.1	2,433.0	+10.5
Gross profit	1,142.8	1,035.7	+10.3
Profit from operations	794.1	680.8	+16.6
Profit for the year	625.2	554.9	+12.7
	(RMB cents)	(RMB cents)	(%)
Earnings per share			
— Basic	51.83	46.17	+12.3
— Diluted	51.77	46.06	+12.4
Shareholders' equity per share	240.8	224.1	+7.5
Interim dividend per share	HK13 cents	HK12 cents	+8.3
Special interim dividend per share	HK6 cents	HK5 cents	+20.0
Final dividend per share	HK17 cents	HK17 cents	—
Special final dividend per share	HK7 cents	HK6 cents	+16.7
	(%)	(%)	(% points)
Gross profit margin	42.5	42.6	-0.1
Operating profit margin	29.5	28.0	+1.5
Net profit margin	23.2	22.8	+0.4
Return on average shareholders' equity ⁽¹⁾	22.3	21.3	+1.0
Effective tax rate	27.6	27.6	—
Advertising and promotional expenses and renovation subsidies (as a percentage of revenue)	8.3	9.7	-1.4
	Year ended 31 December		Six months ended
	2015	2014	30 June 2015
Average inventory turnover days ⁽²⁾	64	68	58
Average trade receivables turnover days ⁽³⁾	79	70	80
Average trade payables turnover days ⁽⁴⁾	72	59	63

Notes:

- (1) Return on average shareholders' equity is equal to the profit for the year divided by the average of the beginning and closing balance of total shareholders' equity.
- (2) Average inventory turnover days is equal to the average of the beginning and closing inventory balance divided by cost of sales and multiplied by the number of days in the year.
- (3) Average trade receivables turnover days is equal to the average of the beginning and closing trade receivables balance divided by revenue (including value-added tax) and multiplied by the number of days in the year.
- (4) Average trade payables turnover days is equal to the average of the beginning and closing trade and bills payables balance divided by cost of sales and multiplied by the number of days in the year.

CHAIRMAN'S STATEMENT

“The Group will follow its direction over the past few years and continue with the strategy of “improving product quality without raising the price”. The Board is confident that the Group will continue to outperform other industry peers and gain market share amid the industry consolidation, seeking to become the ultimate winner. ”

TO ALL SHAREHOLDERS,

China Lilang Limited (the “Company” or “China Lilang”, together with its subsidiaries known as the “Group”) has been implementing the strategy of “improving product quality without raising the price” since 2013. In the past three years, the Group was committed to the overall enhancement of the originality and value-for-money of its products by improving product design, materials and craftsmanship as well as the supply chain management in order to differentiate the products from its peers and improve their overall competitiveness. Up to now, such policy has generated initial results. The proportion of original design products is gradually increasing and products are more popular among consumers. The Group is making steady progress towards the primary goal of winning the retail market.

The strategy of “improving product quality without raising the price” has strengthened the Group’s businesses, enabling it to continue to outperform other industry peers in terms of various performance indicators despite a volatile operating environment and sluggish growth. In particular, during the traditional peak seasons for the fall and winter collections in the fourth quarter of 2015, China menswear industry was weighed by consumption slowdown and extreme weather, resulting in sluggish retail sales performance and deep discounts across retailers. Sales at the stores of the Group were also affected. However, the Group showed strong resilience and reported noticeable improvement in its same-store sales growth in early 2016 as Chinese New Year was approaching while the weather turned colder. This reflected that the Group’s visionary execution to implement innovation and transformation has significantly enhanced its core competitiveness.

CHAIRMAN'S STATEMENT (CONTINUED)



CHAIRMAN'S STATEMENT (CONTINUED)

The Group progressed steadily in 2015 with both revenue and profit recording double-digit percentage growth. Revenue increased by 10.5% year on year to RMB2,689.1 million with sales of the core brand "LILANZ" increasing by 11.4% to RMB2,450.1 million. The Group recorded a net profit of RMB625.2 million for the year, representing an increase of 12.7%.

While implementing the policy of "improving product quality without raising the price" and enhancing the value-for-money of its products to drive its sales, the Group is also committed to cost control so as to maintain a stable gross profit margin. In 2015, gross profit margin was slightly down by 0.1 percentage point year on year to 42.5%, maintaining at a relatively stable level.

The Board recommended payment of a final dividend of HK17 cents per ordinary share and a special final dividend of HK7 cents per ordinary share, which will bring the total dividends for the year to HK43 cents per ordinary share.

During the year, the Group continued to open large-scale stores in shopping malls in provincial capitals and prefecture-level cities in view of the change in consumption habit, and sales performance of these stores was satisfactory. Meanwhile, the Group supported its distributors to optimize their retail store networks, and continued to realign low-efficiency stores and shop-in-shops in department stores in response to the actual operating conditions. Such measures improved the operational efficiency of the stores. The four-year store renovation program of the core brand "LILANZ" was completed as scheduled, and the training of distributors also progressed as planned. All these measures contributed to the sales growth across regions. Sales in the Northern China, Central and Southern China and South Western China regions all recorded double-digit percentage growth, while sales in the North Eastern China, Eastern China and North Western China regions also grew steadily.

Stepping into 2016, the global economy has no marked improvement. Uncertainties will continue to hurt consumer confidence and consumer market outlook is not too optimistic. China's menswear industry is still struggling to gain momentum and it is expected that the industry consolidation will continue.

The Group will follow its direction over the past few years and continue with the strategy of "improving product quality without raising the price". The Board is confident that the Group will continue to outperform other industry peers and gain market share amid the industry consolidation, seeking to become the ultimate winner.

The Group will continue its efforts in product research and development in a bid to further enhance the originality and value-for-money, as well as the overall competitiveness of its products. As for product design, the international and domestic research and development teams for the core brand "LILANZ" worked closely and smoothly. This adds an international flavor to the brand and differentiates itself from its peers. With new fabrics, the Group has been able to offer more choices for its customers. The sub-brand "L2" named a new chief designer in late 2014. It is expected that the effect on product design will emerge gradually.

In the 2015 winter collection, the Group launched a small line of womenswear on a pilot basis, which was available for sale in the large stores of the core brand "LILANZ" and was well received by the market. The Group plans to launch a small line of womenswear for each season starting from its 2016 fall season to tap into a new market while enhancing the sales efficiency of large stores.

CHAIRMAN'S STATEMENT (CONTINUED)

For retail network, the Group will maintain a prudent approach to store opening. The Group will continue to focus on store efficiency improvement, with an aim to gain market share amid market consolidation. The total store number of the core brand "LILANZ" is expected to increase in 2016. The Group plans to open stores in suitable locations through distributors. In particular, more large-scale stores will be added in shopping malls in provincial capitals and prefecture-level cities. The sub-brand "L2" expects to maintain the existing number of stores. The Group expects its retail stores to continue to achieve positive same-store sales growth through better products and channel management.

The Group believes that e-channel is an important business development platform in addition to the traditional sales channels. While continuing to use "T-MALL" as a major online sales channel, the Group is also exploring the WeChat platform for customers' online product selection. Products selected will be delivered directly to selected stores for fitting, thereby increasing the customer traffic of the brick-and-mortar stores and improving store efficiency, while stores will bear no additional inventory orders commitment. The new service is expected to be launched in the second half of 2016.

The 2016 fall trade fair started on 26 February 2016. Based on the preliminary results, the overall trade fair orders are affected as sales performance of the retail stores in the fourth quarter of 2015 was slower than expected due to the economic environment and extreme weather, bringing the level of channel inventories of the 2015 fall and winter collections higher than in the previous year.

In the long run, China Lilang will adhere to its multi-brand strategy and also proactively enhance the competitiveness and value-for-money of its products to further consolidate its leading position in the menswear industry, so as to sustain a long-term growth and reward its shareholders, employees and customers for their support.

Wang Dong Xing

Chairman

9 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Global economic recovery was slower than expected during the second half of 2015. At the international level, slowing economic growth in emerging economies, continuing geopolitical instability and the start of an interest rate hiking cycle in the United States contributed to higher volatility in the commodity, equity and currency markets. For China's domestic economy, weak overseas demand and currency depreciation in various countries hurt China's exports. Traditional industries continued to face overcapacity. The government proactively combated the economic downward pressure by creating a more accommodative monetary environment through rate cuts and lower reserve requirement, stepping up the restructuring of the economy and further improving the structure of domestic demand, which helped sustain a steady



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

economic growth. According to the National Bureau of Statistics of China, GDP maintained stable growth and increased by 6.9% to RMB67,670.8 billion for 2015, in line with the national target. During the year, employment and consumer prices remained stable. Income of both urban and rural residents kept increasing at relatively rapid rates. However, the operating environment for the retail sector remained challenging.

According to the statistics from the China National Commercial Information Center, retail sales of apparel products of the top 100 domestic retailing enterprises fell 0.3% year on year in 2015. The performance sharply deteriorated in the second half of the year, with retail sales down by 7.7% year on year in December, the worst performing month in 2015. The operating environment of the menswear industry in China remained difficult. Factors such as economic slowdown, stock market decline and extreme weather hurt consumer confidence and had a material impact on the industry. This was reflected in the sluggish retail sales performance and deep retail discounts especially in the fourth quarter.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

China Lilang Limited (the “Company” or “China Lilang”, together with its subsidiaries known as the “Group”) continued to innovate and transform its business. Adhering to the strategy of “improving product quality without raising the price”, the Group is committed to improving its competitiveness through enhancing the originality and value-for-money of its products so as to win the market. The Group also continued improving its supply chain and retail channel management and, as a result, its channel monitoring capability and operating efficiency have improved. Through the implementation of these strategies, the Group continued to outperform other industry peers in terms of various performance indicators. Its core competitiveness has improved, indicating that such innovation and transformation effort started to yield positive results. However, the rapidly changing economic environment and extreme weather still had a negative impact on the Group’s performance and sales growth in the Group’s retail stores in the fourth quarter, the traditional peak seasons for the fall and winter collections, had slowed down noticeably. As a result, the same-store sales growth in the second half of 2015 was below the management target. Notwithstanding that, the operation of the retail channel was still healthy, and the same-store sales growth has improved since the beginning of 2016.

FINANCIAL REVIEW

Revenue

Revenue increased by 10.5% year on year to RMB2,689.1 million, basically in line with the growth in trade fair orders. Due to the Group’s implementation of the strategy of “improving product quality without raising the price”, the overall competitiveness of “LILANZ” products continued to improve, enabling the Group to outperform other industry peers in sales. However, the sales of “L2” products grew more slowly than expected and there were fewer replenishment orders in 2015 than in prior years.

Sales of the core brand “LILANZ” increased by 11.4% to RMB2,450.1 million. Sales of the sub-brand “L2” increased by 3.7% to RMB232.0 million. Sales of “LILANZ” and “L2” accounted for approximately 91.1% (2014: 90.4%) and 8.6% (2014: 9.2%) of the total revenue respectively.

Among the product categories, tops remained the major sales contributor and accounted for 66.9% (2014: 69.6%) of the total revenue. Sales of tops increased by 6.3%, which was lower than that of the total revenue, mainly as the Group introduced fewer outerwear products but more matching items such as shirts and T-shirts to improve the product mix of the spring and summer collections, resulting in a drop in sales revenue of tops during these seasons. Sales of both pants and accessories increased rapidly during the year, with total sales of belts, footwear and bags up by 22.7% in particular, partly reflecting a more complete accessory collection and the popularity of shoes after the Group’s accessory designer joined during the first half of 2014, which drove the sales growth.

Revenue by Region

Sales performances improved across regions in 2015. Sales in the Northern China, Central and Southern China and South Western China regions all recorded double-digit percentage growth. Sales in the Northern China region picked up from a low comparison base after two years of adjustment. Sales in the Central and Southern China region performed well after the store renovation and alignment carried out in the past two years, especially in Hunan province. Sales in the South Western China region continued to reap the economic benefits of the Western Development Program. As in the North Eastern China and Eastern China regions where the Group had underwent a relatively large scale store closures in 2014, sales in the North Eastern China region gradually improved in 2015 while the sales performance of Eastern China region was stable as it continued to align its store network and had a net decrease of 45 in its store-count in 2015. North Western China region was the only region that recorded growth in store-count, adding 5 stores mainly in Xinjiang, Gansu, Qinghai and Ningxia during the year, and its sales also grew steadily.

Eastern China and Central and Southern China regions remained the top contributors to the Group’s revenue, and together accounted for 57.1% (2014: 57.4%) of the total revenue. The retail stores in these two regions accounted for 51.3% (2014: 51.6%) of the Group’s total number of stores.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Revenue by region for the year was set out below:

Region	Year ended 31 December				Changes %
	2015		2014		
	RMB million	% of revenue	RMB million	% of revenue	
Northern China ⁽¹⁾	156.3	5.8%	132.6	5.5%	+17.9%
North Eastern China ⁽²⁾	153.6	5.7%	141.7	5.8%	+8.4%
Eastern China ⁽³⁾	865.3	32.2%	815.5	33.5%	+6.1%
Central and Southern China ⁽⁴⁾	669.1	24.9%	581.6	23.9%	+15.0%
South Western China ⁽⁵⁾	571.6	21.2%	502.3	20.6%	+13.8%
North Western China ⁽⁶⁾	266.2	9.9%	249.7	10.3%	+6.6%
Others ⁽⁷⁾	7.0	0.3%	9.6	0.4%	-27.1%
Total	2,689.1	100.0%	2,433.0	100.0%	+10.5%

⁽¹⁾ Northern China includes Beijing, Hebei, Shanxi, Tianjin and Inner Mongolia.

⁽²⁾ North Eastern China includes Heilongjiang, Jilin and Liaoning.

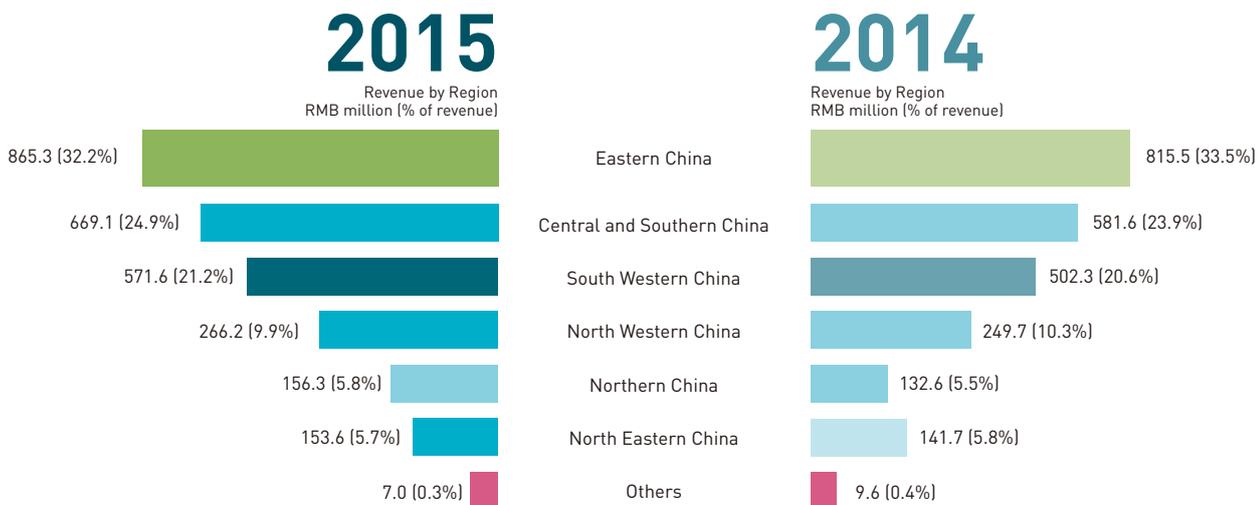
⁽³⁾ Eastern China includes Jiangsu, Zhejiang, Shanghai, Anhui, Fujian, Shandong and Jiangxi.

⁽⁴⁾ Central and Southern China includes Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan.

⁽⁵⁾ South Western China includes Chongqing, Sichuan, Guizhou, Yunnan and Tibet.

⁽⁶⁾ North Western China includes Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

⁽⁷⁾ Others represent the sales of the trading operation of the Group's subsidiary in Hong Kong.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Gross Profit and Gross Profit Margin

Gross profit margin was slightly down by 0.1 percentage point to 42.5%. During the year, stable raw material prices and the higher proportion of original design products helped the Group to control production cost and stabilize gross profit margin when implementing the strategy of “improving product quality without raising the price”.

Cost of sales increased by 10.7% to RMB1,546.2 million (2014: RMB1,397.3 million), largely in line with the growth of revenue. The Group’s ongoing efforts in product research and development in a bid to enhance its products’ originality led to an increase of 12.6% in its total research and development costs to RMB91.4 million. Cost of in-house production, including subcontracting charges, accounted for 55.5% (2014: 52.8%) of the total cost of sales, up by 2.7 percentage points.

Other Net Income

Other net income increased by RMB26.7 million to RMB54.3 million, which was mainly due to the increase of RMB26.5 million in government grants, of which the entitlements were unconditional and under the discretion of the relevant authorities.

Selling and Distribution Expenses

Selling and distribution expenses increased by 3.7% to RMB285.7 million, and accounted for 10.6% of the total revenue, down by 0.7 percentage point over last year. Selling and distribution expenses in 2014 included a write-back of provision for trade receivables of RMB14.5 million. Excluding such write-back, selling and distribution expenses decreased by RMB4.4 million year on year.

Advertising expenses and renovation subsidies decreased by RMB12.4 million to RMB223.3 million, and accounted for 8.3% of the total revenue, down by 1.4 percentage points. This was mainly because the four-year store renovation programme for the core brand “LILANZ” was completed during the year and less was spent on renovation subsidies. The saving in expenses was partly offset by the increase in brand advertising expenses.

Administrative Expenses

Administrative expenses totaled RMB109.5 million for the year, accounting for 4.1% of the total revenue, down by 0.1 percentage point over last year.

Other Operating Expenses

Other operating expenses increased by RMB4.0 million to RMB7.8 million, which was primarily due to an increase in charitable donation.

Profit from Operations

Profit from operations increased by 16.6% to RMB794.1 million, which was mainly attributable to the growth in sales and the additional government grants income. Operating margin increased by 1.5 percentage points to 29.5%.

Net Finance Income

Net finance income was RMB69.4 million in 2015, representing a decrease of RMB16.5 million year on year. The decrease mainly reflected the lower average interest rate for RMB deposits during the year, as well as the valuation losses as at 31 December 2015 on certain forward exchange contracts held by the Group’s subsidiaries for hedging their exposures in non-functional currency deposits and loans.

Income Tax

The effective income tax rate was 27.6%, same level as in the previous year.

Net Profit

Net profit was RMB625.2 million, representing an increase of 12.7%. Net profit margin was 23.2%, up by 0.4 percentage point. Net profit attributable to the sub-brand “L2” amounted to RMB10.8 million (2014: RMB7.3 million).

Earnings per Share

Earnings per share rose by 12.3% to RMB51.83 cents.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Final Dividend

The Board recommended payment of a final dividend of HK17 cents (2014: HK17 cents) per ordinary share and a special final dividend of HK7 cents (2014: HK6 cents) per ordinary share in respect of this financial year, representing a total dividend payment of approximately HK\$290.1 million (equivalent to approximately RMB245.8 million). The final dividend and special final dividend will be paid in cash on or about 10 May 2016 to shareholders whose names appeared on the register of members of the Company on 27 April 2016.

BUSINESS REVIEW

Retail and Distribution Network

The Group continued to manage the retail and distribution network effectively to enhance the Group's overall competitiveness. During the year, the Group maintained a prudent approach to new store opening and pragmatically supported its distributors in optimizing their retail store networks to improve store efficiency. Meanwhile, the Group continued to

open large-scale stores in shopping malls in provincial capitals and prefecture-level cities in view of the change in consumption habit. 27 such stores were opened in 2015, making the total of 37 at the end of the year, which was in line with the store opening target for the year. Sales performance of these stores was satisfactory.

As at 31 December 2015, the Group had a total of 2,985 stores. "LILANZ" had a net decrease of 123 retail stores, mainly due to the Group's adjustment to low-efficiency stores in response to the actual operating conditions and the decrease in the number of shop-in-shops in department stores. The four-year store renovation program was also completed as scheduled, and a total of 280 stores were renovated in 2015. "L2" had a net increase of 29 retail stores, which was in line with the target for the year. For the sub-brand "L2", the Group continued to focus on its business development in four provinces, namely Henan, Shaanxi, Hunan and Hubei, where the total number of stores had a net increase of 9 during the year, accounting for 38.8% of total stores at the end of the year.

Changes in the number of stores in different regions during the year were as follows:

Region	Number of stores			As at 31 December 2015
	As at 1 January 2015	Opened during the year	Closed during the year	
Northern China	295	37	47	285
North Eastern China	305	38	41	302
Eastern China	850	82	127	805
Central and Southern China	740	85	99	726
South Western China	615	58	85	588
North Western China	274	46	41	279
	3,079	346	440	2,985

In 2016, the Group will continue to focus on store efficiency improvement, with an aim to gain market share amid market consolidation. The Group will expand in a prudent manner and plans to increase the number of stores under its core brand "LILANZ". In terms of new store location, the Group will continue to open large-scale stores in shopping malls in provincial capitals and prefecture-level cities. For "L2", the Group will be more prudent in terms of store opening and expects the number of stores to remain flat for the time being.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Sales Channel Management

The Group adopts a distribution model in which it sells its products to end consumers through retail stores operated by distributors and their sub-distributors. Therefore, effective sales channel management would enable the Group to establish its brand presence and improve service quality so as to boost its sales and minimize its exposure to the risk of channel inventory. The Group has established a stable relationship with its distributors, and all distributors of "LILANZ" have more than a decade of business relationships with the Group.

In 2015, the Group continued to provide training for the management team of its distributors, covering direct retailing and channel development, new market expansion and experience sharing on direct retailing so as to strengthen the management of its retail channel. As at 31 December 2015, "LILANZ" had 81 distributors and 1,113 sub-distributors. There were a total of 2,660 "LILANZ" retail stores, of which 2 were self-operated flagship stores, 994 were directly operated by distributors and 1,664 by their sub-distributors. By store category, 2,186 were stand-alone stores (including street-level stores and stores in shopping malls) and the remaining 474 were shop-in-shops in department stores. Total retail area of the stores was approximately 302,500 square metres (31 December 2014: 301,400 square metres), representing an increase of 0.4%.

As at 31 December 2015, "L2" had 24 distributors (5 of which were also the distributors of "LILANZ") and 92 sub-distributors. There were a total of 325 "L2" stores, of which 126 stores, or 38.8% of the total number of "L2" stores, were in Henan, Shaanxi, Hunan and Hubei, which are the target markets for "L2". "L2" store network comprised 216 stores directly operated by distributors and 109 by their sub-distributors. By store category, 250 were stand-alone stores (including street-level stores and stores in shopping malls) and 75 were shop-in-shops in department stores. Total retail area of the stores was approximately 36,200 square metres (31 December 2014: 32,600 square metres), representing an increase of 11.0%.

The Group continued to monitor channel inventories through the ERP system, which connects to all stand-alone stores. Distributors were encouraged to place orders based on their own inventory levels and estimated sales performance. They also continued to operate discount stores prior to store renovation and to set up temporary promotion counters in department stores to clear inventories. Sales performance of the stores were below expectations in the final quarter of 2015. Although same-store sales growth improved in the beginning of 2016, channel inventories for the 2015 fall and winter collections are currently still exceeding the management's target level.

E-channel Development

The Group believes that e-channel is an important business development platform in addition to the traditional sales channels. In 2015, the Group actively explored ways and directions to promote sales through this new platform and formulated a development strategy for 2016. While continuing to use "T-MALL" as a major online sales channel, the Group is also exploring the WeChat platform for customers' online product selection. Products selected will be delivered to selected stores for fitting, thereby increasing the customer traffic of the brick-and-mortar stores and improving store efficiency, while stores will bear no additional inventory orders commitment. The new service is expected to be launched in the second half of 2016.

The Group also continued to sell "LILANZ" and "L2" products through its online sales platforms. Except off-season products, the products and prices offered online were the same as those in the brick-and-mortar stores.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Product Design and Development

The Group believes that product design and development is the key to success in China's menswear industry. As such, the Group continued to strengthen its design team and enhance product originality, while improving the individuality of its products in order to differentiate them from those of its peers. When implementing the policy of "improving product quality without raising the price", the Group is also committed to cost control and enhancement of the value-for-money of its products so as to drive the sales of its products and maintain a stable gross profit margin. Original design products accounted for about 60% of the Group's 2015 products, in which about 25% of those products of original designs adopted the Group's proprietary fabrics with knitwear and woolen products particularly outstanding. In the medium- to long-run, the Group intends to raise the proportion of original design products in the total product mix to 70%, and 50% of such original design products will adopt its proprietary fabrics.

As for product design, the international and domestic research and development teams for the core brand "LILANZ" worked closely and smoothly. This adds an international flavor to the brand and differentiates itself from its peers. With simple yet fashionable designs as well as new fabrics, the Group has been able to offer more choices for its customers. Meanwhile, as the accessory designer joined the international research and development team in 2014, the Group's accessory product mix has been enriched, notably with more footwear products, promoting the overall sales and gross profit margin of accessories.

In the 2015 winter collection, the Group launched a small line of womenswear on a pilot basis, which was available for sale in the large stores of the core brand "LILANZ" and was well received by the market. The Group plans to launch a small line of womenswear for each season starting from its 2016 fall season to tap into a new market while enhancing the sales efficiency of large stores.

The sub-brand "L2" named a new chief designer in late 2014. The new designer previously worked for the international research and development team for "LILANZ", and the 2016 spring and summer collections will be his debut complete collection for "L2". It is expected that the effect of the change in product design will emerge gradually.

Marketing and Promotion

The four-year store renovation programme of the core brand "LILANZ" to improve its store image was completed in 2015. The decoration of all "LILANZ" stores is now more unified and more aligned with the brand's image.

The Group also continued to invest in brand marketing and promotion. To raise the effectiveness of its promotional campaigns, the Group placed advertisements in the stadiums of World Cup preliminaries in 2015 and saw positive effect. The Group also continued to advertise through various channels, such as billboards in more than a dozen of airports across China and soft-sell advertising in magazines and newspapers. The Group continues to engage Mr. Chen Dao Ming (陳道明), a famous actor in China, as the brand ambassador for "LILANZ".

In addition, the Group sponsored a multi-sensory art exhibition "Van Gogh Alive — The Experience" held in Shanghai in the second quarter of 2015, and became the sole apparel partner of this travelling exhibition in China. In June 2015, China Lilang also held a marvelous fashion and art show in the same exhibition venue, and released its special collection "Salute to the Artist", embodying Van Gogh's fineness in patterns, palette and materials. Besides, the sub-brand "L2" launched "Van Gogh Alive" collection which was available for sale in the exhibition venue and "L2" stores, and received great response from consumers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Trade Fairs

The 2016 spring and summer trade fairs were held in the second half of 2015. The continued growth in trade fair orders indicated a relatively healthy level of channel inventory of the 2015 spring and summer collections and the distributors' confidence in the Group's products. The core brand "LILANZ" recorded a low-double digit percentage growth in total value of orders received compared to the corresponding trade fairs last year, while the sub-brand "L2" recorded a mid-single digit percentage growth in total value of orders received. The average selling prices by product type of both brands were similar to those of the 2015 spring and summer collections. Shipment of the above-mentioned orders has commenced in January 2016.

The 2016 fall trade fair started on 26 February 2016. As sales performance of the retail stores in the fourth quarter of 2015 were slower than expected due to the economic environment and extreme weather, the level of channel inventories of the 2015 fall and winter collections was higher than in the previous year and above the management's target level. The trade fair orders are also affected.

Headquarters, Production and Supply Chain

The Group completed the overall design and planning of its new headquarters in early 2015. The construction has been commenced in the second half of 2015 and is expected to be completed in early 2018. The estimated budget for construction costs totalling approximately RMB490.0 million will be funded from internal resources of the Group. The Board of Directors believes that the new headquarters, upon completion, will provide sufficient facilities to cater for the Group's needs in its business development in the future.

The Group maintains good business relationships with its suppliers, which are beneficial for the Group to continue to improve its supply chain management and control costs by identifying more cost-efficient fabric suppliers and processing plants. While reducing the proportion of OEM production and increasing the proportion of original designs, the Group adhered to the strategy of "improving product quality without raising the price" and shared the benefits of its improved supply chain management with the consumers by offering them products of better value-for-money.

Awards

In 2015, the Company received the "Best Mid-Cap Company in China" award from *FinanceAsia*, an international authoritative journal. This accolade was the investment community's recognition of the Group's efforts in corporate governance and transparency practices.

In July 2015, "LILANZ" was awarded the "Most Creative Brand in China's Apparel Industry" (中國服裝行業最具創新力品牌) in the award presentation ceremony of "The Summit of China's Influential Brands" (中國影響力品牌高峰論壇) and "CCTV — Outlook: Times Influence" (CCTV — 發現之旅時代影響力).

"L2" was named the "Best Fashionable Menswear Brand" (最佳潮流男裝品牌) in "CNGA Award 2015" (2015 中國服裝大獎) organized by China National Garment Association (中國服裝協會).

PROSPECTS

Global economic prospects remain uncertain in 2016. The global economy will continue to be weighed by unfavorable factors such as the anticipation of more rate hikes in the United States, sluggish growth in emerging economies, falling commodity prices and unstable geopolitics. Against this backdrop, China's consumer market outlook is not too optimistic due to rising downward pressure on the domestic economy and increasing difficulties in the country's economic restructuring.

China's menswear industry is still struggling to gain momentum. It is expected that the industry consolidation will continue, and product design and competitiveness will play a more crucial role in business survival. As such, the success of a menswear brand hinges on its capability to transform and innovate as well as the value-for-money of its products.

China Lilang has implemented the strategy of "improving product quality without raising the price" since 2013, and has gradually improved its competitiveness. The Group continued to outperform other industry peers, setting a good example of successful business transformation. The Group will follow this right direction and continue to spare no effort in improving product design, craftsmanship and

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

materials, with the aim of raising the proportion of original designs, enhancing the value-for-money of its products and increasing the competitiveness of its products and brands. In 2016, the Group will maintain a prudent approach to store opening. The core brand "LILANZ" plans to increase the number of stores. The Group will continue to optimize its store network, and open stores in suitable locations through distributors. In particular, more large-scale stores will be added in shopping malls in provincial capitals and prefecture-level cities. The sub-brand "L2" expects to maintain the existing number of stores. The Group expects its retail stores can achieve mid-single digit same-store sales growth through better products and channel management.

The 2016 fall trade fair of the Group started on 26 February. Due to slower sales growth of its retail stores in the fourth quarter of 2015, the level of channel inventory of 2015 fall and winter collections was higher than in the previous year and above the management's target level. The trade fair order value is also affected.

In a long run, China Lilang will adhere to its multi-brand strategy and also proactively enhance the competitiveness and value-for-money of its products to further consolidate its leading position in the menswear industry, so as to sustain a long-term growth and reward its shareholders, employees and customers for their support.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flow

	Year ended 31 December	
	2015 RMB million	2014 RMB million
Net cash generated from operating activities	668.7	568.4
Capital expenditure	(34.4)	(19.1)
Free cash inflow	634.3	549.3
Cash and bank balances (including pledged bank deposits)	3,245.6	2,791.3

As at 31 December 2015, the Group's total cash and bank balances were held in Renminbi (66.4%), Hong Kong Dollars (21.1%), Euros (8.6%) and United States Dollars (3.9%).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 31 December 2015, cash and cash equivalents of the Group amounted to RMB2,161.7 million (placements of fixed deposits and pledged deposits held at banks with maturity over 3 months totalling RMB30.0 million and RMB1,053.9 million respectively were regarded as investing activities in the consolidated cash flow statement), representing an increase of RMB316.5 million as compared with the cash and cash equivalents balance of RMB1,845.2 million as at 31 December 2014. This was mainly attributable to:

- Net cash inflows from operating activities amounting to RMB668.7 million.
- Net cash outflows from investing activities amounting to RMB74.3 million, comprising mainly increase in pledged deposits held at banks with maturity over 3 months by RMB220.9 million and capital expenditure totalling RMB34.4 million, net of a decrease in fixed deposits held at banks with maturity over 3 months by RMB70.0 million and interest income of RMB110.3 million.
- Net cash outflows from financing activities amounting to RMB279.7 million, mainly attributable to the payments of final dividend and special final dividend totalling RMB222.3 million in respect of the year ended 31 December 2014, and the interim dividend and the special interim dividend totalling RMB191.0 million in respect of the year ended 31 December 2015, less the net proceeds from secured bank loans totalling RMB149.4 million.

Bank Loans

As at 31 December 2015, the Group had bank loans totalling RMB1,004.0 million (2014: RMB854.6 million). The net cash position as at 31 December 2015 was as follows:

	As at 31 December	
	2015 RMB million	2014 RMB million
Cash and bank balances (including pledged bank deposits)	3,245.6	2,791.3
Less: Bank loans	(1,004.0)	(854.6)
Net cash	2,241.6	1,936.7

As at 31 December 2015, the Group's bank loans were all denominated in Renminbi and were secured by pledged bank deposits and repayable within one year or on demand. About 38.2% of the bank loans were at fixed interest rates ranging from 4.3% to 4.65% per annum and the remaining loans carried interest at floating rates.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

TRADE WORKING CAPITAL TURNOVER DAYS

	Year ended 31 December	
	2015 Days	2014 Days
Average inventory turnover days	64	68
Average trade receivables turnover days	79	70
Average trade payables turnover days	72	59

The Group's average inventory turnover days was 64 days. This compared to 68 days for the year ended 31 December 2014. The inventory balance increased by RMB42.6 million over the year. While the inventory of finished goods slightly increased by RMB3.6 million to RMB199.0 million, the raw material inventory increased by RMB37.2 million to RMB87.0 million as the Group increased the proportion of its original designs in its products and employed more process outsourcing to reduce OEM purchases. Raw materials held by sub-contractors increased by RMB17.0 million to RMB64.2 million. As at 31 December 2015, the inventory of finished goods were mainly the remaining 2015 winter products which were delivered in January and the 2016 spring and summer products.

The average trade receivables turnover days was 79 days. This compared to 70 days for the year ended 31 December 2014. The balance of trade receivables increased by RMB153.0 million to RMB756.7 million over the year. This mainly reflected the mid-teen percentage growth in winter trade fair orders year on year and the extended credit terms to the distributors in the final quarter of the year as retail sales of the distributors had been adversely affected by the slow-down in consumer spending and the extreme weather in November and December. As at 31 December 2015, the Group had a balance of RMB10.1 million provision for doubtful debts and there was no movement of such balance during the year.

The Group's average trade payables turnover days was 72 days. This compared to 59 days for the year ended 31 December 2014. The balance of trade and bills payables increased by RMB73.3 million to RMB342.7 million. This reflected the growth in trade fair orders of the 2015 winter and 2016 spring and summer collections and also the change in suppliers' mix.

PLEDGE OF ASSETS

As at 31 December 2015, deposits with certain banks totalling RMB1,053.9 million (2014: RMB846.1 million) were pledged as securities for bank loans. The pledged bank deposits will be released upon the settlement of relevant bank loans.

CAPITAL COMMITMENTS AND CONTINGENCIES

As at 31 December 2015, the Group had total capital commitments of RMB520.6 million, primarily related to the construction of a new headquarters and the development of the ERP system. The construction of the new headquarters has started in the second half of the year and is expected to be completed in early 2018.

These capital commitments are expected to be financed by internal resources of the Group.

As at 31 December 2015, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

During the year, the Company conducted an exercise based on the ERM Framework as set out in the paragraph headed “Risk Management and Internal Control” in the Corporate Governance Report set out on pages 22 to 32 of this Annual Report to review the identified risks and assess the risks facing the Group. The Group’s key risk exposures are summarized as follows:

Strategic Risks	(i)	slow down of the economy and consumer spending
	(ii)	deterioration of market competition
Operational Risks	(i)	Ineffective management of the retail operations of distributors
	(ii)	Misjudgement of fashion trends or consumers’ demand or failure to respond to such changes in a timely manner
	(iii)	Ineffective brand promotion activities or failure to successfully maintain and promote the brands
Financial Risks	(i)	Distributors’ credit risks
	(ii)	Budget over-run and delay in the construction of the new headquarters
Hazard Risks	(i)	Business susceptible to extreme or unseasonable weather conditions

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company is committed to achieving environmental sustainability and incorporating it in the Group’s daily operations. The in-house manufacturing facilities operate in strict compliance with environmental rules and regulations.

For waste water, exhaust and noise emissions, the Group has formulated a production plant management manual, which sets out measures for lawful discharge of sewage and the reduction of waste gas emissions through efficiency improvement of the coal-fired boilers. The Group has also installed desulfurization equipment in coal-fired boilers to reduce sulfur oxide emissions. Waste water is discharged through municipal pipes equipped with filters, which will not have a significant impact on the surrounding environment. The Group engages a third-party professional organization to conduct annual environmental monitoring, including boiler waste gas and water quality monitoring, to strengthen the management of waste water and gas emissions. For the year ended 31 December 2015, the Group complied with the relevant regulatory requirements in respect of waste gas and waste water emissions. In addition, sewing machines designed to be less noisy are used on the factory floor, while more noisy air compressor equipment is isolated in separate rooms or by partition walls. As such, there is basically no harmful noise in the plant.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the use of resources, the Group adheres to the “5S management system” and requires all employees to conserve water and electricity. Posters are put up in the office area and plants to enhance employees’ awareness of energy saving and emission reduction. The Group promotes a paperless office and reduces the use of paper by using ERP system, OA system and mobile communication equipment. Part of the production plant is powered by solar energy to reduce the use of electricity resources. For water usage in the production plant, water used in the boilers is recycled at the reflux line to improve the efficiency. In addition, the Group strictly controls the usage of raw materials, and each fabric cutting layout meets the requirements of individual orders to reduce wastage. The Group also conducts regular maintenance of the boilers and other production equipment to reduce wastes due to equipment ageing or failure. Designated staff is assigned to collect and regularly sell the wastes (including scraps, packaging materials and cinders) produced during the production process.

FINANCIAL MANAGEMENT POLICIES

The Group continues to control financial risks in a prudent manner. The functional currency of the Company is the Hong Kong Dollars and the Company’s financial statements are translated into Renminbi for reporting and consolidation purposes. Foreign exchange differences arising from the translation of financial statements are directly recognized in equity as a separate reserve. As the Group conducts business transactions principally in Renminbi, the exchange rate risk at the Group’s operational level is not significant. As at 31 December 2015, financial instruments were employed to hedge the currency risks of the non-functional currency denominated pledged bank deposits and bank loans of the related subsidiaries.

HUMAN RESOURCES

As at 31 December 2015, the Group had 1,840 staff. Total staff costs for the year amounted to approximately RMB139.0 million (2014: RMB125.8 million).

The Group places great emphasis on recruiting and training quality personnel. We recruit talents from universities and technical schools and provide pre-employment and on-going training and development opportunities to our staff members. The training programs cover areas such as sales and production, customer services, quality control, trade fairs planning, workplace ethics and training of other areas relevant to the industry.

The Group offers competitive remuneration packages to our employees based on factors such as market rates, responsibility, job complexity as well as the Group’s performance. The Group has also adopted share option schemes to recognize and reward the contribution of the employees to the growth and development of the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Thursday, 14 April 2016 to Tuesday, 19 April 2016 (both days inclusive) for the purpose of determining shareholders who are entitled to attend and vote at the 2016 annual general meeting (“2016 AGM”). In order to qualify for attending and voting at the 2016 AGM, all transfers accompanied by the relevant share certificate must be lodged with the Company’s share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 13 April 2016.

In addition, subject to the approval of the proposed final dividend and the special final dividend by the shareholders at the 2016 AGM, the register of members will be closed from Monday, 25 April 2016 to Wednesday, 27 April 2016 (both days inclusive) for the purpose of determining shareholders who qualify for the proposed final dividend and special final dividend. In order to qualify for the proposed final dividend and special final dividend, all transfers accompanied by the relevant share certificate must be lodged with the Company’s share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 22 April 2016.

CORPORATE GOVERNANCE REPORT

The Board is firmly committed to compliance of statutory and regulatory corporate governance standards and adherence to the principles of corporate governance emphasizing transparency, accountability and integrity. Policies and practices on corporate governance are reviewed on a regular basis and as required to ensure that they remain appropriate and compliance with legal and regulatory requirements.

The Company complied with the code provisions of the Corporate Governance Code (the “Code Provisions”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year ended 31 December 2015.

(A) BOARD OF DIRECTORS

The Board is responsible for governing the Company and managing assets entrusted by the shareholders. The Directors recognize their collective and individual responsibility to the shareholders and perform their duties diligently to achieve positive results for the Company and to maximize returns for shareholders.

The Board currently comprises six Executive Directors and four Independent Non-executive Directors:

Executive Directors

Mr. Wang Dong Xing (*Chairman*)
Mr. Wang Liang Xing
Mr. Wang Cong Xing
Mr. Cai Rong Hua
Mr. Hu Cheng Chu
Mr. Pan Rong Bin

Independent Non-executive Directors

Dr. Lu Hong Te
Mr. Chen Tien Tui
Mr. Nie Xing
Mr. Lai Shixian

Their biographical details and (where applicable) their family relationships are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 33 to 37 in the Annual Report. A list of the Directors identifying their role and function and whether they are Independent Non-executive Directors are available on the Company’s website.

The principal responsibilities of the Board include the formulation of the Group’s business strategies and management objectives, supervision of the management and evaluation of the effectiveness of management strategies. Day-to-day management of the Group’s businesses is delegated to the Executive Directors or senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Matters reserved for the Board include those affecting the Group's overall strategies, budget and plans, publication of financial statements, dividend policy, appointment of members to the various Board Committees and major investments. The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of directors and senior management. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance.

All Board members have separate and independent access to the Group's senior management to fulfill their duties.

Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request. No such advice was sought during 2015.

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

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers. In 2015, no claims under the insurance policy were made.

Directors' Continuous Training and Professional Development

Each newly appointed Directors is given necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant laws and regulations. All Directors are provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to the Board during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices.

CORPORATE GOVERNANCE REPORT (CONTINUED)

All Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. According to the records provided by the Directors, a summary of training received by the Directors during the year ended 31 December 2015 is as follows:

	Types of continuous professional development programmes
Directors	
Executive Directors	
Mr. Wang Dong Xing	A, B
Mr. Wang Liang Xing	A
Mr. Wang Cong Xing	B
Mr. Cai Rong Hua	C
Mr. Hu Cheng Chu	B
Mr. Pan Rong Bin	A
Independent Non-executive Directors	
Dr. Lu Hong Te	B
Mr. Chen Tien Tui	B
Mr. Nie Xing	B
Mr. Lai Shixian	B

Notes:

A: Attending courses/seminars on business management

B: Attending seminar on regulatory updates

C: Reading seminar materials on regulatory updates

Chairman and Chief Executive Officer

The Chairman of the Board, Mr. Wang Dong Xing, is responsible for the overall management of and leadership for the Board and ensuring that good corporate governance practices and procedures are established. He is also responsible to ensure all Directors receive adequate information in a timely manner and are properly briefed on issues arising on board meetings.

The Chief Executive Officer, Mr. Wang Liang Xing, is responsible for managing the day-to-day operations of the Group's business.

The Company has kept these roles separated and distinctive as this ensures better checks and balances and hence better corporate governance.

Independence of Independent Non-executive Directors

Currently, the four Independent Non-executive Directors have extensive experiences in apparel industry and consumer market in China, who bring with them expertise in different areas. The role of the Independent Non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of the shareholders and the Group. The Independent Non-executive Directors are expressly identified as such in all corporate communications that disclose the names of Directors.

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

Board Committees

To cover particular aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. Each of the Committees is delegated by the Board with specific roles and responsibilities and reports to the Board on matters discussed and their findings. Their terms of reference are available on the Company's website.

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

(i) Audit Committee

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Nie Xing, Dr. Lu Hong Te and Mr. Lai Shixian. The Chairman of the Audit Committee is Mr. Nie Xing, whose expertise in financial planning and analysis, management, investment and corporate financing enables him to provide leadership for the Committee.

The principal responsibilities of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. These include reviewing the Group's interim and annual reports.

The Audit Committee had two meetings during the year ended 31 December 2015. During the meetings, the Audit Committee had approved the audit fee for the year ended 31 December 2015, considered internal control review findings, the annual report of the Group for the year ended 31 December 2014 and the interim report of the Group for the six months ended 30 June 2015, as well as the reports prepared by the external auditor covering major findings in the course of its audit/review.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(ii) Remuneration Committee

The Remuneration Committee comprises two Independent Non-executive Directors and one Executive Director, namely Mr. Chen Tien Tui, Mr. Nie Xing and Mr. Wang Cong Xing. Mr. Chen Tien Tui is the Chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee are to review and make recommendations to the Board on the overall remuneration structure and policy as well as the specific remuneration packages for the Directors and senior management and on the establishment of a formal and transparent process for developing such remuneration policy. No director will take part in any discussion on his own remuneration.

The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board of Directors, market rates and factors such as each director's workload, performance, responsibility, job complexity and the Group's performance are taken into account.

During the year ended 31 December 2015, the Remuneration Committee held one meeting to discuss and approve for recommendation to the Board the bonus (if any) for the year ended 31 December 2014 and salary adjustments (if any) for the year ended 31 December 2015 of Executive Directors and senior management.

Details of Directors' and senior management's remuneration are set out in notes 8 to 10 to the financial statements.

(iii) Nomination Committee

The Nomination Committee comprises one Executive Director and two Independent Non-executive Directors, namely Mr. Wang Dong Xing, Dr. Lu Hong Te and Mr. Chen Tien Tui. Mr. Wang Dong Xing is the Chairman of the Nomination Committee.

The Company recognizes the benefits of having a Board that has a balance of experience, skills and diversity of perspectives appropriate to the requirements of the Company's businesses. The Board has adopted a Board Diversity Policy that appointment to the Board should be based on merit that compliments and expands the skills and experience of the Board as a whole, and after due regard to factors which include but not limited to gender, age, educational background, professional experience, skills and knowledge, and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board. The Board shall review the structure, size and composition of the Board from time to time to ensure that it has a balanced composition of skills and experience appropriate to the requirements of the Company's business, with due regard to the benefits of diversity of the Board.

The Nomination Committee is responsible for monitoring the implementation of the Board Diversity Policy and will at the appropriate time set measurable objectives for achieving diversity of the Board. It is also responsible to consider and recommend to the Board suitably qualified persons to become a member of the Board, monitor the succession planning of Directors and assess the independence of Independent Non-executive Directors.

CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year ended 31 December 2015, the Nomination Committee held one meeting. In the meeting, the Nomination Committee had assessed the independence of Independent Non-executive Directors, considered and recommended to the Board on the retirement by rotation and re-election of Directors at the 2015 annual general meeting. The Committee considered the current size and composition of the Board to be sufficient to meet the Company's business needs.

(iv) Risk Management Committee

The Risk Management Committee was established on 11 December 2015 and comprises three Executive Directors, namely Mr. Wang Dong Xing, Mr. Wang Cong Xing and Mr. Pan Rong Bin. Mr. Wang Dong Xing is the Chairman of the Risk Management Committee.

The principal responsibilities of the Risk Management Committee are to review the risks facing the Company and to oversee management in the design, implementation and monitoring of the risk management system.

The Risk Management Committee did not hold any meetings during the year ended 31 December 2015. Key risk exposures of the Group identified are set out in the Management Discussion and Analysis on pages 8 to 21 of the Annual Report.

Board Proceedings

Regular board meetings are held at quarterly intervals with additional meetings convened as and when necessary to discuss the overall strategic directions, the Group's operations, financial performance, and to approve interim and annual results and other significant matters. For regular meetings, Board members are given at least 14 days prior notice and agenda with supporting papers are sent to Directors not less than 3 days before the relevant meeting is held. Directors may propose to the Chairman or the Company Secretary to include matters in the agenda for regular board meetings.

Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at board meetings and abstain from voting in favour of the related board resolutions as appropriate.

Minutes of meetings of the Board and Board Committees are kept by the Company Secretary in sufficient details the matters considered and decisions reached, including dissenting views expressed, and are open for inspection on reasonable notice by any Director. Draft and final versions of minutes are sent to all Directors for their comments and records respectively within a reasonable time after the board meeting is held.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring the Board procedures are followed.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Meetings

The attendance of individual Directors at board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and Annual General Meeting held during the year ended 31 December 2015 are set out below:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	2015 Annual General Meeting
No. of meetings held during the year ended 31 December 2015	7	2	1	1	1
Executive Directors					
Mr. Wang Dong Xing	7	N/A	N/A	1	1
Mr. Wang Liang Xing	5	N/A	N/A	N/A	—
Mr. Wang Cong Xing	7	N/A	1	N/A	1
Mr. Cai Rong Hua	4	N/A	N/A	N/A	1
Mr. Hu Cheng Chu	4	N/A	N/A	N/A	—
Mr. Pan Rong Bin	3	N/A	N/A	N/A	—
Mr. Wang Ru Ping (resigned on 17 March 2015)	1	N/A	N/A	N/A	—
Independent Non-executive Directors					
Dr. Lu Hong Te	4	2	N/A	1	1
Mr. Chen Tien Tui	4	N/A	1	1	1
Mr. Nie Xing	4	2	1	N/A	1
Mr. Lai Shixian	4	2	N/A	N/A	1

To supplement the formal Board meetings, the Chairman held regular gatherings with Directors to consider issues in an informal setting.

During the year, the Chairman had one meeting with the Independent Non-executive Directors without the Executive Directors present.

Appointment and Re-election of Directors

Each of the Executive Directors and Independent Non-executive Directors of the Company has entered into a service contract with the Company for a specific term subject to his retirement and re-election at annual general meeting in accordance with the Company's articles of association.

In accordance with the Company's articles of association, a person may be appointed as a Director either by the shareholders in general meeting or by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following general meeting, and are eligible for re-election by the shareholders. In addition, all Directors are required to retire by rotation at least once every three years at the annual general meeting, and are eligible for re-election by the shareholders.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Securities Transactions by Directors

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

Senior management who, because of their office in the Company, are likely to be in possession of unpublished price sensitive information, have also been requested to comply with the provisions of the Securities Dealing Code.

Company Secretary

Ms. Ko Yuk Lan, the Company Secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. During the financial year, Ms. Ko has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of Ms. Ko is set out in the section headed "Biographical Details of Directors and Senior Management" on pages 33 to 37 in the Annual Report.

(B) FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROL

Financial Reporting

The Board acknowledges its responsibility to prepare the Company's accounts which give a true and fair view of the Group's state of affairs, results and cash flows for the year and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and the disclosure requirements of the Companies Ordinance. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates.

Risk Management and Internal Controls

The Board recognizes its responsibility to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives and to ensure that the Company establishes and maintains effective risk management and internal controls systems. Such systems are designed to manage rather than eliminate the risk of failure to business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

(i) Enterprise Risk Management ("ERM") Framework

The Company's ERM processes are summarized as follows:



The risk management systems are reviewed annually to ensure appropriateness and effectiveness.

Key risks exposures of the Group are summarized in the paragraph headed "Principal Risks and Uncertainties" in the Management Discussion and Analysis set out on pages 8 to 21 of this Annual Report.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(ii) Internal Controls

The Group's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks. The Group has engaged KPMG Advisory (China) Limited as internal control review advisor to conduct the annual review of the effectiveness of the internal control system. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic rotational basis based on the risk assessments of the operations and controls. The scope of review for the year had been determined and approved by the Audit Committee. No major issue but areas for improvement have been identified. The Board and the Audit Committee considered that the key areas of the Group's internal control systems are reasonably implemented.

The Company recognises that the release of inside information to place anyone in a privileged dealing position is strictly prohibited and has adopted an Inside Information Policy to ensure compliance of the Listing Rules. Prior to the announcement of the inside information, all Directors and senior management are requested to take all reasonable steps to maintain strict confidentiality and where it is reasonably likely that confidentiality may have been lost in respect of the inside information, the Company shall as soon as reasonably practicable, apply to the Stock Exchange for a trading suspension of its shares.

External Auditor

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

During the year, the fees payable to KPMG in respect of its statutory audit services (including interim review) provided to the Group was RMB2,560,000. Fees payable to KPMG for non-audit services, namely internal control review and tax advisory services, for the year amounted to RMB369,000.

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

(C) NON-COMPETE UNDERTAKING BY CONTROLLING SHAREHOLDERS

Mr. Wang Dong Xing, Mr. Wang Liang Xing, Mr. Wang Cong Xing, Xiao Sheng International Limited and Ming Lang Investments Limited are the controlling shareholders (within the meaning of the Listing Rules) of the Company ("Controlling Shareholders"). Each of the Controlling Shareholders has confirmed to the Company that none of them is engaged in, or interested in any business (other than the Group) to compete directly or indirectly with the Group. To protect the Group from any potential competition, the Controlling Shareholders have given an irrevocable non-compete undertaking in the Group's favour on 4 September 2009.

In order to properly manage any potential or actual conflict of interests between the Group and the Controlling Shareholders in relation to the compliance and enforcement of the non-compete undertaking, the Company has adopted the following corporate governance measures:

- (i) the Independent Non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the non-compete undertaking by the Controlling Shareholders;

CORPORATE GOVERNANCE REPORT (CONTINUED)

- (ii) the Company will disclose any decisions on matters reviewed by the Independent Non-executive Directors relating to compliance and enforcement of the non-compete undertaking either through the annual report or by way of announcement;
- (iii) the Company will disclose in the corporate governance report on how the terms of the non-compete undertaking have been complied with and enforced; and
- (iv) in the event that any of the Directors and/or their respective associates has material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the non-compete undertaking, he may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Company's articles of association.

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

Each of the Controlling Shareholders has confirmed to the Company that he/it has complied with the non-compete undertaking. The Independent Non-Executive Directors of the Company have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with.

(D) COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS RELATIONS

Investors Relations

The Company believes that effective communication with its shareholders and the investment community in a fair and timely basis is essential. Continuous dialogue is held with research analysts and institutional investors by means of roadshows, one on one meetings, conference calls and investors conferences to keep them abreast of the Group's business and development.

Shareholders' Rights

The Company encourages shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board committees at the general meetings or providing written notice of such proposals for the attention of the Company Secretary at the registered office of the Company in Hong Kong currently situated at 3402, 34 Floor, Lippo Centre, Tower One, No. 89 Queensway, Hong Kong or via email to ir@lilanz.com.hk.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Directors may, whenever they think fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary and deposited at the registered office of the Company in Hong Kong currently situated at 3402, 34 Floor, Lippo Centre, Tower One, No. 89 Queensway, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Company's articles of association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

The notice of annual general meeting together with the accompanying circular setting out the relevant information as required under the Listing Rules are sent to shareholders at least 20 clear business days prior to the meeting. Poll voting has been adopted for decision-making at Shareholders' meetings to ensure that each share is entitled to one vote. Details of the poll voting procedures are set out in the circular sent to Shareholders prior to the meeting and explained at the commencement of the meeting. Voting results are posted on the Company's website on the day of the annual general meeting.

The attendance record of the Directors at the annual general meeting held during the year is set out under the paragraph headed "Meetings" above.

During the financial year, there were no changes in any of the Company's constitutional documents.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wang Dong Xing (王冬星先生), aged 55, is the chairman and an executive Director of the Company. He was appointed as an executive Director on 13 June 2008. Mr. Wang has been with the Group since its establishment in April 1995 and is one of the founders of the Group. He is responsible for the Group's overall business development, strategic planning and corporate management. He is also responsible for formulating operation direction, devising annual plan and financial budget and making recommendations on significant investments of the Group to the Board for approval. He completed a diploma programme for chief executive officers of enterprises (企業總裁高級研修班) from the Economics College of Peking University (北京大學經濟學院), an EMBA programme organised by Lingnan College, Sun Yat-sen University (中山大學嶺南學院) and a China CEO Programme (中國企業CEO課程) organized by Cheung Kong Graduate School of Business (長江商學院). He is currently attending a CEO to Lead the Future Programme (引領未來CEO課程) organized by the Shanghai Advanced Institute of Finance at Shanghai Jiao Tong University (上海交通大學上海高級金融學院). Mr. Wang has over 25 years of manufacturing and management experience in the menswear industry in the PRC.

Mr. Wang is a member of the Fujian Province Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議福建省委員會), a representative of the Quanzhou Municipal People's Congress (泉州市人民代表大會) and standing vice chairman of the Jinjiang City Sewing and Apparel Association (晉江市紡織服裝協會). He is also vice chairman of the Jinjiang Committee of China Democratic National Construction Association (民主建國會晉江委員會), standing committee member of the Jinjiang Chamber of Commerce (晉江市工商聯(總商會)) and chairman of the Quanzhou APEC Business Travel Card Association (泉州市APEC(亞太經合組織)商務旅行卡協會).

Mr. Wang is the elder brother of Mr. Wang Liang Xing and Mr. Wang Cong Xing, who are also executive Directors of the Company. He is the brother-in-law of Mr. Chen Wei Jin, a member of the senior management of the Company. He is also one of the shareholders of Xiao Sheng International Limited and Ming Lang Investments Limited, which are the controlling shareholders (within the meaning of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) of the Company.

Mr. Wang Liang Xing (王良星先生), aged 53, is the vice chairman, the chief executive officer and an executive Director of the Company. He was appointed as an executive Director on 13 June 2008. He has been with the Group since its establishment in April 1995 and is one of the founders of the Group. Mr. Wang is responsible for the Group's overall business development, strategic planning and corporate management. He is also responsible for the corporate development and the internal management system of the Group and recommending the appointment of senior management to the Board. He completed an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院), an EMBA programme organised by Xiamen University (廈門大學), a China CEO Programme (中國企業CEO課程) organized by Cheung Kong Graduate School of Business (長江商學院) and a Global CEO Programme (全球CEO課程) organized by China Europe International Business School (中歐國際工商學院). He has over 25 years of manufacturing and management experience in the menswear industry in the PRC.

Mr. Wang is the vice-chairman and standing supervisor of the Enterprises Credit Management Association of Quanzhou City (泉州市企業合同信用管理協會第一屆理事會) and a supervisor of the Garment Association of the PRC (中國服裝協會). He was one of 50 persons honoured with a 2005 PRC Enterprises Trademark Award (2005中國企業商標50人) and was accredited as the "Brand China People of the Year 2010" (2010品牌中國年度人物).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Wang is the brother of Mr. Wang Dong Xing and Mr. Wang Cong Xing, and the brother-in-law of Mr. Cai Rong Hua, who are also executive Directors of the Company. He is also one of the shareholders of Xiao Sheng International Limited and Ming Lang Investments Limited, which are the controlling shareholders (within the meaning of the Listing Rules) of the Company.

Mr. Wang Cong Xing (王聰星先生), aged 47, is the vice chairman and an executive Director of the Company. He was appointed as an executive Director on 2 January 2008. Mr. Wang has been with the Group since its establishment in April 1995 and is one of the founders of the Group. He is responsible for finance and information technology management for the Group. He is also responsible for corporate development and the internal management system of the Group and supervising the implementation of the annual, quarterly and monthly financial plans of the Group. He completed an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) in 2006. He has over 25 years of manufacturing and management experience in the menswear industry in the PRC.

Mr. Wang is the brother of Mr. Wang Dong Xing and Mr. Wang Liang Xing, who are also executive Directors of the Company. He is also a director and a shareholder of Ming Lang Investments Limited and Xiao Sheng International Limited, which are the controlling shareholders (within the meaning of the Listing Rules) of the Company.

Mr. Cai Rong Hua (蔡榮華先生), aged 47, is an executive Director of the Company. He joined the Group in April 1998 and was appointed as an executive Director on 13 June 2008. He is responsible for product research and development for the Group. He is also responsible for negotiating with the major suppliers of the Group. Mr. Cai completed an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) and an EMBA programme organised by Lingnan College, Sun Yat-sen University (中山大學嶺南學院). He has over 15 years of manufacturing and management experience in the menswear industry in the PRC.

Mr. Cai is the brother-in-law of Mr. Wang Liang Xing, who is also an executive Director of the Company. He is also one of the shareholders of Xiao Sheng International Limited and Ming Lang Investments Limited, which are the controlling shareholders (within the meaning of the Listing Rules) of the Company.

Mr. Hu Cheng Chu (胡誠初先生), aged 71, is an executive Director of the Company. He joined the Group in April 1998 and was appointed as an executive Director on 13 June 2008. He is responsible for brand management, market promotion and public relation for the Group. Mr. Hu completed part-time professional political engineering course and professional administrative management course from Fudan University in 1988 and 1989, respectively, and an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院). He is currently the vice chairman of the Quanzhou Association of Professional Managers (泉州職業經理人協會) and a supervisor of the Association of China Brand Managers of the Brand China Industry Union (品牌中國產業聯盟之中國品牌經理人協會). Mr. Hu was accredited as the top 10 planner for corporate sales and marketing in the PRC for the year 2007 and 2008, and for the year 2009 and 2010 (2007-2008年及2009-2010年中國十大企業營銷策劃人), the top 10 brand manager in China for the year 2010 (2010中國十大品牌經理人), the China Great Wall outstanding advertising personage award for the year 2011 (2011年中國廣告主長城獎 — 人物獎之功勳獎), the excellent chief brand officer in China for the year 2013 (2013中國卓越首席品牌官), and the top 10 planner for brand marketing of China's enterprises (中國企業十大品牌營銷策劃人) in the 2015 award presentation ceremony of "The Summit of China's Influential Brands" (中國影響力品牌高峰論壇) and "CCTV — Outlook: Times Influence" (CCTV — 發現之旅時代影響力).

Mr. Hu is also one of the shareholders of Xiao Sheng International Limited and Ming Lang Investments Limited, which are the controlling shareholders (within the meaning of the Listing Rules) of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Pan Rong Bin (潘榮彬先生), aged 42, is an executive Director of the Company. He joined the Group in February 2003 and was appointed as an executive Director on 13 June 2008. Prior to acting as the general manager of the Group's core brand "LILANZ" since March 2011, Mr. Pan was responsible for the marketing and distribution operations of the Group's core brand "LILANZ".

Mr. Pan completed an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) in 2006. From 2001 to 2005, Mr. Pan was a representative in the Nanping Municipal People's Congress, Fujian Province (福建省南平市人民代表大會). From 1995 to 2007, he was a member of the Chinese People's Political Consultative Conference of Jianyang City, Fujian Province (中國人民政治協商會議福建省建陽市委員會). He was honoured with the Award for the Model of Labour in Quanzhou City, Fujian Province (福建省泉州市勞動模範) in May 2006. He has over 15 years of management experience in the menswear industry in the PRC.

Mr. Pan is also one of the shareholders of Xiao Sheng International Limited and Ming Lang Investments Limited, which are the controlling shareholders (within the meaning of the Listing Rules) of the Company.

Independent Non-executive Directors

Dr. Lu Hong Te (呂鴻德博士), aged 55, is an independent non-executive Director of the Company. He joined the Board on 13 June 2008. Dr. Lu obtained a bachelor's degree in management from National Cheng Kung University in 1983 and a master's degree and a doctoral degree in business from the Graduate Institute of Business Administration of the College of Management of National Taiwan University in 1985 and 1992, respectively. Dr. Lu is a professor at the department of business administration at Chung Yuan Christian University in Taiwan, specialising in marketing and sales management and corporate competitive strategies. He also serves as a visiting professor at several institutions, including SGP International Management Academy, Nanyang Technological University's EMBA Centre and Xiamen University's EMBA Centre.

Dr. Lu is an independent non-executive director of three companies in Taiwan, namely Firich Enterprises Co., Ltd. (台灣伍豐科技股份有限公司) (stock code: 8076), Lanner Electronics Inc. (台灣立端科技股份有限公司) (stock code: 6245) and Uni-President Enterprises Corporation (統一企業股份有限公司) (stock code: 1216), the shares of which are traded in the Gre Tai Securities Market (證券櫃檯買賣中心) in Taiwan. He is also an independent non-executive director of three other companies, namely Capxon International Electronic Company Limited (凱普松國際電子有限公司) (stock code: 469), ANTA Sports Products Limited (安踏體育用品有限公司) (stock code: 2020) and China SCE Property Holdings Limited (中駿置業控股有限公司) (stock code: 1966), the shares of which are listed on the Stock Exchange. During the last three years, Dr. Lu was also an independent non-executive director of Aiptek International Inc. (台灣天瀚科技股份有限公司) (stock code: 6225), the shares of which are listed on the Taiwan Stock Exchange. He resigned as independent non-executive director of that company on 8 January 2014.

Mr. Chen Tien Tui (陳天堆先生), aged 67, is an independent non-executive Director of the Company. He joined the Board on 13 June 2008. Mr. Chen is the chief executive officer and an executive director of Victory City International Holdings Limited (冠華國際控股有限公司) (stock code: 539), the shares of which are listed on the Stock Exchange. During the last three years, he was also a non-executive director of Highlight China IoT International Limited (高銳中國物聯網國際有限公司) (formerly known as Ford Glory Group Holdings Limited (福源集團控股有限公司)) (stock code: 1682), the shares of which are listed on the Stock Exchange. He resigned as non-executive director of that company on 16 August 2014. Mr. Chen has over 30 years experience in the textile industry.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Nie Xing (聶星先生), aged 51, is an independent non-executive Director of the Company. He joined the Board on 13 June 2008. Mr. Nie is a graduate from the Jiangxi University of Finance and Economics (江西財經學院) with a bachelor's degree in economics in 1986 and further obtained a master's degree in business administration from the Open University of Hong Kong (香港公開大學) in December 2000. Mr. Nie is also an independent non-executive director of Time2U International Holding Limited (時間由你國際控股有限公司) (stock code: 1327), the shares of which are listed on the Stock Exchange. During the last three years, he was also an executive director of China Culiangwang Beverages Holdings Limited (中國粗糧王飲品控股有限公司) (formerly known as China Green (Holdings) Limited (中國綠色食品(控股)有限公司)) (stock code: 904), the shares of which are listed on the Stock Exchange. He resigned as executive director of that company on 25 November 2013. Mr. Nie has substantial experience in financial planning and analysis, management, investment and corporate financing. He is currently the chairman of the Audit Committee.

Mr. Lai Shixian (賴世賢先生), aged 41, is an independent non-executive Director of the Company. He joined the Board on 13 December 2012. Mr. Lai is the chief operating officer, an executive director and a vice president of ANTA Sports Products Limited (安踏體育用品有限公司) (stock code: 2020), the shares of which are listed on the Stock Exchange, and is primarily responsible for the supply chain and administrative management of that group of companies. Mr. Lai holds an EMBA degree from China Europe International Business School.

SENIOR MANAGEMENT

Ms. Ko Yuk Lan (高玉蘭女士), aged 54, is the chief financial officer and company secretary of the Group. She first joined the Group in January 2008 and worked with the Group until September 2008. She rejoined the Group in May 2010. Ms. Ko graduated from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) with a Professional Diploma in Management Accountancy. She has over 25 years of experience in financial management and corporate finance. Prior to joining the Group, she had worked in an international accounting firm and other companies listed on the main board of the Stock Exchange. Ms. Ko is a member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Cost and Management Accountants. She is currently an independent non-executive director of Hosa International Limited (浩沙國際有限公司) (stock code 2200), the shares of which are listed on the Stock Exchange.

Mr. Lin Yi-Chieh (林易傑先生), aged 39, is the head of the human resources department of the Group's core brand "LILANZ". He obtained a master's degree in business administration from Xiamen University (廈門大學) in 2007 and completed a master programme in business administration at the University of Furtwangen in 2006. Mr. Lin joined the Group on 7 June 2007.

Ms. Shi Mei Ya (施美芽女士), aged 39, is the head of the production management department of the Group's core brand "LILANZ". She completed a programme in fine chemical engineering at Fujian Radio and TV University (福建省廣播電視大學) in 1998 and an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) in 2006. She also completed a programme in project management and a master programme in business administration for senior managers (高級經理工商管理碩士) at Xiamen University (廈門大學). Ms. Shi joined the Group on 1 August 1998 and has been the head of production management department of the Group's core brand "LILANZ" since November 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Zhang Yu Feng (章宇峰先生), aged 45, is the head of group strategy development department of the Group. He graduated from Shanghai University of Finance and Economics (上海財經大學) with a bachelor degree in professional trade and economics in 1992 and completed an EMBA core course from Cheung Kong Graduate School of Business (長江商學院) in 2006. From 1992 to 2007, he had worked in S. C. Johnson & Son, Inc. (美國莊臣父子公司) as sales representative and branch office manager, worked in Coty Inc. (法國科蒂化妝品集團) as regional manager and sales manager in China region, worked in Henkel AG (德國漢高公司) as National Trade Marketing Manager and National Sales Director, worked in Li Ning Company Limited (李寧有限公司) as department head targeting key clients and worked in Puma China (彪馬中國) as regional sales and marketing manager for the eastern, central and western China regions. He joined the Group on 27 August 2007 and was the head of the marketing in the sales and marketing department of the Group's core brand "LILANZ" prior to acting as the head of group strategy development department since January 2016.

Mr. Zhuang Zhi Han (莊志函先生), aged 46, is the deputy financial controller of the Group. He graduated from Faculty of Accountancy from East China Technology University (華東工業大學) with a bachelor's degree in Economics major in accounting in 1994. He obtained an EMBA degree from Xiamen University (廈門大學) in December 2012. Prior to joining the Group, he worked in Xiabin Electronic Stock Company Limited (夏新電子股份有限公司), responsible for the overall financial affairs. He joined the Group on 1 September 2008.

Mr. Chen Wei Jin (陳維進先生), aged 46, is the head of the group ordering department of the Group. He graduated from Zhangzhou Normal University (漳州師範學院) with a professional diploma in administration in July 2000 and completed an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) in February 2006. From 1989 to 2004, he served as the general manager of Jinjiang Weixin Knitters Factory (晉江維信針織廠). From 1996 to 2004, he also worked in the Jinjiang branch office of the China Life Insurance Company Limited (中國人壽保險有限公司晉江支公司) as the general manager of the sales department, where he was recognised as Pioneer of Sales and Marketing (營銷標兵) from 1998 to 2000 and Outstanding Supervisor for the year 2002. He joined the Group on 1 March 2004 as the manager of the group ordering department of the Group. Mr. Chen is the brother-in-law of Mr. Wang Dong Xing, an executive Director of the Company.

Mr. Huang Ming Hai (黃明海先生), aged 40, is the financial controller of the Group's core brand "LILANZ". He completed an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院), a programme in financial management at the Adult Education College of Huaqiao University (華僑大學), an advanced programme in financial leadership development (財務領袖高級研修班課程) at Commerce College of Huaqiao University (華僑大學), and a distance-learning programme in finance (成人高等教育會計學專業函授課程) at the Fujian Agriculture and Forestry University Continuing Education School (福建農林大學成人教育學院). He joined the Group on 24 April 1995.

REPORT OF THE DIRECTORS

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

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands and is domiciled in Hong Kong and has its registered office at Suite 3402, 34/F., Lippo Centre, Tower One, 89 Queensway, Hong Kong. The Group's principal place of business is in the PRC.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group are manufacturing and wholesaling of branded menswear and related accessories in the PRC. The principal activities and other particulars of the subsidiaries are set out in note 32 to the financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the group's business, can be found in the Management Discussion and Analysis set out on pages 8 to 21 of this Annual Report. This discussion forms part of this directors' report.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	2015		2014	
	Percentage of the Group's total Sales	Percentage of the Group's total Purchases	Percentage of the Group's total Sales	Percentage of the Group's total Purchases
The largest customer	7.7%		10.2%	
Five largest customers in aggregate	17.6%		24.7%	
The largest supplier		4.1%		3.0%
Five largest suppliers in aggregate		14.7%		12.9%

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on page 100 of the Annual Report.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2015 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 50 to 99 of the Annual Report.

REPORT OF THE DIRECTORS (CONTINUED)

TRANSFER TO RESERVES

Profit for the year, before dividends, of RMB625,165,000 (2014: RMB554,908,000) has been transferred to reserves. Other movements in reserves of the Group are set out in the consolidated statement of changes in equity.

An interim dividend of HK13 cents (2014: HK12 cents) per ordinary share and a special interim dividend of HK6 cents (2014: HK5 cents) per ordinary share were paid on 4 September 2015. The Directors now recommend the payment of a final dividend of HK17 cents (2014: HK17 cents) per ordinary share and a special final dividend of HK7 cents (2014: HK6 cents) per ordinary share in respect of the year ended 31 December 2015.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB7,413,000 (2014: RMB3,685,000).

NON-CURRENT ASSETS

Details of acquisitions and other movements of non-current assets (including property, plant and equipment, lease prepayments, intangible assets and deposits for purchases of fixed assets and land use rights) are set out in notes 12 to 15 to the consolidated financial statements.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2015 are set out in note 20 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 24(a) to the consolidated financial statements. Shares were issued during the year on exercise of share options.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this Annual Report, the Company has maintained the prescribed public float under the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2015 and at any time up to the date of this Annual Report.

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 is incorporated.

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

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

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS

The Directors during the financial year were:

Executive Directors

Mr. Wang Dong Xing (*Chairman*)
Mr. Wang Liang Xing
Mr. Wang Cong Xing
Mr. Cai Rong Hua
Mr. Hu Cheng Chu
Mr. Pan Rong Bin
Mr. Wang Ru Ping (resigned on 17 March 2015)

Independent Non-Executive Directors

Dr. Lu Hong Te
Mr. Chen Tien Tui
Mr. Nie Xing
Mr. Lai Shixian

Details of the Directors' biographies have been set out on pages 33 to 37 of the Annual Report.

In accordance with article 105(A) of the Company's articles of association, Mr. Wang Cong Xing, Mr. Hu Cheng Chu, Mr. Chen Tien Tui and Mr. Lai Shixian will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Group which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-Executive Directors to be independent.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under 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 ("Model Code") contained in Appendix 10 to the Listing Rules:

Name of shareholder	Name of Group Company/ Associated Corporation	Capacity/Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Wang Dong Xing	The Company	Beneficial owner	22,950,000 shares (L)	1.899%
	Xiao Sheng International Limited ("Xiao Sheng International") (Note 2)	Beneficial owner	2,550 shares of US\$1.00 each (L)	26.289%
Mr. Wang Liang Xing	The Company	Beneficial owner	26,031,000 shares (L)	2.154%
	Xiao Sheng International (Note 2)	Beneficial owner	2,550 shares of US\$1.00 each (L)	26.289%
Mr. Wang Cong Xing	The Company	Beneficial owner	22,950,000 shares (L)	1.899%
	Xiao Sheng International (Note 2)	Beneficial owner	2,550 shares of US\$1.00 each (L)	26.289%
Mr. Cai Rong Hua	The Company	Beneficial owner	9,010,000 shares (L)	0.745%
	Xiao Sheng International (Note 2)	Beneficial owner	800 shares of US\$1.00 each (L)	8.247%
Mr. Hu Cheng Chu	The Company	Beneficial owner	4,500,000 shares (L)	0.372%
	Xiao Sheng International (Note 2)	Beneficial owner	500 shares of US\$1.00 each (L)	5.155%
Mr. Pan Rong Bin	The Company	Beneficial owner	2,700,000 shares (L)	0.223%
	Xiao Sheng International (Note 2)	Beneficial owner	300 shares of US\$1.00 each (L)	3.093%

REPORT OF THE DIRECTORS (CONTINUED)

Notes:

1. The letter "L" denotes the Directors' long position in the shares of the Company or the relevant associated corporation.
2. Xiao Sheng International is owned as to 26.289% by each of Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, 8.247% by Mr. Cai Rong Hua, 5.155% by Mr. Hu Cheng Chu, 3.093% by Mr. Pan Rong Bin, 2.062% by Mr. Chen Wei Jin, 1.031% by Mr. Wang Qiao Xing and 0.515% by each of Mr. Xu Tian Min, Ms. Wang Cui Rong and Ms. Wang Hui Rong.

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executives of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which was recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code.

Save in connection with any share options to subscribe for the shares of the Company which may be granted to any of the Directors or chief executives under the Company's share option scheme as detailed in the paragraph headed "Share Option Scheme" in this report, at no time during the year was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the persons or corporations (not being a Director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Capacity/Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Xiao Sheng International	Beneficial owner	661,500,000 shares (L) (Note 2)	54.73%
Ming Lang Investments Limited ("Ming Lang Investments")	Beneficial owner	74,905,000 shares (L) (Note 3)	6.20%
Value Partners Group Limited	Interest in controlled corporation	74,386,000 share (L)	6.15%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of our Company.
- (2) These shares were held by Xiao Sheng International. Xiao Sheng International is owned as to 26.289% by each of Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, 8.247% by Mr. Cai Rong Hua, 5.155% by Mr. Hu Cheng Chu, 3.093% by Mr. Pan Rong Bin, 2.062% by Mr. Chen Wei Jin, 1.031% by Mr. Wang Qiao Xing and 0.515% by each of Mr. Xu Tian Min, Ms. Wang Cui Rong and Ms. Wang Hui Rong.
- (3) These shares were held by Ming Lang Investments. Ming Lang Investments is owned as to 26.289% by each of Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, 8.247% by Mr. Cai Rong Hua, 5.155% by Mr. Hu Cheng Chu, 3.093% by Mr. Pan Rong Bin, 2.062% by Mr. Chen Wei Jin, 1.031% by Mr. Wang Qiao Xing and 0.515% by each of Mr. Xu Tian Min, Ms. Wang Cui Rong and Ms. Wang Hui Rong.

REPORT OF THE DIRECTORS (CONTINUED)

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

CONTINUING CONNECTED TRANSACTION

The related party transaction for the year as disclosed in note 29 to the consolidated financial statements also constituted continuing connected transaction under the Listing Rules, which is required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. Details of such continuing connected transaction (as defined under the Listing Rules) are set out below in accordance with the requirements of the Listing Rules:

Tenancy Agreement with Jinlang (Fujian) Investments Co., Ltd (“Jinlang Fujian”)

Jinlang Fujian is wholly owned by Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, three of the executive Directors and controlling shareholders (within the meaning of the Listing Rules) of the Company. Jinlang Fujian is therefore a connected person of the Company under the Listing Rules.

The Group, as lessee, entered into a tenancy agreement with Jinlang Fujian, as landlord, on 19 December 2013 (the “Tenancy Agreement”) in respect of the premises of the Company’s headquarters at Lilang Industrial Park, 200 Chang Xing Road, Jinjiang City, Fujian Province (the “Premises”) with aggregate gross floor area of approximately 27,757 sq.m. for a term commencing from 1 January 2014 to 31 December 2016. The monthly rent payable by the Group to Jinlang Fujian under the Tenancy Agreement was RMB260,000 (exclusive of water and electricity charges, gas and steam fees, telephone charges, property maintenance fees and other fees in relation to the use of the Premises).

During the year ended 31 December 2015, total rental paid or payable by the Group under the Tenancy Agreement amounted to RMB3,120,000 which did not exceed the annual caps for this transaction.

Opinion from the Independent Non-executive Directors and auditor on the continuing connected transaction

The Directors (including all Independent Non-executive Directors) have reviewed the continuing connected transaction and confirmed that this transaction was entered into:

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

The Company’s auditor was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the auditor’s findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Main Board Listing Rule 14A.56. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

REPORT OF THE DIRECTORS (CONTINUED)

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors of the Company is currently in force and was in force throughout this year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the paragraph headed "Continuing Connected Transaction" above and in note 29 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

CONTRACTS OF SIGNIFICANCE

During the year, save as disclosed in note 29 to the consolidated financial statements and in the paragraph headed "Continuing Connected Transaction" in this report, there had been no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

COMPETING BUSINESS

Each of Mr. Wang Dong Xing, Mr. Wang Liang Xing, Mr. Wang Cong Xing, Xiao Sheng International and Ming Lang Investments (the controlling shareholders (within the meaning of the Listing Rules) of the Company) has confirmed to the Company that he/it has complied with the non-compete undertaking given by them to the Company on 4 September 2009. The Independent Non-Executive Directors of the Company have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with throughout the year ended 31 December 2015.

EQUITY-SETTLED SHARE BASED PAYMENTS

The Company adopted a pre-initial public offering share option scheme on 12 September 2008 (the "Pre-IPO Share Option Scheme") and a share option scheme on 4 September 2009 (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the Group.

Pre-IPO Share Option Scheme

Eligible participants of the Pre-IPO Share Option Scheme include (i) any employee (whether full time or part time, including executive directors) of the Company, its subsidiaries or invested entity; (ii) any non-executive directors or proposed non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity; (iii) any advisor (professional or otherwise), consultant, individual or entity who in the opinion of the directors of the Company has contributed or will contribute to the growth and development of the Group and the listing of the shares of the Company on the Stock Exchange; and (iv) any company wholly owned by one or more eligible participants as referred to in (i) to (iii) above.

The offer of a grant of share options under the Pre-IPO Share Option Scheme may be accepted not later than the earlier of 21 days from the date of offer or 4 September 2009, upon payment of a nominal consideration of HK\$1 in total by the grantee.

There is no individual limit under the Pre-IPO Share Option Scheme.

REPORT OF THE DIRECTORS (CONTINUED)

On 4 September 2009, the Company granted options to subscribe for an aggregate of 9,611,100 shares of the Company to its senior management and employees under the Pre-IPO Share Option Scheme at an exercise price of HK\$3.12 per share, being 80% of the initial public offering price. No further option could be granted under the Pre-IPO Share Option Scheme after 4 September 2009.

Details of movements of the options during the year are set out below:

Name or category of participants	Options granted by the Company Number of underlying shares					Exercise period
	As at 1 January 2015	Exercised	Cancelled	Lapsed	As at 31 December 2015	
Employees	4,596,505	(4,577,976)	—	(18,529)	—	
Employees	105,878	—	—	—	105,878	Note 1
Employees	246,000	(246,000)	—	—	—	
	4,948,383	(4,823,976)	—	(18,529)	105,878	

Note:

- The outstanding options at 31 December 2015 are exercisable by the grantee prior to the expiry of the exercise period on 25 September 2016, being the day falling seven years after 25 September 2009, the Listing Date, failing which the options will lapse and no longer be exercisable.

The number of shares to be issued upon the exercise of the outstanding options under the Pre-IPO Share Option Scheme was 105,878 (representing 0.01% of the issued share capital of the Company) as at 31 December 2015 and the date of approval of this report.

Share Option Scheme

Eligible participants of the Share Option Scheme include (i) any employee (whether full time or part time, including any executive director) of the Company, its subsidiaries or invested entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity; (iii) any supplier or customer of the Group or any invested entity; (iv) any person or entity that provides research, development or other technological support to the Group or any invested entity; (v) any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity; (vi) any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any invested entity; (vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and (viii) any company wholly owned by one or more eligible participants as referred to in (i) to (vii) above.

Subject to the earlier termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on 4 September 2009.

The maximum number of shares issuable upon the exercise of options granted under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised or outstanding options) to each grantee 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.

REPORT OF THE DIRECTORS (CONTINUED)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors of the Company. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their 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 the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

As at the end of reporting period and the date of the approval of this report, the total number of shares which may be issued upon the exercise of all options (excluding for this purpose options which have lapsed) which have been or may be granted under the Share Option Scheme and any share option scheme of the Group must not in aggregate exceed 120,000,000 shares, representing 10% of the shares of the Company in issue as at 25 September 2009 (the Listing Date) and 9.93% of the shares of the Company in issue as at the end of reporting period and the date of approval of this report. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the shares of the Company in issue from time to time.

The offer of a grant of share options may be accepted within 21 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 directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a share.

On 29 November 2011 (the "Date of Offer"), the Company offered to grant options to subscribe for an aggregate of 1,130,000 shares of the Company to employees of the Group under the Share Option Scheme at an exercise price of HK\$6.63 per share. The closing prices of the Company's shares immediately before the Date of Offer and on the Date of Offer were HK\$6.01 and HK\$6.63 respectively. The offers were accepted by the grantees within 21 days from the Date of Offer.

Name or category of participants	Options granted by the Company Number of underlying shares					Exercise period	Exercise price
	As at 1 January 2015	Exercised	Cancelled	Lapsed	As at 31 December 2015		
Employees	1,130,000	—	—	(500,000)	630,000	Note	HK\$6.63

REPORT OF THE DIRECTORS (CONTINUED)

Note: The options are exercisable by the grantees during the period commencing from the day immediately following the expiry of one year period after 29 November 2011 (the "Date of Offer") and ending on the day falling seven years after the Date of Offer, during which, (a) up to 265,000 options granted may be exercised on or prior to the end of the second year after the Date of Offer; (b) subject to (a), up to 530,000 options granted may be exercised on or prior to the end of the third year after the Date of Offer; (c) subject to (a) and (b), up to 560,000 options granted may be exercised on or prior to the end of the fourth year after the Date of Offer; (d) subject to (a), (b) and (c), up to 590,000 options granted may be exercised on or prior to the end of the fifth year after the Date of Offer; and (e) subject to (a), (b), (c) and (d), all outstanding options may be exercised prior to the expiry of the said exercise period, failing which the options will lapse and no longer be exercisable.

The number of shares to be issued upon the exercise of the outstanding options under the Share Option Scheme was 630,000 (representing 0.05% of the issued share capital of the Company) as at 31 December 2015 and the date of approval of this report.

RETIREMENT SCHEMES

The Group participates in defined contribution retirement benefit schemes organized by the PRC municipal and provincial government authorities for the Group's eligible employees in the PRC, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 25 to the consolidated financial statements.

AUDITOR

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

Wang Dong Xing
Chairman

Hong Kong, 9 March 2016

INDEPENDENT AUDITOR'S REPORT



to the shareholders of China Lilang Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Lilang Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 50 to 99, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OPINION

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

KPMG

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

9 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Revenue	3	2,689,093	2,432,956
Cost of sales		(1,546,244)	(1,397,304)
Gross profit		1,142,849	1,035,652
Other net income	4	54,309	27,562
Selling and distribution expenses		(285,671)	(275,588)
Administrative expenses		(109,506)	(103,050)
Other operating expenses		(7,838)	(3,816)
Profit from operations		794,143	680,760
Net finance income	5	69,441	85,912
Profit before taxation	6	863,584	766,672
Income tax	7(a)	(238,419)	(211,764)
Profit for the year		625,165	554,908
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")		(10,012)	(11,467)
Total comprehensive income for the year		615,153	543,441
Earnings per share	11		
Basic (cents)		51.83	46.17
Diluted (cents)		51.77	46.06

The notes on pages 54 to 99 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 24(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	12	276,774	284,154
Lease prepayments	13	101,145	34,976
Intangible assets	14	4,033	5,242
Deposits for purchases of fixed assets and land use rights	15	4,490	66,216
Deferred tax assets	22(b)	25,013	23,426
		411,455	414,014
Current assets			
Inventories	16	291,465	248,845
Trade and other receivables	17	807,149	669,501
Pledged bank deposits	18	1,053,852	846,131
Fixed deposits held at banks with maturity over three months	19(a)	30,000	100,000
Cash and cash equivalents	19(a)	2,161,712	1,845,179
		4,344,178	3,709,656
Current liabilities			
Bank loans	20	1,004,017	854,590
Trade and other payables	21	603,062	416,961
Current tax payable	22(a)	198,638	87,981
		1,805,717	1,359,532
Net current assets		2,538,461	2,350,124
Total assets less current liabilities		2,949,916	2,764,138
Non-current liabilities			
Deferred tax liabilities	22(b)	38,718	66,269
Net assets		2,911,198	2,697,869
Capital and reserves			
Share capital	24(a)	106,458	106,049
Reserves		2,804,740	2,591,820
Total equity		2,911,198	2,697,869

Approved and authorised for issue by the board of directors on 9 March 2016

Mr. Wang Dong Xing
Chairman

Mr. Wang Liang Xing
Chief Executive Officer

Mr. Wang Cong Xing
Executive Director

The notes on pages 54 to 99 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	Share capital (note 24(a)) RMB'000	Share premium (note 24(d)(i)) RMB'000	Statutory reserve (note 24(d)(ii)) RMB'000	Capital reserve (note 24(d)(iii)) RMB'000	Exchange reserve (note 24(d)(iv)) RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2014		105,826	616	199,258	31,589	(11,360)	2,187,554	2,513,483
Changes in equity for 2014:								
Profit for the year		—	—	—	—	—	554,908	554,908
Other comprehensive income for the year		—	—	—	—	(11,467)	—	(11,467)
Total comprehensive income for the year		—	—	—	—	(11,467)	554,908	543,441
Shares issued under share option scheme	24(a)(i)	223	9,140	—	(2,413)	—	—	6,950
Equity settled share-based payments	24(d)(iii)	—	—	—	470	—	—	470
Dividends approved in respect of the previous year	24(c)	—	—	—	—	—	(203,143)	(203,143)
Dividends declared in respect of the current year	24(c)	—	—	—	—	—	(163,332)	(163,332)
Appropriation to statutory reserve		—	—	5,332	—	—	(5,332)	—
At 31 December 2014 and 1 January 2015		106,049	9,756	204,590	29,646	(22,827)	2,370,655	2,697,869
Changes in equity for 2015:								
Profit for the year		—	—	—	—	—	625,165	625,165
Other comprehensive income for the year		—	—	—	—	(10,012)	—	(10,012)
Total comprehensive income for the year		—	—	—	—	(10,012)	625,165	615,153
Shares issued under share option scheme	24(a)(i)	409	16,955	—	(4,611)	—	—	12,753
Equity settled share-based payments	24(d)(iii)	—	—	—	(1,260)	—	—	(1,260)
Dividends approved in respect of the previous year	24(c)	—	—	—	—	—	(222,346)	(222,346)
Dividends declared in respect of the current year	24(c)	—	—	—	—	—	(190,971)	(190,971)
Appropriation to statutory reserve		—	—	3,227	—	—	(3,227)	—
At 31 December 2015		106,458	26,711	207,817	23,775	(32,839)	2,579,276	2,911,198

The notes on pages 54 to 99 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Operating activities			
Cash generated from operations	19(b)	825,608	721,494
PRC corporate income tax paid		(136,257)	(134,279)
PRC dividend withholding tax paid		(20,643)	(18,810)
Net cash generated from operating activities		668,708	568,405
Investing activities			
Payment for purchase of property, plant and equipment		(32,252)	(16,632)
Payment for purchase of land use rights		(350)	—
Payment for purchase of intangible assets		(1,823)	(2,448)
Proceeds from disposal of property, plant and equipment		703	161
Interest income received		110,261	103,747
Decrease in fixed deposits held at banks with maturity over three months		70,000	60,000
Increase in pledged bank deposits		(220,852)	(221,000)
Net cash used in investing activities		(74,313)	(76,172)
Financing activities			
Proceeds from bank loans		1,004,017	856,794
Repayment of bank loans		(854,590)	(565,172)
Proceeds from issue of shares under share option scheme	24(b)	12,753	6,950
Interest expense paid		(28,532)	(15,171)
Dividends paid	24(c)	(413,317)	(366,475)
Net cash used in financing activities		(279,669)	(83,074)
Net increase in cash and cash equivalents		314,726	409,159
Cash and cash equivalents at 1 January		1,845,179	1,435,788
Effect of foreign exchange rate changes		1,807	232
Cash and cash equivalents at 31 December	19(a)	2,161,712	1,845,179

The notes on pages 54 to 99 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). A summary of significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

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

The consolidated financial statements are presented in Renminbi (“RMB”) rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis.

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 30.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries

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

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

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

(d) Property, plant and equipment

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

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

No depreciation is provided in respect of construction in progress.

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

- Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion.
- Leasehold improvements shorter of 5 years or remaining term of the lease
- Plant and machinery 10 years
- Motor vehicles 5 years
- Office equipment 5 years
- Furniture and fixtures 5 years

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (Continued)

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

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

(e) Lease prepayments

Lease prepayments represent cost of acquiring land use rights paid to the PRC's governmental authorities. Land use rights are stated at cost less accumulated amortisation and impairment losses (see note 1(h)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights which are 50 years.

(f) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(h)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Computer software 5 years

Both the useful life and method of amortisation are reviewed annually.

(g) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(h) Impairment of assets

(i) Impairment of current receivables

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

- significant financial difficulty of the debtor;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of assets (Continued)

(i) Impairment of current receivables (Continued)

- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of assets (Continued)

(iii) Impairment of other assets

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

- property, plant and equipment;
- construction in progress;
- lease prepayments;
- intangible assets; and
- investments in subsidiaries in the Company's statement of financial position.

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

- Calculation of recoverable amount
The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).
- Recognition of impairment losses
An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).
- Reversals of impairment losses
An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Inventories

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

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

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

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

(j) Trade and other receivables

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

(k) Interest-bearing borrowings

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

(l) Trade and other payables

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

(m) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits

(i) *Short term employee benefits and contributions to defined contribution retirement plans*

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

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

(ii) *Share-based payments*

The fair value of share options granted to employees of the Group is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using applicable option-pricing models, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax

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

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

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax (Continued)

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

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

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition

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

(i) Sale of goods

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

(ii) Interest income

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

(iii) Government grants

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

Unconditional discretionary government grants from the local municipal government authorities are recognised in the profit or loss as other revenue on a cash receipt basis.

(r) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (“functional currency”). The functional currency of the Company and its subsidiaries outside mainland China is Hong Kong dollars and the functional currency of the subsidiaries in mainland China is Renminbi.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Translation of foreign currencies (Continued)

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

On disposal of an operation outside mainland China, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(s) Borrowing costs

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

(t) Research and development

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

(u) Related parties

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third 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).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

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

(v) Segment reporting

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

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

The Group operates in a single business segment, manufacturing and wholesaling of menswear and accessories in the PRC. Accordingly, no segmental analysis is presented.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a few amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. None of those developments are relevant to the Group's financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE

The principal activities of the Group are manufacturing and wholesaling of branded menswear and related accessories in the PRC. Revenue represents the sales value of goods sold less returns, discounts and value added taxes ("VAT").

During the year ended 31 December 2015, there was no customer with whom transactions exceeded 10% of the Group's revenue. For the year ended 31 December 2014, there was one such customer and the amount of sales to that customer amounted to approximately RMB249,088,000. Details of concentrations of credit risk arising from customers are set out in note 27(a).

4 OTHER NET INCOME

	2015 RMB'000	2014 RMB'000
Government grants	53,685	27,138
Others	624	424
	54,309	27,562

Government grants of RMB53,685,000 (2014: RMB27,138,000) were received from several local government authorities for the Group's contribution to local economies, of which the entitlements were unconditional and under the discretion of the relevant authorities.

5 NET FINANCE INCOME

	2015 RMB'000	2014 RMB'000
Interest income	97,290	97,718
Net foreign exchange gain	40,275	3,211
Net loss on forward foreign exchange contracts	(39,713)	—
Interest on bank borrowings	(28,411)	(15,017)
	69,441	85,912

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2015 RMB'000	2014 RMB'000
(a) Staff costs (note (i)):		
Salaries, wages and other benefits	137,090	123,577
Contributions to defined contribution retirement plans (note 25)	3,133	1,738
Equity settled share-based payment (expense reversal)/ expense (note 26)	(1,260)	470
	138,963	125,785
(b) Other items:		
Amortisation of lease prepayments	1,786	814
Amortisation of intangible assets	3,032	2,948
Depreciation (note (i))	24,888	31,521
Auditor's remuneration	2,560	2,462
Cost of inventories (note (i))	1,546,244	1,397,304
Loss on disposal of property, plant and equipment	9,787	159
Operating lease charges in respect of properties (note (i))	8,700	8,290
Inventory write-down (note 16(b))	5,828	9,324
Research and development costs (note (i))	91,383	81,140
Subcontracting charges (note (i) and (ii))	182,634	121,341
Write-back of provision for doubtful debts	—	(14,509)

Notes:

- (i) Cost of inventories sold includes research and development costs, subcontracting charges, related staff costs, depreciation and operating lease rental in respect of properties totalling RMB318,234,000 (2014: RMB242,282,000) included in items disclosed above.
- (ii) Subcontracting charges include service charges and auxiliary raw material costs payable to subcontractors.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

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

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

	2015 RMB'000	2014 RMB'000
Current tax		
Provision for PRC corporate income tax for the year (note 22(a))	218,850	196,559
(Over-provision)/under-provision for PRC corporate income tax in respect of prior year	(719)	29
PRC dividend withholding tax (notes (iv) and 22(a))	49,426	16,008
	267,557	212,596
Deferred tax		
Origination of temporary differences (note 22(b))	20,288	19,992
Distribution of dividends (notes (iv) and 22(b))	(49,426)	(16,008)
Effect on deferred tax balances at the beginning of the year resulting from a change in tax rate (note 22(b))	—	(4,816)
	238,419	211,764

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for the years ended 31 December 2015 and 2014.
- (iii) Taxation for the Group's PRC subsidiaries is calculated using the income tax rates applicable to the subsidiaries.
- (iv) According to the Corporate Income Tax Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC company. As all of the Group's PRC subsidiaries are directly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of the PRC dividend withholding tax. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

PRC dividend withholding tax represents tax charged by the PRC tax authority on dividends distributed by the Group's PRC subsidiaries during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

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

	2015 RMB'000	2014 RMB'000
Profit before taxation	863,584	766,672
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdictions concerned	219,098	193,220
Tax effect of non-deductible expenses	6,261	4,055
Tax effect of non-taxable income	(481)	(184)
Tax effect of tax concessions	(7,615)	—
Effect on deferred tax balances at the beginning of the year resulting from a change in tax rate (note 22(b))	—	(4,816)
(Over-provision)/under-provision in prior year	(719)	29
Withholding tax effect of undistributed profits retained by PRC subsidiaries (note 22(b))	21,875	19,460
Actual tax expense	238,419	211,764

8 DIRECTORS' EMOLUMENTS

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

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	2015 Total RMB'000
Executive Directors					
Wang Dong Xing	—	1,040	13	—	1,053
Wang Liang Xing	—	1,300	13	—	1,313
Wang Cong Xing	—	780	13	—	793
Cai Rong Hua	—	585	13	—	598
Hu Cheng Chu	—	585	—	—	585
Pan Rong Bin	—	585	13	123	721
Wang Ru Ping (resigned on 17 March 2015)	—	113	3	—	116
Independent Non-executive Directors					
Lu Hong Te	200	—	—	—	200
Chen Tien Tui	200	—	—	—	200
Nie Xing	200	—	—	—	200
Lai Shixian	200	—	—	—	200
Total	800	4,988	68	123	5,979

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

8 DIRECTORS' EMOLUMENTS (CONTINUED)

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	2014 Total RMB'000
Executive Directors					
Wang Dong Xing	—	1,040	13	—	1,053
Wang Liang Xing	—	1,300	13	—	1,313
Wang Cong Xing	—	780	13	—	793
Cai Rong Hua	—	585	13	—	598
Hu Cheng Chu	—	585	—	—	585
Wang Ru Ping	—	585	13	—	598
Pan Rong Bin	—	585	13	—	598
Independent Non-executive Directors					
Lu Hong Te	200	—	—	—	200
Chen Tien Tui	200	—	—	—	200
Nie Xing	200	—	—	—	200
Lai Shixian	200	—	—	—	200
Total	800	5,460	78	—	6,338

During the year, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2014: four) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining one (2014: one) individual are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other benefits	1,319	1,296
Discretionary bonuses	400	378
Contributions to retirement benefit schemes	15	14
	1,734	1,688

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

The emolument of the one (2014: one) individual with the highest emolument is within the following band:

	2015 Number of individuals	2014 Number of individuals
HK\$2,000,001 to HK\$2,500,000 (RMB1,629,001 to RMB2,036,000)	1	1

10 REMUNERATION OF SENIOR MANAGEMENT

Remuneration of senior management of the Group, including amounts paid to the highest paid employee other than directors as disclosed in note 9 is as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other benefits	2,619	2,557
Discretionary bonuses	914	891
Contributions to retirement benefit schemes	32	31
	3,565	3,479

Remunerations of the senior management of the Group are within the following bands:

	2015 Number of individuals	2014 Number of individuals
Nil to HK\$1,000,000 (Nil to RMB814,000)	6	6
HK\$1,000,001 to HK\$1,500,000 (RMB814,001 to RMB1,221,000)	—	—
HK\$1,500,001 to HK\$2,000,000 (RMB1,221,001 to RMB1,629,000)	—	—
HK\$2,000,001 to HK\$2,500,000 (RMB1,629,001 to RMB2,036,000)	1	1

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year of RMB625,165,000 (2014: RMB554,908,000) and the weighted average number of ordinary shares in issue of 1,206,228,000 (2014: 1,201,875,000).

Weighted average number of ordinary shares

	2015 '000	2014 '000
Issued ordinary shares at 1 January	1,203,944	1,201,159
Effect of share options exercised	2,284	716
Weighted average number of ordinary shares	1,206,228	1,201,875

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the year of RMB625,165,000 (2014: RMB554,908,000) and the weighted average number of ordinary shares in issue adjusted for the potential dilutive effect caused by the share options granted by the Company.

Weighted average number of ordinary shares (diluted)

	2015 '000	2014 '000
Weighted average number of ordinary shares	1,206,228	1,201,875
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	1,353	2,805
Weighted average number of ordinary shares (diluted)	1,207,581	1,204,680

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

12 PROPERTY, PLANT AND EQUIPMENT

	Properties and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Furniture and fixtures RMB'000	Sub-total RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:									
At 1 January 2014	243,315	49,239	39,589	8,323	28,227	7,979	376,672	16,885	393,557
Additions	—	3,059	2,143	938	1,492	430	8,062	4,408	12,470
Transfer from construction in progress	297	—	—	—	—	321	618	(618)	—
Disposals	—	—	(178)	(562)	(80)	(39)	(859)	—	(859)
Exchange adjustment	—	15	—	—	6	2	23	211	234
At 31 December 2014 and 1 January 2015	243,612	52,313	41,554	8,699	29,645	8,693	384,516	20,886	405,402
Additions	1,447	2,605	6,584	934	1,548	477	13,595	17,357	30,952
Transfer from construction in progress	205	8,146	—	—	16	18	8,385	(8,385)	—
Transfer to lease prepayments (note 13)	—	—	—	—	—	—	—	(2,962)	(2,962)
Disposals	—	(5,318)	(2,030)	(706)	(748)	(366)	(9,168)	(9,512)	(18,680)
Exchange adjustment	—	41	—	—	17	5	63	—	63
At 31 December 2015	245,264	57,787	46,108	8,927	30,478	8,827	397,391	17,384	414,775
Accumulated depreciation:									
At 1 January 2014	20,713	28,081	14,628	3,234	18,613	4,977	90,246	—	90,246
Charge for the year	5,815	15,198	4,353	821	3,817	1,517	31,521	—	31,521
Written back on disposals	—	—	(141)	(325)	(38)	(35)	(539)	—	(539)
Exchange adjustment	—	15	—	—	3	2	20	—	20
At 31 December 2014 and 1 January 2015	26,528	43,294	18,840	3,730	22,395	6,461	121,248	—	121,248
Charge for the year	5,996	8,834	4,478	842	3,422	1,316	24,888	—	24,888
Written back on disposals	—	(5,130)	(1,572)	(491)	(673)	(324)	(8,190)	—	(8,190)
Exchange adjustment	—	41	—	—	8	6	55	—	55
At 31 December 2015	32,524	47,039	21,746	4,081	25,152	7,459	138,001	—	138,001
Net book value:									
At 31 December 2015	212,740	10,748	24,362	4,846	5,326	1,368	259,390	17,384	276,774
At 31 December 2014	217,084	9,019	22,714	4,969	7,250	2,232	263,268	20,886	284,154

- (a) The Group's properties and buildings are located in the PRC under medium-term leases.
- (b) Construction in progress comprises costs incurred on buildings and plant and equipment not yet completed at the end of respective reporting periods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

13 LEASE PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Cost:		
At 1 January	40,848	40,848
Transfer from deposit for land use rights (note 15)	64,993	—
Transfer from property, plant and equipment (note 12)	2,962	—
At 31 December	108,803	40,848
Accumulated amortisation:		
At 1 January	5,872	5,058
Charge for the year	1,786	814
At 31 December	7,658	5,872
Net book value:		
At 31 December	101,145	34,976

The deposit of RMB64,993,000 and related tax payment of RMB2,962,000 made in prior years for the purchase of the land use rights for 50 years on leasehold land located in Jinjiang, Fujian Province, the PRC for the construction of the new headquarters were transferred to lease prepayments upon the issue of the land use rights certificate to the Group during the year.

Lease prepayments represent the Group's land use rights on leasehold land located in the PRC. At 31 December 2015, the remaining period of the land use rights ranges from 40 to 46 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

14 INTANGIBLE ASSETS

	2015 RMB'000	2014 RMB'000
Cost:		
At 1 January	15,638	13,190
Additions	1,823	2,448
At 31 December	17,461	15,638
Accumulated amortisation:		
At 1 January	10,396	7,448
Charge for the year	3,032	2,948
At 31 December	13,428	10,396
Net book value:		
At 31 December	4,033	5,242

Intangible assets represent the enterprise resource planning and information technology system software.

The amortisation charge for the year is included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

15 DEPOSITS FOR PURCHASES OF FIXED ASSETS AND LAND USE RIGHTS

	2015 RMB'000	2014 RMB'000
Deposit for land use rights (note 13)	350	64,993
Others	4,140	1,223
	4,490	66,216

The deposit for land use rights of RMB64,993,000 as at 31 December 2014 related to the leasehold land for the headquarters under construction and was transferred to lease prepayments upon the issue of the land use rights certificate to the Group during the year (note 13).

The deposit for land use rights as at 31 December 2015 related to two small pieces of adjacent land for the new headquarters. The total consideration for the land use rights amounts to RMB1,400,000. The deposit will be transferred to lease prepayments upon the issue of the land use rights certificate to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

16 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2015 RMB'000	2014 RMB'000
Raw materials	86,959	49,745
Work-in-progress	5,471	3,636
Finished goods	199,035	195,464
	291,465	248,845

As at 31 December 2015, raw materials included materials totalling RMB64,159,000 (2014: RMB47,112,000) held by sub-contractors.

(b) An analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2015 RMB'000	2014 RMB'000
Carrying amount of inventories sold	1,540,416	1,387,980
Inventory write-down	5,828	9,324
	1,546,244	1,397,304

17 TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	766,869	613,874
Less: Provision for doubtful debts	(10,129)	(10,129)
Trade receivables (notes (a), (b) and (c))	756,740	603,745
Prepayments to suppliers	13,279	13,494
Prepaid advertising expenses	4,727	2,935
VAT deductible	3,911	5,987
Other deposits, prepayments and receivables	28,492	43,340
	807,149	669,501

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

An ageing analysis of the trade receivables, based on the invoice date and net of provision for doubtful debts, is as follows:

	2015 RMB'000	2014 RMB'000
Within 3 months	633,187	516,281
Over 3 months but within 6 months	122,697	87,464
Over 6 months but within 1 year	856	—
	756,740	603,745

Trade receivables are due within 90-240 days from the date of billing. Further details on the Group's credit policy are set out in note 27(a).

(b) Impairment of trade receivables

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

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

	2015 RMB'000	2014 RMB'000
At 1 January	10,129	24,638
Write-back for the year	—	(14,509)
At 31 December	10,129	10,129

At 31 December 2015, the Group's trade receivables of RMB10,129,000 (2014: RMB10,129,000) were individually determined to be impaired. The Group has assessed the recoverability of the receivables past due and established a provision of doubtful debts. Consequently, specific provision for doubtful debts of RMB10,129,000 was recognised.

(c) Trade receivables that are not impaired

An ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	756,740	603,745

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

18 PLEDGED BANK DEPOSITS

	2015 RMB'000	2014 RMB'000
Amounts pledged as security for bank loans (note 20)	1,053,852	833,000
Amounts pledged as security for bills payable (note 21)	—	13,131
	1,053,852	846,131

The pledged bank deposits will be released upon the settlement of relevant bank loans.

19 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS HELD AT BANKS

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

	2015 RMB'000	2014 RMB'000
Fixed deposits with banks within three months to maturity when placed	30,000	—
Cash at bank and in hand	2,131,712	1,845,179
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	2,161,712	1,845,179
Fixed deposits with banks with more than three months to maturity when placed	30,000	100,000
	2,191,712	1,945,179

At 31 December 2015, cash and cash equivalents and fixed deposits with banks in the mainland PRC amounted to RMB2,156,648,000 (2014: RMB1,914,862,000). Remittance of funds out of the mainland PRC is subject to exchange restrictions imposed by the PRC government.

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

	Note	2015 RMB'000	2014 RMB'000
Profit before taxation		863,584	766,672
Adjustments for:			
— Depreciation	6(b)	24,888	31,521
— Amortisation of lease prepayments	6(b)	1,786	814
— Amortisation of intangible assets	6(b)	3,032	2,948
— Equity settled share-based payment (expense reversal)/expense	6(a)	(1,260)	470
— Loss on disposal of property, plant and equipment	6(b)	9,787	159
— Interest expense	5	28,411	15,017
— Interest income	5	(97,290)	(97,718)
— Unrealised foreign exchange gain		(11,827)	(11,914)
Changes in working capital:			
— (Increase)/decrease in inventories		(42,620)	22,202
— Increase in trade and other receivables		(150,619)	(82,995)
— Decrease/(increase) in pledged bank deposits		13,131	(13,131)
— Increase in trade and other payables		184,605	87,449
Cash generated from operations		825,608	721,494

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

20 BANK LOANS AND FACILITIES

As at 31 December 2015 and 2014, bank loans were secured by pledged bank deposits (also see note 18) and were repayable within one year or on demand.

The amounts of banking facilities and the utilisation at the end of each reporting period are set out as follows:

	2015 RMB'000	2014 RMB'000
Facility amount	2,369,000	2,335,687
Utilised facility amount in respect of:		
— Bank loans	1,004,017	854,590
— Bills payable (note 21)	—	46,650

21 TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	342,660	222,721
Bills payable	—	46,650
Trade and bills payables	342,660	269,371
Receipts in advance	35,392	20,450
Accrued salaries and wages	23,624	17,118
Payables for purchase of fixed assets	8,834	7,217
Retirement benefit contribution payable	25,675	25,649
VAT payables	19,133	751
Derivative financial instruments	39,713	—
Other payables and accruals	108,031	76,405
	603,062	416,961

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Bills payable as at 31 December 2014 were secured by pledged bank deposits as disclosed in note 18.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

21 TRADE AND OTHER PAYABLES (CONTINUED)

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

	2015 RMB'000	2014 RMB'000
Within 3 months	315,113	222,650
Over 3 months but within 6 months	15,329	24,807
Over 6 months but within 1 year	4,112	13,323
Over 1 year	8,106	8,591
	342,660	269,371

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2015 RMB'000	2014 RMB'000
Provision for PRC corporate income tax for the year (note 7(a))	218,850	196,559
PRC corporate income tax paid for the current year	(62,126)	(121,709)
	156,724	74,850
PRC dividend withholding tax for previous years	1,651	7,966
PRC dividend withholding tax for the year (note 7(a))	49,426	16,008
PRC dividend withholding tax paid for the current year	(9,163)	(10,843)
	41,914	13,131
Current tax payable	198,638	87,981

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Deferred tax assets/(liabilities) arising from			Total RMB'000
	Accrued expenses and others RMB'000	Impairment on inventories and trade receivables RMB'000	Undistributed profits of PRC subsidiaries RMB'000	
At 1 January 2014	3,809	15,333	(62,817)	(43,675)
Credited/(charged) to consolidated statement of profit or loss and other comprehensive income (note 7(a))	5,191	(5,723)	(19,460)	(19,992)
Released upon distribution of dividends (note 7(a))	—	—	16,008	16,008
Effect of change in tax rate (note 7(a))	2,425	2,391	—	4,816
At 31 December 2014 and 1 January 2015	11,425	12,001	(66,269)	(42,843)
Credited/(charged) to consolidated statement of profit or loss and other comprehensive income (note 7(a))	130	1,457	(21,875)	(20,288)
Released upon distribution of dividends (note 7(a))	—	—	49,426	49,426
At 31 December 2015	11,555	13,458	(38,718)	(13,705)

Reconciliation to the consolidated statement of financial position:

	2015 RMB'000	2014 RMB'000
Deferred tax assets	25,013	23,426
Deferred tax liabilities	(38,718)	(66,269)
	(13,705)	(42,843)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(c) Deferred tax liabilities not recognised

The Group is subject to 5% withholding tax on dividends receivable from its PRC subsidiaries in respect of their profits generated since 1 January 2008. As at 31 December 2015, deferred tax liabilities in respect of temporary differences relating to such undistributed profits of RMB1,335,876,000 (2014: RMB1,094,505,000) were not recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that those profits will not be distributed in the foreseeable future.

There were no other significant temporary differences relating to deferred tax assets or liabilities not provided for as at 31 December 2015 and 2014.

23 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

Note	2015 RMB'000	2014 RMB'000
Non-current assets		
Investments in subsidiaries	139,505	139,505
Current assets		
Trade and other receivables	42	39
Amount due from a subsidiary	325,516	123,836
Cash and cash equivalents	2,243	9,197
	327,801	133,072
Current liabilities		
Bank loan	—	143,946
Trade and other payables	88	499
Amount due to a subsidiary	2,237	2,237
	2,325	146,682
Net current assets/(liabilities)	325,476	(13,610)
Net assets	464,981	125,895
Capital and reserves		
	24(b)	
Share capital	24(a)	106,049
Reserves		19,846
Total equity	464,981	125,895

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	2015 HK\$'000	2014 HK\$'000
Authorised:		
100,000,000,000 shares of HK\$0.10 each	10,000,000	10,000,000

Movements in the Company's issued share capital are as follows:

	Note	Number of shares '000	Nominal value of ordinary shares HK\$'000	RMB'000
Issued and fully paid:				
At 1 January 2014		1,201,159	120,116	105,826
Issues of shares on exercise of share options	(i)	2,785	278	223
At 31 December 2014 and 1 January 2015		1,203,944	120,394	106,049
Issues of shares on exercise of share options	(i)	4,824	483	409
At 31 December 2015		1,208,768	120,877	106,458

(i) Issues of shares on exercise of share options

During the year, pursuant to the Company's Pre-IPO Share Option Scheme (note 26), options were exercised to subscribe for 4,823,976 ordinary shares (2014: 2,785,096 ordinary shares) in the Company at a consideration of RMB12,753,000 (2014: RMB6,950,000) of which RMB409,000 (2014: RMB223,000) was credited to share capital and the balance of RMB12,344,000 (2014: RMB6,727,000) was credited to the share premium account. RMB4,611,000 (2014: RMB2,413,000) has also been transferred from the capital reserve to the share premium account in accordance with the policy set out in note 1(n)(ii).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Movements in components of equity

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

The Company

	Note	Share capital (note 24(a)) RMB'000	Share premium (note 24(d)(i)) RMB'000	Capital reserve (note 24(d)(iii)) RMB'000	Exchange reserve (note 24(d)(iv)) RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2014		105,826	616	9,409	(54,513)	56,390	117,728
Changes in equity for 2014:							
Shares issued under share option scheme	24(a)(i)	223	9,140	(2,413)	—	—	6,950
Equity settled share-based payments	24(d)(iii)	—	—	470	—	—	470
Dividends approved in respect of the previous year	24(c)	—	—	—	—	(203,143)	(203,143)
Dividends declared in respect of the current year	24(c)	—	—	—	—	(163,332)	(163,332)
Total comprehensive income for the year		—	—	—	942	366,280	367,222
At 31 December 2014 and 1 January 2015		106,049	9,756	7,466	(53,571)	56,195	125,895
Changes in equity for 2015:							
Shares issued under share option scheme	24(a)(i)	409	16,955	(4,611)	—	—	12,753
Equity settled share-based payments	24(d)(iii)	—	—	(1,260)	—	—	(1,260)
Dividends approved in respect of the previous year	24(c)	—	—	—	—	(222,346)	(222,346)
Dividends declared in respect of the current year	24(c)	—	—	—	—	(190,971)	(190,971)
Total comprehensive income for the year		—	—	—	13,000	727,910	740,910
At 31 December 2015		106,458	26,711	1,595	(40,571)	370,788	464,981

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Dividends

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

	2015 RMB'000	2014 RMB'000
Interim dividend declared and paid of HK13 cents (2014: HK12 cents) per share	130,664	115,293
Special interim dividend declared and paid of HK6 cents (2014: HK5 cents) per share	60,307	48,039
Final dividend proposed after the end of the reporting period of HK17 cents (2014: HK17 cents) per share	174,112	164,343
Special final dividend proposed after the end of the reporting period of HK7 cents (2014: HK6 cents) per share	71,693	58,003
	436,776	385,678

The final dividend and special final dividend proposed after the end of the reporting period have not been recognised as liabilities at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2015 RMB'000	2014 RMB'000
Final dividend in respect of the previous financial year of HK17 cents (2014: HK16 cents) per share	164,343	154,776
Special final dividend in respect of the previous financial year of HK6 cents (2014: HK5 cents) per share	58,003	48,367
	222,346	203,143

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve

As stipulated by regulations in the PRC, the Company's subsidiaries established and operated in the PRC are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners.

The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase paid-in capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(iii) Capital reserve

The capital reserve comprises the following:

- (i) Fair value of design consultancy services contributed by the then shareholders and fair rental value of properties owned by the then shareholders but occupied by the Group prior to the listing of the Company's shares on the Main Board of the Stock Exchange amounting to RMB1,143,000.
- (ii) Capitalisation of a loan from then shareholders amounting to RMB139,422,000 in 2008.
- (iii) The portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for the share-based payments in note 1(n)(ii).

(iv) Exchange reserve

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

(e) Distributability of reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$420,309,000 (2014: HK\$12,729,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management

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

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

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

25 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions at the rate of 18% to 22% of the eligible employees' salaries to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

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

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

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has two share option schemes namely, the Pre-IPO Employee Share Option Scheme (the "Pre-IPO Share Option Scheme") and the Share Option Scheme, which were adopted on 12 September 2008 and 4 September 2009 respectively.

(a) Pre-IPO Share Option

On 4 September 2009, the Company granted options to subscribe for an aggregate of 9,611,100 shares of the Company to its senior management and employees under the Pre-IPO Share Option Scheme at an exercise price of HK\$3.12, being 80% of the initial public offering price. No further option could be granted under the Pre-IPO Share Option Scheme after 4 September 2009.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) Pre-IPO Share Option (Continued)

The number and weighted average exercise price of share options are as follows:

	2015		2014	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 1 January	HK\$3.12	4,948,383	HK\$3.12	7,733,479
Exercised during the year	HK\$3.12	(4,823,976)	HK\$3.12	(2,785,096)
Lapsed during the year	HK\$3.12	(18,529)	—	—
Outstanding at 31 December	HK\$3.12	105,878	HK\$3.12	4,948,383
Exercisable at 31 December	HK\$3.12	105,878	HK\$3.12	4,948,383

The weighted average closing price immediately before dates on which share options were exercised during the year was HK\$7.06 (2014: HK\$5.44).

The share options outstanding at 31 December 2015 had an exercise price of HK\$3.12 (2014: HK\$3.12) and will expire in September 2016.

(b) Share Option Scheme

Pursuant to the Share Option Scheme, the directors of the Company may invite, at their discretion, eligible participants, including employees and directors of any company in the Group, to take up options to subscribe for shares of the Company to a maximum of 120,000,000 shares.

(i) *The terms and conditions of options offered to employees on 29 November 2011 (the "Date of Offer") and accepted by the employees in December 2011 are as follows:*

No. of instruments:	1,130,000
Contractual life of options:	7 years
Exercise price:	HK\$6.63

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Share Option Scheme (Continued)

(i) *The terms and conditions of options offered to employees on 29 November 2011 (the "Date of Offer") and accepted by the employees in December 2011 are as follows: (Continued)*

Vesting conditions: The options are exercisable by the grantees during the period commencing from the day immediately following the expiry of one year period after 29 November 2011, the Date of Offer, and ending on the day falling seven years after the Date of Offer, during which, (a) up to 265,000 options granted may be exercised on or prior to the end of the second year after the Date of Offer; (b) subject to (a), up to 530,000 options granted may be exercised on or prior to the end of the third year after the Date of Offer; (c) subject to (a) and (b), up to 710,000 options granted may be exercised on or prior to the end of the fourth year after the Date of Offer; (d) subject to (a), (b) and (c), up to 890,000 options granted may be exercised on or prior to the end of the fifth year after the Date of Offer; and (e) subject to (a), (b), (c) and (d), all outstanding options may be exercised prior to the expiry of the said exercise period, failing which the options will lapse and no longer be exercisable.

The closing prices of the Company's shares immediately before the Date of Offer and on the Date of Offer were HK\$6.01 and HK\$6.63 respectively.

(ii) *The number and weighted average exercise price of share options are as follows:*

	2015		2014	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 1 January	HK\$6.63	1,130,000	HK\$6.63	1,130,000
Lapsed during the year	HK\$6.63	(500,000)	—	—
Outstanding at 31 December	HK\$6.63	630,000	HK\$6.63	1,130,000
Exercisable at 31 December	HK\$6.63	590,000	HK\$6.63	710,000

The share options outstanding at 31 December 2015 had an exercise price of HK\$6.63 (2014: HK\$6.63) and a weighted average remaining contractual life of 2.9 years (2014: 3.9 years).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

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

(a) Credit risk

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

(i) Trade and other receivables

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 to 240 days from the date of billing. The Group will also obtain deposits from customers prior to delivery of goods when credit limits granted are temporarily exceeded.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer, therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 4.6% (2014: 9.5%) and 10.0% (2014: 21.6%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

At 31 December 2015, the Group had endorsed bank acceptance bills to its suppliers totalling RMB289,450,000 (2014: RMB126,250,000), which were derecognised as financial assets. The transferees have recourse to the Group in case of default by the issuing banks. In such cases, the Group would have to repurchase these bank acceptance bills at face value. Because these bank acceptance bills mature within six months from issue, the Group's maximum loss in case of default is RMB289,450,000 (2014: RMB126,250,000) before these bills mature by 30 June 2016.

The Group only accepts bank acceptance bills issued by major banks in the PRC and considers that the credit risk associated with such bank acceptance bills to be insignificant.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

(a) Credit risk (Continued)

(ii) Deposits with banks

The Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit ratings. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

(b) Liquidity risk

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

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

	2015				2014			
	Contractual undiscounted cash outflow			Carrying amount at 31 Dec	Contractual undiscounted cash outflow			Carrying amount at 31 Dec
Within 1 year or on demand	More than 1 year but less than 5 years	Total	Within 1 year or on demand		More than 1 year but less than 5 years	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Bank loans	1,020,458	—	1,020,458	1,004,017	861,566	—	861,566	854,590
Trade and other payables	603,062	—	603,062	603,062	416,961	—	416,961	416,961
	1,623,520	—	1,623,520	1,607,079	1,278,527	—	1,278,527	1,271,551

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. The Group's interest rate profiles as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's interest generating financial assets and interest bearing financial liabilities at the end of the reporting period:

	2015		2014	
	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000
<i>Fixed rate instruments:</i>				
Pledged bank deposits	1.82%	1,053,852	3.38%	846,131
Bank deposits	5.80%	30,000	4.90%	100,000
Bank loans	4.52%	(384,018)	—	—
		699,834		946,131
<i>Variable rate instruments:</i>				
Cash at bank and in hand	0.31%	2,161,712	0.37%	1,845,179
Bank loans	3.30%	(619,999)	1.81%	(854,590)
		2,241,547		1,936,720

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in bank loans interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB6,200,000 (2014: RMB8,179,000). Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the impact on the Group's profit for the year and retained profits that would arise assuming that there is an annualised impact on interest expense by a change in interest rates. The analysis has been performed on the same basis in 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

(d) Currency risk

The Group is exposed to currency risk primarily through contractual obligations, pledged bank deposits and bank loans that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong Dollars, United States Dollars, Euros and Renminbi.

The Group actively monitors foreign exchange rate fluctuations to ensure that its net exposure is kept to an acceptable level.

(i) Exposure to currency risk

The following table details the Group's major exposure as at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of operations outside Mainland China into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Renminbi)							
	2015				2014			
	Hong Kong Dollar RMB'000	United States Dollar RMB'000	Euros RMB'000	Renminbi RMB'000	Hong Kong Dollar RMB'000	United States Dollar RMB'000	Euros RMB'000	Renminbi RMB'000
Pledged bank deposits	650,194	124,693	277,965	—	—	160,000	—	—
Bank loans	—	—	—	(763,999)	—	(146,856)	—	—
Gross exposure to currency risk	650,194	124,693	277,965	(763,999)	—	13,144	—	—
Notional amount of forward foreign exchange contracts	(632,357)	(127,062)	(280,420)	770,157	—	—	—	—
Net exposure to currency risk	17,837	(2,369)	(2,455)	6,158	—	13,144	—	—

As at 31 December 2015, forward exchange contracts were employed to cover the currency risks of the above non-functional currency denominated pledged bank deposits and bank loans of the related entity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

(d) Currency risk (Continued)

(iii) Sensitivity analysis

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

	2015		2014	
	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after taxation and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after taxation and retained profits RMB'000
Hong Kong dollars	1 (1)	(1,447) 1,447	1 (1)	— —
United States dollars	1 (1)	(18) 18	1 (1)	99 (99)
Euros	1 (1)	(18) 18	1 (1)	— —
Renminbi	1 (1)	(314) 314	1 (1)	— —

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on the Group's profit after taxation (and retained profits) measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling as at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk as at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of operations outside Mainland China into the Group's presentation currency. The analysis is performed on the same basis for 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

(e) Fair value measurement

(i) Financial liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	2015 Level 2 RMB'000	2014 Level 2 RMB'000
Recurring fair value measurements		
Liabilities:		
Derivative financial instruments:		
— Forward foreign exchange contracts	(39,713)	—

During the year ended 31 December 2015 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The fair value of forward foreign exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

(ii) Fair value of financial assets and liabilities carried at other than fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

28 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property, plant and equipment, land use rights and computer system and software outstanding at 31 December 2015 not provided for in the financial statements were as follows:

	2015 RMB'000	2014 RMB'000
Contracted for	30,415	15,172
Authorised but not contracted for	490,188	519,540
	520,603	534,712

(b) Operating lease commitments

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

	2015 RMB'000	2014 RMB'000
Within one year	1,872	1,617

During the years ended 31 December 2015 and 2014, the Group entered into lease agreements for properties in Hong Kong and mainland China. The leases typically run for an initial period of one to five years, certain leases could be terminated by one to three months written notice during the term, and with an option to renew the lease upon expiry when all terms are renegotiated. None of the leases includes contingent rentals.

29 MATERIAL RELATED PARTY TRANSACTION

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

On 19 December 2013, the Group entered into a three year lease in respect of certain leasehold properties with Jinlang (Fujian) Investments Co., Ltd. which is wholly owned by Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, three of the executive directors and controlling shareholders of the Company. During the year ended 31 December 2015, total rental paid or payable by the Group under the tenancy agreement amounted to RMB3,120,000 (2014: RMB3,120,000).

The above related party transaction constituted continuing connected transaction as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Continuing connected transaction" of the Report of the Directors.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

30 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(a) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives. Intangible assets except for those with indefinite lives are amortised on straight line basis over the estimated useful lives. The Group reviews annually the useful life of an asset and its residual value, if any, based on the Group's experience with similar assets and taking into account anticipated technology changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimation.

(b) Impairments

The Group reviews the carrying amounts of the assets at the end of each reporting period to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cashflow to assess the differences between the carrying amount and value in use and provide for impairment loss. Any change in the assumption adopted in the cash flow forecasts would increase or decrease in the provision of impairment loss and affect the Group's net asset value.

Impairment losses for bad and doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment loss would affect the net profit in the year and in future years.

(c) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future profit will be available against which the deductible temporary differences can be utilised, management's judgement is required to assess the probability of future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

30 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Net realisable value of inventories

The Group performs regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(e) Impairment of trade and other receivables

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

(f) Bank acceptance bills

As set out in note 27(a)(i), the Group considers that the credit risk associated with bank acceptance bills issued by major banks in the PRC to be insignificant. The Group monitors the credit risk of issuing banks. The judgement to derecognise bank acceptance bills upon discounting or endorsement is reviewed when the credit risk of issuing banks deteriorates significantly.

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

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements.

These include the following which may be relevant to the Group:

		Effective for accounting periods beginning on or after
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 16	Leases	1 January 2019

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in Renminbi)

32 SUBSIDIARIES

Name of company	Place of incorporation/ establishment and operation	Particular of issued and fully paid-up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Lilang Holdings Limited	BVI	US\$20,000	100%	100%	—	Investment holding
Lilang (Hong Kong) International Co., Limited	Hong Kong	HK\$20,000	100%	—	100%	Trading, investment holding and provision of management services
Lilang (Fujian) Garment Co., Ltd.	The PRC	HK\$20,000,000	100%	—	100%	Manufacturing and wholesaling of menswear and accessories
Lilang (China) Co., Ltd. (note b)	The PRC	HK\$303,000,000	100%	—	100%	Manufacturing and wholesaling of menswear and accessories
Lilang (Xiamen) Garment Co., Ltd.	The PRC	US\$30,000,000	100%	—	100%	Manufacturing and wholesaling of menswear and accessories
Lilang (Shanghai) Co., Ltd.	The PRC	HK\$120,000,000	100%	—	100%	Wholesaling of menswear and accessories
Lilang (Jiangxi) Garment Co., Ltd.	The PRC	HK\$10,000,000	100%	—	100%	Wholesaling of menswear and accessories
Xizang Lilang Garment Co., Ltd. ("Xizang Lilang") (note c)	The PRC	RMBNil	100%	—	100%	Wholesaling of menswear and accessories

Notes:

- (a) Except Xizang Lilang, all entities established in the PRC are wholly foreign owned enterprises. Xizang Lilang is a limited liability company established in the PRC.
- (b) The registered capital of Lilang (China) Co., Ltd. was increased by HK\$15,000,000 to HK\$315,000,000 and HK\$3,000,000 was contributed during the year. The remaining amount of HK\$12,000,000 is required to be contributed on or before 30 June 2017.
- (c) The registered capital of Xizang Lilang is RMB20,000,000 which was yet to be contributed by the Group at 31 December 2015. There is no particular requirement on the timing of the contribution.

33 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2015, the Directors consider the immediate and ultimate controlling party of the Group to be Xiao Sheng International Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

FIVE YEARS SUMMARY

(Expressed in Renminbi)

	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000
Revenue	2,707,995	2,793,370	2,298,634	2,432,956	2,689,093
Profit from operations	703,731	709,398	581,977	680,760	794,143
Net finance income	49,096	57,399	63,928	85,912	69,441
Profit before taxation	752,827	766,797	645,905	766,672	863,584
Income tax	(129,689)	(140,000)	(129,815)	(211,764)	(238,419)
PROFIT FOR THE YEAR	623,138	626,797	516,090	554,908	625,165
Earnings per share					
Basic (cents)	51.90	52.20	42.97	46.17	51.83
Diluted (cents)	51.66	52.04	42.88	46.06	51.77
Assets and liabilities					
Non-current assets	409,739	774,687	583,741	414,014	411,455
Net current assets	1,816,790	1,970,422	2,138,121	2,350,124	2,538,461
Total assets less current liabilities	2,226,529	2,745,109	2,721,862	2,764,138	2,949,916
Non-current liabilities	49,323	363,103	208,379	66,269	38,718
NET ASSET	2,177,206	2,382,006	2,513,483	2,697,869	2,911,198
Capital and reserves					
Share capital	105,792	105,801	105,826	106,049	106,458
Reserves	2,071,414	2,276,205	2,407,657	2,591,820	2,804,740
TOTAL EQUITY	2,177,206	2,382,006	2,513,483	2,697,869	2,911,198