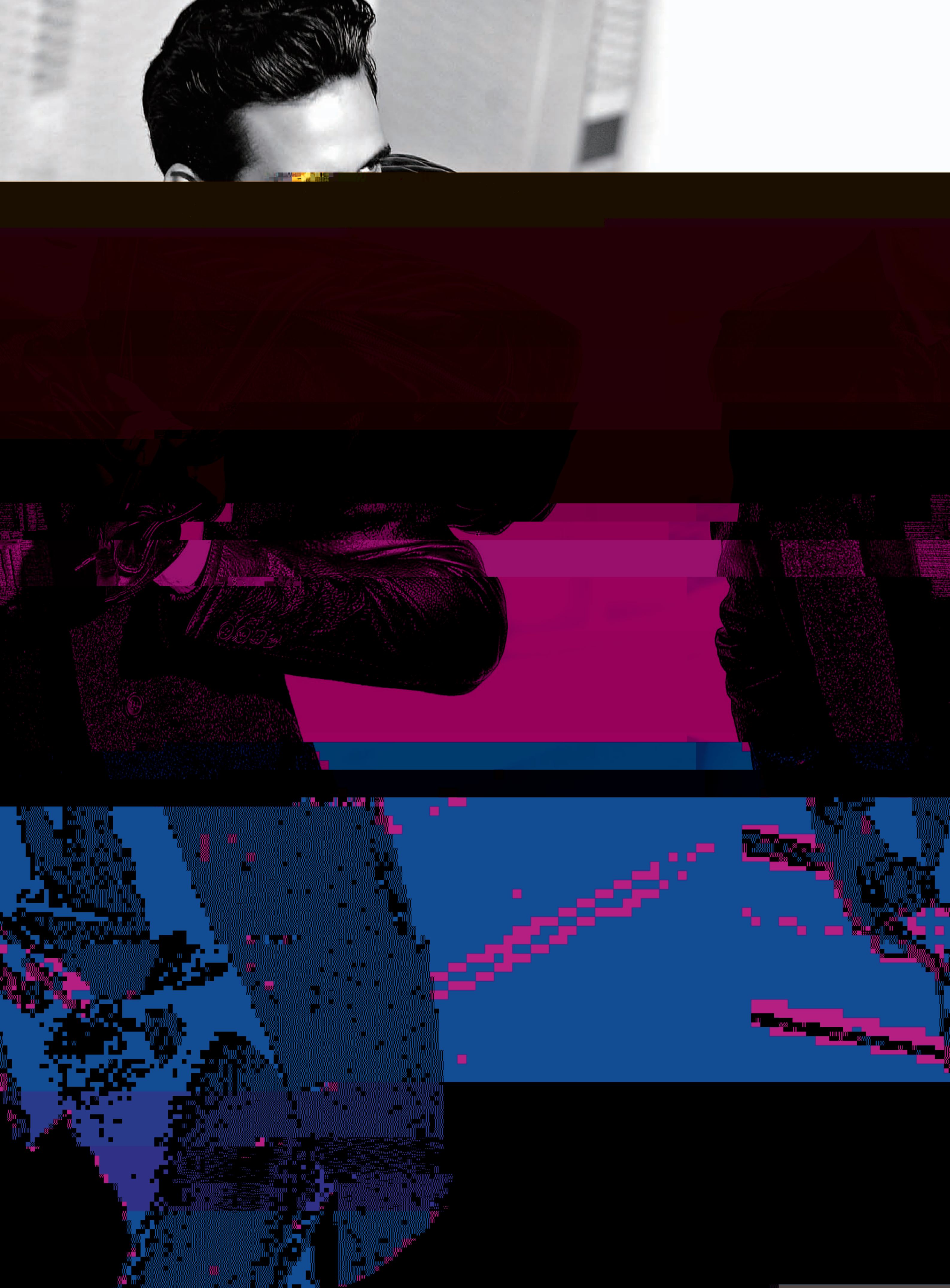
China Lilang Limited
中國利郎有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1234)

LILANZ 利郎

Annual Report 2013



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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, manufactures and sells high-quality business and casual apparel for men under its core brand “LILANZ” and sub-brand “L2”. Its products are sold across an extensive distribution network, covering 31 provinces, autonomous regions and municipalities in the PRC.

CORPORATE INFORMATION

Board

Executive Directors

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

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

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2013 (RMB million)	2012 (RMB million)	Changes (%)
Turnover	**2,298.6**	2,793.4	-17.7
Gross profit	**979.8**	1,124.0	-12.8
Profit from operations	**582.0**	709.4	-18.0
Profit for the year	**516.1**	626.8	-17.7

	(RMB cents)	(RMB cents)	(%)
Earnings per share			
— Basic	**42.97**	52.20	-17.7
— Diluted	**42.88**	52.04	-17.6
Shareholders' equity per share	**209.3**	198.40	+5.5
Interim dividend per share	**HK12 cents**	HK13 cents	-7.7
Special interim dividend per share	**HK5 cents**	HK6 cents	-16.7
Final dividend per share	**HK16 cents**	HK19 cents	-15.8
Special final dividend per share	**HK5 cents**	HK6 cents	-16.7

	(%)	(%)	(% points)
Gross profit margin	**42.6**	40.2	+2.4
Operating profit margin	**25.3**	25.4	-0.1
Net profit margin	**22.5**	22.4	+0.1
Return on average shareholders' equity[(1)]	**21.1**	27.5	-6.4
Effective tax rate	**20.1**	18.3	+1.8
Advertising and promotional expenses and renovation subsidies (as a percentage of turnover)	**9.8**	9.1	+0.7

	Year ended 31 December		Six months ended
	2013	2012	30 June 2013
Average inventory turnover days[(2)]	**76**	55	66
Average trade receivables turnover days[(3)]	**80**	74	90
Average trade payables turnover days[(4)]	**54**	47	50

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 turnover (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 trade bills payables balance divided by costs of sales and multiplied by the number of days in the year.

MANAGEMENT DISCUSSION AND ANALYSIS

In view of the increasing popularity of online sales in China, the Group had been following closely the potential of the e-business channel. However, the current online sales market in China mainly focused on discount sales with relatively low profitability. As a result, the Group had not expanded online sales aggressively. During the year, the Group continued to sell “LILANZ” and “L2” products online through its own platforms. Except for out-of-season products, the products and their prices offered on the online sales platforms are the same as those in the brick-and-mortar stores.

Sales Channel Management

In order to further enhance its channel inventory management, the Group adjusted its annual orders and sales with reference to the inventory level of each individual distributor. During the year, in addition to strengthening its regular monitoring of sales channels, the Group also encouraged its distributors to clear their old inventories by taking various measures including operating discount stores for a period of about 30 days before the commencement of business or renovation of stores and setting up temporary promotion counters in department stores. After a year’s effort, the channel inventory was brought down to a relatively healthy level.

In addition, the Group continued to provide training for its distributors and their management teams during the year, aiming at enhancing the retail management skills and sales technique, multi-stores management, as well as automatizing and refining the management of the chain store business of the distributors so as to enhance the efficiency of the retail channels. During the year, over 2,000 people attended the training courses.

Except for the shop-in-shops in department stores, all the Group’s retail stores of “LILANZ” and “L2” are web-enabled so that the Group can access the data of sales and inventory levels of the stores with greater accuracy and thus can respond more promptly to various issues, and develop products which meet market needs better.

Marketing and Promotion

As a continuation of the store revamp project for “LILANZ” undertaken since the latter half of 2012, the Group upgraded the store front during the year to enhance and reinforce its brand image. The measure was an integral part of the Group’s brand promotion campaign. The Group had renovated approximately 750 “LILANZ” stores in 2013, achieving its target of renovating 700 to 800 stores for the whole year. It is expected that the entire store revamp project will be completed in early 2015.

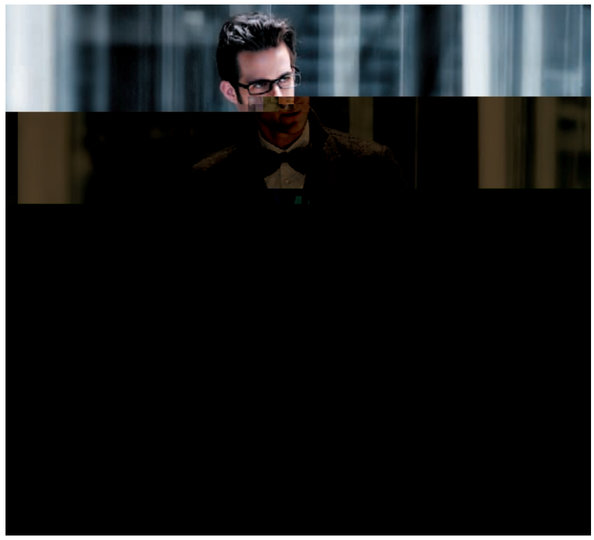
As to advertising, in order to optimize the efficiency of its promotional campaigns, the Group increased its spending on regional advertising, including sponsoring a program of Guangxi Satellite Television in exchange for the naming right for a year. China Lilang also endeavoured to place advertisements through various channels, such as setting up billboards in a dozen of airports in China and the airport in Bangkok, Thailand, as well as advertising online and in magazines. Furthermore, during the year, the Group continued to engage Mr. Chen Dao Ming (陳道明), a famous actor in China, as its spokesperson for "LILANZ" to maximize the promotional effect.

Design and Product Development

The Group always attaches great importance to the style and quality of its products. Adhering to this philosophy, the Group has been committed to achieving excellence through continuous research, design and development of new products over the years. A product planning department was established in 2012 to analyze the data collected from the ERP system and assist the research and development team in launching products that satisfy the market demand well. Currently, we have a product design and development team of over 100 staffers for "LILANZ" in Jinjiang and a 35-strong team for the same purpose for "L2" in Shanghai. During the year, the Group continued to develop new fabrics in close cooperation with its suppliers so as to further control production costs, enhance products' quality and value for money, and maintain the uniqueness of the fabrics used.

During the year, the Group set up an international research and development team for its core brand "LILANZ". Headed by a group of designers from abroad, the team would bring in new ideas by adding innovative and international taste and elements to the brand's fashionable yet simple product style and designs. The move will help the Group maintain its position as a trend-setter in the business casual menswear market in China and offer a more diversified product mix to customers. The 2014 spring/summer collections adopted the new design concepts and were well received by its distributors.

The restructuring of "L2" product line is largely completed. The brand now primarily focuses on the trendy casual wear which better suits the needs of its target customers.



Trade Fairs

Due to the difficult environment in the retail industry and the Group's move to keep the order book healthy as part of the measures to strengthen channel inventory management in response to market conditions, the overall value of the orders recorded at the trade fairs during the year was decreasing but the decline was also diminishing.

The 2013 fall/winter trade fairs of "LILANZ" and "L2" were held in the first half of the year. The total order value at the fall trade fair of "LILANZ" decreased by 26% but the decrease in the value of the orders at the winter trade fair diminished to 16%. The value of the orders for the sub-brand "L2" at the fall trade fair remained at a similar level as that of the previous year, while that at the winter trade fair recorded a low single-digit increase year-on-year. The 2014 spring/summer trade fairs were held in the second half of the year. At the trade fairs, the value of orders for "LILANZ" decreased by a low single-digit whilst the value of orders for "L2" had a high single-digit growth.

The 2014 fall trade fairs were just concluded in March. The value of the orders for "LILANZ" and "L2" at the trade fairs posted mid single-digit and 10% to 15% growth respectively, showing improvement.

CORPORATE GOVERNANCE REPORT

Notes:

A: Attending seminars/workshops in retail, franchise and chain stores management.

B: Attending seminar on regulatory updates.

C: Attending seminar on operational risk management.

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 and Nomination 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 2013. During the meetings, the Audit Committee had approved the audit fee for the year ended 31 December 2013, considered internal control review findings, the annual report of the Group for the year ended 31 December 2012 and the interim report of the Group for the six months ended 30 June 2013, as well as the reports prepared by the external auditor covering major findings in the course of its audit/review.

(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 2013, 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 2012 and salary adjustments (if any) for the year ended 31 December 2013 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 adopted a Board Diversity Policy in August 2013 to comply with a new Code Provision on board diversity which is effective from September 2013. It is the Company's 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 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.

During the year ended 31 December 2013, the Nomination Committee held two meetings. During the meetings, 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 any Directors at the annual general meeting, reviewed the composition and diversity of the Board and the succession planning arrangement for the Chairman and Chief Executive Officer. The Committee also had a written resolution during the year to approve the Board Diversity Policy. The Committee considered the current size and composition of the Board to be sufficient to meet the Company's business needs.

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.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Wang Dong Xing (王冬星先生), aged 53, 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 our 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). Mr. Wang has over 20 years of manufacturing and management experience in the menswear industry in the PRC.

Mr. Wang is also a representative of the Quanzhou Municipal People's Congress, Fujian Province (福建省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), vice president of the Jinjiang Qingyang Chamber of Commerce (晉江青陽商會理事會), council chairman of the Jinjiang Qingyang Foreign Investment Enterprise Association (晉江青陽外商投資企業協會), 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 51, 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) 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 has over 20 years of manufacturing and management experience in the menswear industry in the PRC.

Mr. Wang is also 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).

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 (

Independent Non-executive Directors

Dr. Lu Hong Te (呂鴻德博士), aged 53, 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 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, and Firich Enterprises Co., Ltd. (台灣伍豐科技股份有限公司) (stock code: 8076) and Lanner Electronics Inc. (台灣立端科技股份有限公司) (stock code: 6245), 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 another company, namely Everlight Chemical Industrial Corporation (台灣永光化學工業股份有限公司) (stock code: 1711), the shares of which are listed on the Taiwan Stock Exchange. He resigned as independent non-executive director of that company on 30 June 2012.

Mr. Chen Tien Tui (陳天堆先生), aged 65, 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) and a non-executive director of 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 has over 30 years experience in the textile industry.

Mr. Nie Xing (聶星先生), aged 49, 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. He is a vice president of 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, and is responsible for the financial planning and analysis, management, investment and corporate financing of that group of companies. He was also an executive director of that company prior to his resignation on 25 November 2013. Mr. Nie is currently the chairman of the Audit Committee.

Mr. Lai Shixian (賴世賢先生), aged 39, 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.

Mr. Chen Wei Jin (陳維進先生), aged 44, 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.

Ms. Chen Zhi Mei (陳志梅小姐), aged 32, is the head of sales administration in the sales and marketing department of the Group's core brand "LILANZ". She completed a programme in law at Xiamen University (廈門大學) in June 2000 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 February 2006. She joined the Group on 8 June 2001.

Mr. Huang Ming Hai (黃明海先生), aged 38, 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), and 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). He is currently attending 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

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED BALANCE SHEET

At 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	13	303,311	327,762
Lease prepayments	14	35,790	36,605
Intangible assets	15	5,742	6,952
Deposits for purchases of fixed assets and land use rights	16	65,756	61,451
Deferred tax assets	25(b)	19,142	21,917
Pledged bank deposits	21	154,000	320,000
		583,741	774,687
Current assets			
Inventories	18	271,047	280,287
Trade and other receivables	19	592,535	737,564
Pledged bank deposits	21	458,000	153,939
Fixed deposits held at banks with maturity over three months	22	160,000	100,000
Cash and cash equivalents	22	1,435,788	1,242,788
		2,917,370	2,514,578
Current liabilities			
Bank loans	23(a)	418,316	150,180
Trade and other payables	24	332,459	360,283
Current tax payable	25(a)	28,474	33,693
		779,249	544,156
Net current assets		2,138,121	1,970,422
Total assets less current liabilities		2,721,862	2,745,109
Non-current liabilities			
Bank loans	23(a)	144,652	293,497
Deferred tax liabilities	25(b)	62,817	68,696
Retention payables		910	910
		208,379	363,103
Net assets		2,513,483	2,382,006

BALANCE SHEET

At 31 December 2013

(Expressed in Renminbi)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013

(Expressed in Renminbi)

cognised in profit or loss on the date of retirement or disposal.(e)

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

[illegible] 59years or remaining term of the lease

[illegible] and its residual value, if any, are reviewed annually.

— 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 409years after the date of completion.

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:

No depreciation is provided in respect of construction in progress.

[illegible]

[illegible]

[illegible] labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring

[illegible] losses (see note 1(h)(ii)).

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 each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

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

— 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 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.

(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.

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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:

	2013 RMB'000	2012 RMB'000
Profit before taxation	645,905	766,797
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdictions concerned	163,494	192,949
Tax effect of non-deductible expenses	3,652	3,648
Tax effect of non-taxable income	(617)	(1,232)
Tax effect of tax concessions	(56,146)	(82,925)
Effect on deferred tax balances at the beginning of the year resulting from a change in tax rate (note 25(b))	–	2,339
Under-provision in prior year	1,752	2,376
Withholding tax effect of undistributed profits retained by PRC subsidiaries (note 25(b))	17,680	22,845
Actual tax expense	129,815	140,000

8 Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	2013 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

At 31 December 2012 and 1 January 2013	
At 31 December 2013	20,713

Group and its employees are each required to make contributions to the scheme at 5% of the employees'

defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the

Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF scheme is a

[illegible] und Scheme (the "MPF scheme") under the Hong Kong

There were no other significant temporary differences relating to deferred tax assets or liabilities not
obligations payable to the retired employees covered under the Schemes.

[illegible] rities are responsible for the pension


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[illegible] 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

FIVE YEARS SUMMARY

(Expressed in Renminbi)