年報 2016

Annual Report

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

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

Contents

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. WANG Wei
Mr. LIN Yang

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Ms. LI Rita Yan Wing

AUTHORISED REPRESENTATIVES

Mr. LO Peter
Mr. SUN David Lee

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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PRINCIPAL BANKER

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

LEGAL ADVISOR

Herbert Smith Freehills LLP

AUDITOR

Ernst & Young, Certified Public Accountants

Chairman's Statement

Dear Shareholders,

I am pleased to present to you the annual report and consolidated financial statements of China Outfitters Holdings Limited (the "Company", together with its subsidiaries, "the Group") for the year ended 31 December 2016.

Under the complicated and ever-changing political and economic environment in 2016, China's economic growth continued to slow down as affected by the slowdown of global economic growth, rise of trade protectionism in developed countries and turbulence in the global financial markets. Growth rate of Gross Domestic Product ("GDP") declined to 6.7% in 2016, which was the lowest since 1990. The conventional retail industry also underperformed, of which the Top 100 key and large-scale retailers nationwide recorded a decline in retail sales of apparel by 0.5%, representing a decrease of 0.2 percentage points as compared to last year. Therefore, the Group's performance was also adversely affected by the macro-environment during the year. The Group's total revenue decreased by 10.9% to approximately RMB902.0 million in 2016 (2015: RMB1,012.8 million), and the profit attributable to owners of the parent decreased by 56.7% to approximately RMB45.4 million in 2016 (2015: RMB104.8 million).

Despite the challenging external environment, the Group has taken a number of positive measures during the year to increase investments in branding, retail channels, cross-border business operations and logistics warehousing, and endeavored to further enhance the Group's capability and lay a solid foundation for the rapid growth in the future.

BRANDING

Continued implementation of multi-brand strategy is the key to achieve sustainable growth of the Group. During the year, the Group entered into a licensing agreement with Greg Norman, which further enriched the diversity of golf sportswear and accessories in the Group's brand portfolio. The first Spring and Summer Collection of Greg Norman will be launched in China in the first half of 2017.

In respect of branding and promotion, the Group further strengthened the use of social media in accordance to the changes in consumer behavior in consuming and searching for information. WeChat, Weibo and mainstream media outlets including Sina.com, Sohu.com, Ifeng.com, QQ.com, TouTiao.com etc. were used to increase interaction and communication with consumers, and served to accumulate rich digital assets for the Company.

RETAIL CHANNELS

China's retail channel is experiencing complicated and profound changes. The single retail channel characterised by department stores and shopping malls is changing quickly into a diverse retail mode which includes department stores, shopping malls, outlet stores, e-commerce, mobile terminals etc.

With the development of information technology, the Group believes that the difference between online and offline business will become more and more blurred and sales from online and non-store sectors will increase. Therefore, it's increasingly important to organize and connect the online and offline business in a seamless and orderly fashion. The Group started to use a self-developed O2O system since 2014, which allows our customers to order and purchase a desired product even though the product is not available in a particular location. When payment is made by the customer, the Group will deliver the product to him/her directly via third-party logistics companies. Sales contributed by the system increased by RMB34.0 million, or approximately 95.0%, from RMB35.8 million in 2015 to RMB69.8 million in 2016. In 2017, online product photos will be uploaded to this system, which will then allow any of the Group's retail terminals including conventional stores, online e-shops or mobile terminals to sell our products by using the product gallery function in this system.

In terms of the conventional retail channel, we continued to increase investment in outlet stores. The number of outlet stores increased by 39, from 114 as at 31 December 2015 to 153 as at 31 December 2016. The sales from outlet stores increased by RMB11.8 million, or 7.0%, from RMB169.4 million in 2015 to RMB181.2 million in 2016.

CROSS-BORDER BUSINESS OPERATIONS

The Group has begun to establish a global supply chain through the operation of three joint venture brands MCS, Henry Cotton's and Marina Yachting. The global suppliers are located in a number of countries and regions including Italy, Tunisia, Turkey, India, Myanmar, Vietnam, Cambodia, Hong Kong etc. With the continuous increase in production cost of domestic suppliers in China, the Group will seek to minimise the risk of increasing cost by taking advantage of a global supply chain.

The Group also started a wholesale business in Taiwan during the year. Products were sold to a third-party retailer in Taiwan through our joint venture - MCS Apparel Hong Kong Limited. As at 31 December 2016, the third-party retailers operated 3 retail points in Taiwan. In the future, the Group will actively look for more business opportunities in Taiwan, Hong Kong and Macau by leveraging our rich brand resources, and strengthen our market presence in these localities.

ENHANCE THE EFFICIENCY OF LOGISTICS

Due to the seamless connection of online and offline retail business, the Group expects that product distribution will change from the current distribution model between warehouse and warehouse or warehouse and retail terminals to direct distribution of product to ultimate consumers. Therefore, the Group continued to increase investments in warehousing and logistics over the past years which included the use of products positioning system and Personal Digital Assistant (PDA) in warehousing and logistic activities. These initiatives are taken for the purpose of improving operation efficiency as well as transforming our warehouse from a B2B warehouse into a B2C warehouse that satisfies the logistics and product distribution requirements for the "new form" of retail and accelerates response to ultimate consumers' demand.

FUTURE PROSPECTS

The market forecasts that China's economy still faces great downward pressure and the retail industry will continue to be confronted with a challenging environment. However, consumption should continue to increase in the medium to long run and China's economic structure is gradually evolving to a consumer and service sectors oriented economy with the acceleration of urbanization and the increase of the middle class. Accordingly, the Group remains cautiously optimistic about the long-term prospects of the retail industry in China.

Although our sales and profit decreased in 2016, the Group remains committed to the fundamental core of retail, that is efficiency & cost and customer & product. The Group will actively explore the "new form" of retail that combines sophisticated store decorations, digitalization of product offerings, connecting of online and offline retailing and excellent customer experience.

On behalf of the Board of Directors, I hereby take this opportunity to express my sincere gratitude to all shareholders, Board members, management team, staff members, business partners and customers for their ongoing support and contributions to the Group. Going forward, we will work harder to achieve the Group's sustainable development and a win-win situation for all parties.

LO Peter
Chairman

Hong Kong, 20 March 2017

Management Discussion and Analysis

MARKET OVERVIEW

For most of the Chinese conventional retailers in menswear sector, 2016 continued to be difficult and challenging. Amid the continuous slowdown of China's macro-economy, demonstrated by the weakest Gross Domestic Product growth rate ("GDP") of 6.7% for the past 26 years since 1990, the total retail sales of consumer products increased by 10.4% in 2016, representing a fall by 0.3 percentage points from 10.7% in 2015. In particular, retail sales achieved by the top 100 key and large-scale retailers also decreased by 0.5% in 2016.

Confronted with the weak market sentiment and the increasing competitive market place, the Group reported a decrease in revenue by 10.9% from RMB1,012.8 million in 2015 to RMB902.0 million in 2016 and a decrease in profit attributable to owners of the parent by 56.7% from RMB104.8 million in 2015 to RMB45.4 million in 2016.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB902.0 million in 2016, representing a decrease by RMB110.8 million, or approximately 10.9% as compared to RMB1,012.8 million in 2015.

By sales channel

Revenue from self-operated retail sales decreased by RMB52.0 million, or 7.3%, from RMB711.5 million in 2015 to RMB659.5 million in 2016 and accounted for approximately 73.1% (2015: 70.2%) of the total revenue. The decrease in revenue was primarily due to the decline in customer traffic flows in mainstream department stores in the first to second tier cities where a majority of our self-operated retail points are located, which led to a decrease in same store sales by 9.4%. Despite the decrease in retail sales through self-operated retail points, we remained committed to our multi-channel strategy in response to the evolving consumption behavior and we saw higher growth in sales from outlet stores. Revenue from outlet stores increased by RMB11.8 million, or 7.0%, from RMB169.4 million in 2015 to RMB181.2 million in 2016.

Revenue from sales to third-party retailers decreased by RMB54.1 million, or 21.3%, from RMB253.8 million in 2015 to RMB199.7 million in 2016 and accounted for approximately 22.1% (2015: 25.1%) of the total revenue. The decrease in revenue was primarily attributable to (i) the decrease in retail points operated by third-party retailers; (ii) the third-party retailers becoming more conservative under the current sluggish retail market conditions, especially in North China and third to fourth tier cities where a majority of our third-party retailers are located; and (iii) e-commerce presenting more choices to consumers in the third and fourth tier cities in China, thus impacting conventional retailers.

Revenue from e-commerce business decreased by RMB4.7 million, or 9.9%, from RMB47.5 million in 2015 to RMB42.8 million in 2016 and accounted for approximately 4.8% (2015: 4.7%) of the total revenue. The decrease in revenue from e-commerce business was primarily attributable to a mixed effect of (i) a decrease in sales from online discount platform such as VIP shop, by RMB7.2 million or approximately 38.9% from RMB18.5 million in 2015 to RMB11.3 million in 2016; offset by (ii) an increase in sales from online third-party retailers as well as our self-operated flagship stores on Tmall.com and JD.com, by RMB2.5 million or approximately 8.6%, from RMB29.0 million in 2015 to RMB31.5 million in 2016.

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

	Year ended 31 December			
	2016		2015	
	Revenue RMB million	**% of total revenue**	Revenue RMB million	% of total revenue
Retail sales from self-operated retailers	**659.5**	**73.1%**	711.5	70.2%
Sales to third-party retailers	**199.7**	**22.1%**	253.8	25.1%
Sales from e-commerce business	**42.8**	**4.8%**	47.5	4.7%
Total	**902.0**	**100%**	1,012.8	100%

By Brand

Revenue contributed from self-owned brands increased by RMB9.2 million, or approximately 12.0%, from RMB76.6 million in 2015 to RMB85.8 million in 2016. Percentage of revenue from self-owned brands over total revenue increased from 7.6% in 2015 to 9.5% in 2016.

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

	Year ended 31 December			
	2016		2015	
	Revenue RMB million	**% of total revenue**	Revenue RMB million	% of total revenue
Licensed brands	**816.2**	**90.5%**	936.2	92.4%
Self-owned brands	**85.8**	**9.5%**	76.6	7.6%
Total	**902.0**	**100%**	1,012.8	100%

Cost of sales

Our cost of sales decreased by RMB12.7 million, or approximately 3.7%, from RMB347.3 million in 2015 to RMB334.6 million in 2016. The decrease in cost of sales was primarily due to a mixed effect of a corresponding decrease in cost of inventories sold by RMB14.5 million from RMB211.2 million in 2015 to RMB196.7 million in 2016 as a result of the decrease in revenue; offset by an increase in inventory provisions by RMB1.8 million from RMB136.1 million in 2015 to RMB137.9 million in 2016.

Gross profit and gross profit margin

Our gross profit decreased by RMB98.1 million, or approximately 14.7%, from RMB665.5 million in 2015 to RMB567.4 million in 2016 as a result of the decrease in total revenue. Our overall gross profit margin also decreased by 2.8 percentage points from 65.7% in 2015 to 62.9% in 2016, which was primarily due to the increase in inventory provisions. Save for the provisions, our overall gross profit margin would have been 78.2% in 2016, which was largely in consistent with 79.1% in 2015.

Other income and gains, net

Our other income and gains increased by RMB6.1 million, or approximately 20.3%, from RMB30.0 million in 2015 to RMB36.1 million in 2016. The Group's interest-bearing bank borrowings are denominated in Hong Kong Dollars. In order to minimize the Group's foreign currency fluctuation risk, the Group entered into foreign currency forward contracts with a bank. The increase in other income and gains was primarily due to the increase in gains by RMB7.5 million arising from the realised gains and changes in fair values of the above foreign currency forward contracts.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB40.5 million, or approximately 8.1%, from RMB497.3 million in 2015 to RMB456.8 million in 2016.

Rents and concession fees for occupying concession counters within department stores and department store charges decreased by RMB32.8 million, or approximately 11.5%, from RMB284.5 million in 2015 to RMB251.7 million in 2016, which were largely in consistent with the decrease in sales from self-operated retail points.

The labour costs related to sales and marketing staff decreased from RMB91.8 million in 2015 to RMB89.9 million in 2016, which was primarily attributable to the decrease in sales and marketing staff arising from the decrease in number of self-operated retail points.

The Group incurred advertising and promotion expenses of RMB15.6 million (2015: RMB13.6 million) during the year for organizing promotion activities and spending on social media marketing to share our brand stories and product knowledge with our customers through wechat, weibo and mainstream websites such as Sina.com, Sohu.com etc.

Decoration expenses for renovation of the self-operated retail points decreased from RMB24.8 million in 2015 to RMB6.2 million in 2016 which was mainly because the number of new stores opened in 2016 was lower than 2015 and led to a decrease in such expenses.

Other selling and distribution expenses, including royalty fees, transportation expenses and other operating expenses remain consistent for both years indicated.

Administrative expenses

Our administrative expenses decreased by RMB1.2 million, or approximately 2.0%, from RMB61.5 million in 2015 to RMB60.3 million in 2016, primarily due to the decrease in amortization of Pre-IPO Share Option Scheme.

Other expenses

Other expenses mainly represented (i) an impairment on trademarks – London Fog and Zoo York of RMB18.0 million (2015: RMB4.7 million); and (ii) an impairment on trade receivables of RMB1.2 million (2015: Nil).

Finance income

Our finance income decreased to RMB34.6 million in 2016 as compared to that of RMB44.6 million in 2015, representing an decrease by 22.4%, primarily due to the decrease in interest rate in structured bank deposits and bank deposits during the year.

Finance costs

The Group obtained overseas short-term bank loans from financial institutions in Hong Kong. Finance costs of RMB6.7 million (2015: RMB12.0 million) represented bank interest expenses incurred in relation to the above bank loans during the year.

Share of profits and losses of joint ventures

Share of profits and losses of joint ventures represented share of profits of a joint venture – MCS of RMB3.8 million (2015: share of losses of RMB2.9 million) which was partially offset by share of losses of the joint ventures – Henry Cotton's and Marina Yachting of RMB2.4 million and RMB0.9 million, respectively (2015: share of losses of RMB1.2 million for Henry Cotton's and nil for Marina Yachting).

Profit before tax

As a result of the foregoing factors, our profit before tax decreased by RMB60.4 million, or approximately 38.7%, from RMB156.1 million in 2015 to RMB95.7 million in 2016.

Income tax expense

Income tax expense decreased by RMB1.0 million, or approximately 1.9%, from RMB53.4 million in 2015 to RMB52.4 million in 2016. The effective income tax rate increased from 34.2% in 2015 to 54.7% in 2016 which was primarily due to the addition in withholding tax expense on distributable profits of certain subsidiaries in China of RMB23.6 million.

Profit for the year

Profit for the year decreased by RMB59.3 million, or approximately 57.7%, from RMB102.7 million in 2015 to RMB43.4 million in 2016. In addition, the net profit margin decreased from 10.1% in 2015 to 4.8% in 2016 primarily due to:

(i) a decrease in gross profit margin by 2.8 percentage points from 65.7% in 2015 to 62.9% in 2016 due to the increase in inventory provisions;

(ii) an increase in percentage of selling and distribution expenses and administrative expenses over total revenue from 55.2% in 2015 to 57.3% in 2016 because the percentage of sales from self-operated retail points increased from 70.2% in 2015 to 73.1% in 2016 while percentage of sales to third-party retailers decreased from 25.1% in 2015 to 22.1% in 2016. The self-operated retail business incurred higher selling and distribution expenses than those of wholesale business to third-party retailers; and

(iii) an increase in percentage of other expenses over total revenue from 0.9% in 2015 to 2.1% in 2016.

Profit attributable to owners of the parent

As a result of the foregoing, profit attributable to owners of the parent decreased by RMB59.4 million, or approximately 56.7%, from RMB104.8 million in 2015 to RMB45.4 million in 2016.

Working Capital Management

	31 December 2016	31 December 2015
Inventory turnover days	**359**	419
Trade receivables turnover days	**44**	42
Trade payables turnover days	**45**	52

The decrease in inventory turnover by 60 days was mainly due to (i) the decrease in procurement for products aged within one year; and (ii) our stock clearance strategy to sell past season products aged from one to three years through outlet stores as well as online discount platforms and online flagship stores. In the meantime, the inventory balance also decreased by RMB139.8 million from RMB398.6 million as at 31 December 2015 to RMB258.8 as at 31 December 2016.

The turnover days of trade receivables and payables were consistent for both years indicated.

Liquidity, financial position and cash flows

As at 31 December 2016, we had net current assets of approximately RMB811.0 million, as compared to RMB859.4 million as at 31 December 2015. The current ratio of our Group was 2.2 as at 31 December 2016, as compared to that of 2.2 as at 31 December 2015.

As at 31 December 2016, the Group had secured banking facilities of RMB384.6 million and there was no undrawn banking facilities.

As at 31 December 2016, we had an aggregate cash and cash equivalents, pledged bank deposits and structured bank deposits of approximately RMB1,060.6 million. The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Net cash flows from operating activities	**116.9**	54.0
Net cash flows (used in)/from investing activities	**(138.7)**	340.4
Net cash flows used in financing activities	**(0.2)**	(399.0)
Net decrease in cash and cash equivalents	**(22.0)**	(4.6)
Effect of foreign exchange rate changes, net	**7.5**	(22.5)
Cash and cash equivalents at the beginning of the year	**172.3**	199.4
Cash and cash equivalents at the end of the year	**157.8**	172.3

Operating activities

Net cash flows from operating activities increased by RMB62.9 million from RMB54.0 million in 2015 to RMB116.9 million in 2016 which was primarily attributable to (i) the operating cash inflows before changes in working capital of RMB237.8 million (2015: RMB285.0 million); and (ii) changes in working capital representing a decrease of cash of RMB120.9 million (2015: RMB231.0 million).

Investing activities

Net cash flows used in investing activities of RMB138.7 million mainly represented increase of investments in structured bank deposits of RMB93.5 million and the investments in an available-for-sale investment and an associate of RMB20.6 million.

Financing activities

There was no material cash flows used in financing activities during the year.

Gearing Ratio

The gearing ratio of the Group which is calculated by dividing total borrowings by total equity was 23.2% as at 31 December 2016 (31 December 2015: 22.2%). Further details of the Group's bank borrowings are set out in note 33 of the notes to financial statements.

Pledge of group assets

As at 31 December 2016, short-term bank deposits of RMB390.0 million have been pledged as security for obtaining banking facilities of the Group. The Group also pledged short-term bank deposits of RMB39.3 million for foreign currency forward contracts.

Capital commitments and contingent liabilities

As at 31 December 2016, the Group had capital commitment of approximately RMB5.2 million (31 December 2015: Nil) and there was no significant contingent liabilities (31 December 2015: Nil).

Foreign exchange management

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

Use of proceeds from the IPO

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

There was no material IPO proceed used during the year.

The table below sets forth the utilisation of the net proceeds from the IPO and the unused amount as at 31 December 2016. All the unused proceeds were deposited into licensed banks in the PRC and Hong Kong:

Use of fund raised

	Percentage to total amount	Net proceeds (HK$ million)	Utilised amount as at 31 December 2016 (HK$ million)	Unutilised amount as at 31 December 2016 (HK$ million)
Licensing or acquisition of additional recognised international brands	47%	380.7	234.5	146.2
Expansion and enhancement of existing logistical system	24%	193.1	193.1	–
Settlement of shareholder's loan	19%	152.8	147.1	5.7
General working capital	10%	77.3	–	77.3
	100%	803.9	574.7	229.2

OPERATION REVIEW

Retail and distribution network

As at 31 December 2016, our sales network comprised a total of 614 self-operated retail points, consisting of concession counters, consignment stores and standalone stores, and 453 retail points operated by our third-party retailers.

The following table sets forth the number of our self-operated retail points and retail points operated by our third-party retailers in the PRC by brand as at 31 December 2016 and 31 December 2015:

	As at 31 December 2016			As at 31 December 2015		
Brand	Self-operated retail points	Retail points operated by third-party retailers	Total retail points	Self-operated retail points	Retail points operated by third-party retailers	Total retail points
Jeep						
– Menswear	210	409	619	218	450	668
– Spirit*	50	9	59	65	10	75
SBPRC	166	31	197	188	42	230
London Fog	57	1	58	59	1	60
MCS	46	–	46	52	–	52
Zoo York	25	3	28	21	–	21
Others	60	–	60	68	–	68
Total	614	453	1,067	671	503	1,174

* including 26 and 38 retail points of Jeep lady as at 31 December 2016 and 31 December 2015, respectively

Self-operated retail points

As at 31 December 2016, we had a network of 592 self-operated concession counters (31 December 2015: 641 self-operated concession counters). A majority of the concession counters are located within mainstream department stores in the first and second tier cities in China, including Parkson (百盛), Golden Eagle (金鷹), MOI (茂業), Intime (銀泰), Wangfujing (王府井) etc., among which a total of 153 were outlet stores as at 31 December 2016 (31 December 2015: 114 outlet stores).

As at 31 December 2016, we had a network of 22 standalone stores (31 December 2015: 30 stores) which were located in shopping malls within major cities in the PRC to ensure a steady flow of consumers as well as to enhance our sales and brand awareness.

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

- a net increase by 39 outlet stores in response to changes in consumer behavior and rapid sales growth in outlet store channel; and

- a net increase by 16 retail points for the expansion and development of our new brands such as Henry Cotton's, Marina Yachting and Zoo York in 2016.

Retail points operated by third party retailers

Under the current uncertain and ever-changing market conditions, our third-party retailers have become more conservative in placing orders and opening new stores. As at 31 December 2016, we had a total of 453 retail points that were operated by third-party retailers, representing a decrease by 9.9% as compared to that of 503 as at 31 December 2015.

E-commerce

We launched our e-commerce business in 2013 and sold off-season products through online platforms and retailers. In 2016, the Group has actively orgnaised sales fairs on online discount platform such as VIP.com, developed new online third-party retailers for online retailing of the Group's products and increased sales from the Group's self-operated e-shops on Tmall.com and JD.com.

Branding

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

Greg Norman

On 27 April 2016, the Group entered into a trademark license and distribution agreement with Tharanco Lifestyles LLC d/b/a Greg Norman Collection which grants the right to design, manufacture, sell, distribute, advertise and promote of products under the "Greg Norman" brand in the PRC starting from 27 April 2016. The Greg Norman Collection (the "GNC") is a leading designer and distributor of golf-inspired sportswear and accessories, targeting active and sophisticated men and women. Established in 1992, GNC was inspired by golfing legend Greg Norman and is built upon a unique combination of performance, luxury and style.

MCS

MCS sponsored the Chinese Super Model Soccer Team including top models of Mr. Rock Ji (紀煥博先生), Mr. Miracle Qi (戚跡先生) etc. MCS also provided some of the apparel for Mr. Andy Lau (劉德華先生), the prominent actor in the movie "Shock Wave" ("拆彈專家") to be shown in cinemas in 2017.

LINCS

During the year, LINCS continued to sponsor apparel for the China Entrepreneur Golf Team and the award for the "Longest Drive Prize" in the golf event "BMW Daonong Cup" Challenge, the leading amateur golf event in China.

Zoo York

Zoo York is the title sponsor for CSP China Skate Park League (CSP全國滑板場聯賽). The events were held across 7 major cities in China including Shanghai, Shenzhen, Chengdu etc., from 26 June 2016 to 25 September 2016. Over 20 skate clubs participated in the events.

Fashion Shows

From 16 March 2016 to 18 March 2016, we organized 8 fashion shows in Shanghai to display the new fall and winter collections of a number of brands operated by us including Barbour, Jeep Spirit, Henry Cotton's, LINCS, Marina Yachting, MCS, Santa Barbara Polo & Racquet Club and Zoo York. Chinese top models Mr. Rock Ji (紀煥博先生) and Ms. Lela Wang (王詩晴女士) and over 100 celebrities attended the event.

Tweed Run Event

A "Tweed Run" event was held in December 2016. The cyclists were dressed in traditional cycling attire from the brands such as Barbour, MCS, Henry Cotton's, Marina Yachting etc., and rode through a small village in Jin Shan district in Shanghai. The events were covered by a number of leading media outlets such as Sohu.com, Toutiao.com in China.

Management Team

On 15 August 2016, we have appointed Mr. LI Zhujun (李祝軍先生) and Mr. YU Wenlong (余文龍先生) as our new Chief Sales Officer and Chief Marketing Officer, respectively. Both Mr. Li and Mr. Yu have over 15 years of experience in the retail and apparel industry. Previously, Mr. Li was the Chief Marketing Officer of the Group and Mr. Yu was the deputy general manager of a subsidiary of the Group for managing the retail business in the south China region.

We appointed Ms. CHEUNG Laura Pui Wah (張佩華女士) as our Chief Merchandising Officer on 12 December 2016 for developing strategies for purchasing plans and managing the buying activities of the Group. Prior to joining the Group, Ms. Cheung held several senior managerial positions in Dolce & Gabbana, Escada, Salvatore Ferragamo and Dunnu in the Asia-Pacific Region and she has over 20 years of experience in the retail and apparel industry.

On 1 January 2017, we appointed Mr. LI Zhuoping (李卓平先生) as our Chief Technology Officer. Mr. Li joined the Group in 2003 and is responsible for development and implementation of the information technology systems of the Group. Mr. Li has over 10 years of experience in the information technology industry as well as the retail and apparel industry.

Design and product development

The local design team kept abreast of the latest trends and developments in new designs through our collaboration with the international design teams from Barbour in London, Greg Norman in Sydney, LINCS in New York, MCS, Henry Cotton's and Marina Yachting in Milan and Venice and Zoo York in Hong Kong.

Production and supply chain

The positing of products in warehouses through our self-developed logistic system and personal digital assistant system was completed during the year. The implementation of new technology along with the operation of the new logistic center in Shanghai have significantly improved the efficiency of our order-fulfillment process in warehouses and transformed our warehousing system into a B2C logistics center for direct distribution of products to customers.

We developed an O2O system that is tailored to our retail network and allows our customers to make purchases on demand even if the desired item is out of stock at a particular location. This in turn both enhances customers' shopping experience and drives our sales. Sales contributed by the system increased by RMB34.0 million, or approximately 95.0%, from RMB35.8 million in 2015 to RMB69.8 million in 2016.

Employee information

As at 31 December 2016, the Group had approximately 2,752 full-time employees. Staff costs, including Directors' remuneration, totalled RMB111.4 million in 2016 (2015: RMB113.7 million).

The Company also operated a share option scheme (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of our Group. A total of 84,012,000 options under the Pre-IPO Share Option Scheme that granted to 17 participants (including 7 directors), were outstanding as at 31 December 2016.

Corporate Social Responsibility

Being a responsible corporate citizen is a core fundamental of our culture. During the year, the Group participated in the sponsorship of an animal protection program organized by the Beijing Loving Animals Foundation (北京愛它動物保護公益基金) and the sponsorship of "I fly" (愛飛翔) training program for village school teachers that organised by the Chinese Red Cross Foundation and Cui Yong Yuan Commonwealth Foundation (崔永元公益基金) for the purpose of supporting education in rural areas of China. A total donation of approximately RMB0.5 million was made by the Group to the above programs during the year.

The Group is also looking for opportunities to reduce the consumption of paper, electricity and other resources in order to reduce the impact on the environment and set reduction targets as appropriate.

Prospects

The management will continue to focus on the following key objectives for 2017:

- In line with our multi-brand strategy, the Group will seek opportunities to further diversify its brand portfolio and increase the portion of revenue from self-owned brands. We plan to introduce the first spring/summer season products of our new brand Greg Norman in the beginning of 2017;

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

- The Group will continue to commit to its multi-channel strategy and place great emphasis on expanding our store network in outlet stores and multi brand lifestyle stores (多品牌集合店) in order to attract more customer flows. E-commerce is also a priority of our sales channel strategy;

- The Group will continue to encourage sales staff and third-party retailers to use the self-developed O2O system and accelerate the response to ultimate consumers' demands for our products; and

- The Group will actively explore the "new form" of the conventional retail stores that combine sophisticated store decorations, digitalization of product offerings and superior customer experience.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are summarised as below:

Risks Relating to the Retail and Apparel Industry

Fluctuations in consumer spending caused by changes in macroeconomic conditions in the PRC may significantly affect our business, financial condition, results of operations and prospects

The Group derives substantially all of revenue from sales of our products in the PRC. The success of the Group's business depends on the condition and growth of the PRC consumer market, which, in turn, depends on worldwide economic conditions and individual income levels in the PRC and their impact on levels of consumer spending.

Economic growth in the PRC slowed down over the past years and there is no assurance that the robust growth rates that the PRC economy and the PRC consumer market have achieved in the past will be achieved in the future. Any further slowdowns or declines in the PRC economy or consumer spending may materially and adversely affect the Group's business, financial condition and results of operations.

The Group operates in a very competitive market and faces intense competition

The retail and apparel industry in the PRC is highly competitive, and the competitors in this market include both international and domestic companies. The Group competes against competitors primarily on brand loyalty, product variety, product design, product quality, marketing and promotion, price and the ability to meet delivery commitments to retail points. Some of the competitors may have greater financial, management, human, distribution or other resources than the Group. The Group's results of operations and market position may be adversely affected by a number of competitive factors, including competitors increasing their operational efficiencies, adopting competitive pricing strategies, expanding their operations or adopting innovative retail sales methods or product designs etc.

Risks Relating to the Group

If the Group is unable to predict or meet consumer preferences or fashion trends, the Group's products may lose their appeal to customers

As apparel products are subject to changing consumer preferences and fashion trends, the Group's sales and profit are dependent on the Group's ability to cater to different consumer fashion tastes. Demand for the Group's products is dependent on market perception and consumers' acceptance that the Group's brands are fashionable and trendy, which require continued anticipation of and responsiveness to ever-changing market and fashion trends. The Group cannot assure that it will be successful in anticipating changing consumer preferences or developing new products to meet shifts in demand. The Group's failure to anticipate or accurately respond to market changes and fashion trends in a timely manner could result in lower sales volumes, lower selling prices or lower profits for the Group and the Group's third-party retailers. This could in turn materially and adversely affect the Group's business, financial condition and results of operations.

The Group's endeavours to launch new brands or new product lines may not be successful

To enhance sustainable growth, the Group plans to expand and diversify our brands and products by introducing new brands and new product lines to target new consumer groups.

The launch and development of a new brand or a new product line involves considerable time and financial commitment that may impose a substantial strain on the Group's ability to manage the existing business and operations. The Group may face inherent risks and uncertainties, lack sufficient experience in the management of new brands and products, and may not be able to reach agreements with our third-party retailers for the distribution of the products under the new brands or the new product lines. Failure of any of our new brands or new products could lead to wasted resources and damage to our reputation and could materially and adversely affect our business, financial condition and results of operations.

The Group relies on licence agreements for the use of international brands in the design, manufacturing, marketing and sales of branded apparel

The Group entered into licence agreements with a number of organisations to use their respective brands in the design, manufacturing, marketing and sales of apparel products and sales of products under these licensed brands accounted for over 90% of total sales.

The Group can give no assurance that the licensors will be satisfied with our performance under the licence agreements, that the licensors will not attempt to terminate the licence agreements, or that the Group will be able to renew the licence agreements on the same or similar terms, or at all. If the licence agreements are terminated or if the Group fails to renew any of them upon their expiration, the Group will be unable to continue the design, manufacturing, marketing and sales of products under that licensed brand, and our business, financial condition and results of operations will be materially and adversely affected.

The Group relies on third-party manufacturers and suppliers for the production of a significant portion of our products and the supply of raw materials, respectively, and any interruptions in the operation of these manufacturers or suppliers may adversely affect our results of operations

The Group relies on third-party manufacturers for the production of a significant majority portion of our and also relies on third-party suppliers for the supply of raw materials for our own production and some of the outsourced production. These third-party manufacturers and suppliers may be unable to supply the Group with the finished goods or to provide the Group with the required raw materials, respectively. The Group may experience material disruptions in the supply of finished goods or raw materials due to any of the factors, such as changes of laws and regulations, lack of labour resources, equipment failures or property damage etc. in the future, which could materially and adversely affect our business, financial condition and results of operations.

The Group's business is susceptible to unexpected and abnormal changes in climate

The Group's business is susceptible to unexpected and abnormal changes in climate. For example, a warm winter may affect the sales of our winter products, while a cool summer may affect the sales of our summer products. These unexpected and abnormal changes in climate may affect the sales of the Group's products that are timed for release during a particular season.

The Group is subject to financial risks

The main financial risks facing the Group are interest rate risk, foreign currency risk, credit risk and liquidity risk. Detailed discussion and analysis of the Group's financial risk, along with the management objectives and policies are set out in note 45 to the financial statement.

Environmental, Social and Governance Report

ABOUT THE REPORT

The board (the "Board") of directors (the "Directors") of China Outfitters Holdings Limited (the "Company", together with its subsidiaries, "the Group") is pleased to present its first Environmental, Social and Governance ("ESG") report. The report discloses the sustainability initiatives by the Group and is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Being a responsible corporate citizen is the core fundamental of our corporate culture and therefore, the Group is committed to the operation concept of "maximizing interests of customers, returns of shareholders, values of employees and responsibility of society".

The Board of Directors provides overall direction on the management of sustainability issues and ESG risks. Reporting and disclosure of ESG initiatives are implemented by a dedicated team, and is responsible for collaborating with other functional areas in the integration and implementation of sustainability initiatives throughout the Company.

ENVIRONMENTAL

The Group is principally engaged in the design, manufacturing, marketing and sale of apparel products and accessories. Its operating activities do not generate any emissions or wastes that would severely pollute the environment. However, the Group undertakes environmental protection as part of its corporate responsibilities, and it is fully aware of the importance of sustainable environmental development in achieving sustainability in its operations.

The Group encourages the conscientious use of resources through a daily process of awareness-raising among employees, along the supply chain, with partners and suppliers to spread the culture of environmental sustainability and to continue to seek out new opportunities to reduce waste.

The Group implements a number of green measures at our headquarters in Shanghai, manufacturing plant in Dezhou, Shandong Province, retail points and warehouses to minimise environmental footprints. To this end, the Group introduced several initiatives to improve energy efficiency, better waste management and enhance indoor environmental quality.

The Group also abides by the Environmental Protection Law of the People's Republic of China (the "PRC"), the Energy Conservation Law of the PRC and other related laws and regulations of Hong Kong and the PRC. During the year ended 31 December 2016 and up to the date of this report, the Board was unaware of any non-compliance with relevant laws and regulations in relation to environment protection that had a significant impact on the business and operations of the Group.

Promote Environmental Awareness

Greenhouse effect is impacting the world and the resilience of ecosystems. The Group inspires and supports our staff to be mindful of how to reduce environmental impact in their daily lives and support by taking action to reduce consumption and waste including:

- encouraging our staff to adopt telephone and/or video conferences with business partners and conduct in-house meeting with other regions in order to reduce green gas emissions from travelling;

- encouraging our staff to join and participate in the campaign organised by non-profit organisations, such as switching off for Earth Hour to shine a light on the need for climate action; and

- providing training courses to our staff for enhancing their environmental awareness of conscientious use of resources in day-to-day operations.

Minimise Greenhouse Gas Emission

Air and greenhouse gas emissions generated by the Group's operating activities are limited. The following initiatives have been taken to minimise emissions from electricity, natural gas and fuel consumption:

- The Group does not own vehicle fleets and outsources substantially all transportation services to third-party logistics contractors. The Group conveyed green driving tips to logistics contractors to help minimise roadside emissions when delivering products to our retail points, such as arranging delivery services in non-peak hours, choosing the best possible delivery routes to reduce exhaust emissions.

- The Group seeks to purchase and consume clean or renewable energy for electricity used, particularly for the manufacturing plant in Dezhou.

- The Group seeks to reduce emissions and non-hazardous waste by increasing the use of recycled materials and/or biodegradable materials.

- The manufacturing plant in Dezhou uses automatic fabric-cutting machines to improve the accuracy in cutting fabrics. Computer software is also used to maximize the utilization rate of fabrics, thereby reducing scraps.

Make Good Use of Resources

Electricity and energy consumption

Energy consumption controls and testing have been used to design a long-term plan to improve energy efficiency both in the industrial and retail environment. The initiatives of the plan include:

- gradual replacement of all air conditioners with latest-generation systems with advanced energy-saving functions;
- gradual replacement of store and office lighting with energy-saving lighting systems such as LED technology etc.;
- putting reminder message about the importance of energy and resources savings on or next to office equipment; and
- security guards in office, logistic centres and manufacturing plan in Dezhou ensuring air conditioning systems, office equipment and lighting in vacant working areas are switched off after operation hours.

Water consumption

The operating activities of the Group do not involve high water consumption. Most of the water resources used are for the daily use of employees, and only a small part is used for the manufacturing activities in Dezhou.

The Group adopts water saving measures, such as putting up reminder message in the office area and across the plants, and setting up internal guidelines to ensure that our staff members are using water resources conscientiously and effectively.

The Group also seeks for opportunities to recycle water for reuse, particularly in the manufacturing plant in Dezhou.

Paper consumption

In order to reduce paper consumption, the Group adopted the followings during the year:

- using office automation system and emails for internal communication;
- electronic marketing materials and newsletters are used to minimise massive printing of promotion materials; and
- encouraging our staff to view documents on electronic devices instead of printing out hard copies. When printing is unavoidable, staff members are required to reuse paper for internal documentation, print on both sides and few pages per sheet.

Raw materials consumption

The Group keeps close communication with suppliers and complies with the Environmental Protection Law of the People's Republic of China in using all major raw materials. The Group also discusses with the suppliers on the use of environment-friendly materials in our products.

The Group strictly controls the use of raw materials and the amount of fabrics through the use of computerised software to compute and optimise cutting layouts. Automatic fabric-cutting machines have been used in the manufacturing plant in Dezhou to improve the accuracy in cutting fabrics.

With regard to the product package, the Group will never excessively package our products. Most of the shopping bags are made from environment-friendly paper bags. Periodically review has been made on level of inventories kept by the Group and the Group evaluates the usage of material to avoid over-stocking.

Waste management

The Group recognises the importance of responsible natural resource use and waste management.

The Group conducted an analysis of the processes carried out and waste produced in each phase of the operating activities. The analysis enabled to optimise the available resources, thereby reducing waste production and increasing waste recycling.

Waste separation in the workplace has also been a valid method of transmitting to the employees the opportunity to be more attentive to good practices in daily life.

SOCIAL

Employment and Labour Practices

The Group believes that outstanding talents are the cornerstone for facilitation of the healthy and steady development of an enterprise. Therefore, the Group values its staff members as an important asset and puts strong emphasis on recruitment, reserve, training and development of talents and commits to achieving a win-win situation for both the Company and employees through effective communication, trainings and safety education.

The Group recruits qualified talents through campus and social recruitment as well as internal referral, regardless of nationality, gender, age or religion, and strictly prohibits discrimination of any kind. As at 31 December 2016, the Group had 2,752 employees in the PRC and Hong Kong, and they were stationed at our retail points, offices, warehouses and manufacturing plant in Dezhou.

The Group's staff handbook sets out the Group's working hours, rest breaks, holidays, leave entitlements as well as termination of employment and compensation matters.

The Group provides competitive remuneration packages to employees to ensure that the Group can attract and retain the best talents. The remuneration package is determined based on salary level of labour market in related fields and professions, responsibility and complexity of the job, and appraisal result of the employee. The Group also commits to contribute social securities, such as medical insurance, pension etc., for its employees based on the requirements of local regulations. In addition, the employees are entitled to annual leaves, maternity leaves and marriage leaves as well as other occasion leaves according to the Labor Law of the PRC.

The Group strictly adheres to all applicable labor laws and regulations in the PRC and Hong Kong. No violation was recorded for the year ended 31 December 2016.

Health and Safety

The Group is committed to maintaining a good occupational safe and healthy environment. The Group provides training on safety education for our employees.

In order to minimise workplace incidents and arouse employees' awareness of safety precaution, the Group provides regular educational courses and training programs on occupational safety with its employees, particularly those involved in store decoration and warehousing.

During the year ended 31 December 2016, no serious injury of employee was recorded.

Staff Development and Training

As the Group values its employees as an important asset, the Group believes that learning and self-enrichment are the principal methods for employees' career advancement and professionalism development.

The Group provides training courses to employees including knowledge about the Group's corporate culture, business ethics, production and logistics planning, customer service etc. In addition to internal orientation, the Group also encourages employees to take part in training courses and workshops that are relevant to their roles at external organisations in order to strengthen their job skills and knowledge.

Directors attended their requested continuous professional training courses organised by various professional institutes.

Maintaining a professional design team is our key success. During the year ended 31 December 2016, the Group organises its designers to make visits to Venice for learning and trainings. The designers kept abreast of the latest fashion trend through working and communication with the top designers in Italy.

Labour Standard

No child nor forced labour has been employed by the Group for the year ended 31 December 2016.

Supply Chain Management

As at 31 December 2016, the Group had over 200 outsourcing suppliers, raw material suppliers and subcontract suppliers.

The Group's suppliers have been carefully selected. The Group prefers those suppliers with ISO14000 standards and will carry out on-site visits before the commencement of the business with suppliers. Evaluation on the performance of suppliers and contractors will be made, at least on an annual basis, through day-to-day communication, business meetings, on-site visits, sampling, product quality inspection etc., in order to ensure that the suppliers and contractors' operations are fully complied with the applicable laws and regulations in relation to social and environmental aspects.

Most of the procurements made by the Group shall undergo a tender and quotation process. The Group implements a just and fair process to ensure adequate competition.

Product Responsibility

The Group takes product safety obligations seriously so as to meet the regulatory standards in relation to health and safety, fair advertising and labelling that are applicable to our products and services.

All fabrics used by the Group are subject to quality inspection conducted by state-approved independent third-party institutions. All finished goods must pass the quality control inspection of the Group before packaging for delivery. These inspection activities help identify in-process improvements and enable us to receive quality products. During the year ended 31 December 2016, the Board was unaware of any material non-compliance or breach of legislation related to product safety or any recalls of products due to product safety or health issues.

Intellectual Property Rights

The Group primarily relies on intellectual property laws and contractual arrangements with our employees, business partners and other parties to protect our intellectual property rights. Our employees are required to enter into employment agreements where they are required to keep confidential relating to our intellectual property and trade secrets.

The Group also operates 5 licensed brands. All staff members are well aware of the respect of third parties' intellectual property rights and pay extreme attention to ensure the proper usage of these intellectual properties.

During the year ended 31 December 2016, the Group, together with The Licensing Company, local agent of FCA USA LLC, handled with 23 cases regarding counterfeit products with Jeep trademarks available in the wholesale market. The Group has reported findings to relevant authorities.

Customer Data Protection

The Group is committed to protecting customers' privacy. All VIP customers' information was kept in a database and only relevant authorised personnel of the Group can access to the database.

During the year ended 31 December 2016, the Board was unaware of any non- compliance with the relevant requirements.

Anti-corruption

The Group strictly prohibits any acts of corruption or bribery during its business operation and reminds its employees to avoid any acts which may cause conflicts of interest from time to time. Code of conduct in relation to anti-corruption has been set out in the employees' handbook and has been signed by employees for acknowledgement when they entered into the labour contract with the Group.

The Group also signs commitment letters with suppliers and service providers that strictly prohibits employees from receiving private benefits including gifts, commissions or any form of remuneration to eradicate corruption or bribery.

During the year ended 31 December 2016, the Board was unaware of any non- compliance with the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering.

COMMUNITY

Charity Donation

As a corporate citizen, the Group has been supporting and engaging in community and charitable activities in order to achieve a harmonious development between enterprise and the community.

During the year ended 31 December 2016, the Group participated in the sponsorship of an animal protection program organised by the Beijing Loving Animals Foundation (北京愛它動物保護公益基金) and the sponsorship of "I fly" (愛飛翔) training program for village school teachers that organised by the Chinese Red Cross Foundation and Cui Yong Yuan Commonwealth Foundation (崔永元公益基金) for the purpose of supporting education in rural areas of China. A total donation of approximately RMB0.5 million was made by the Group to the above program during the year.

Encourage Community Engagement

The Group considers social responsibility as indispensable to our business. Volunteer activities are an important way for our employees to pay back to the society.

During the year ended 31 December 2016, the Group sponsored and organised CSP China Skate Park League (CSP全國滑板場聯賽) in seven cities in China including Shanghai, Shenzhen and Chengdu from 26 June 2016 to 25 September 2016 and attracted over 100 participants from over 20 sliding plate clubs to take part in the event. This raised the health awareness of the public and reflected the Group's care about community development.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. LO Peter (路嘉星先生), aged 61, is the Chairman and an executive director of our Company. He has been serving as an executive director of MCS Apparel Hong Kong Limited, Henry Cotton's Greater China Company Limited and Marina Yachting Hong Kong Limited, the joint ventures of our Company, since November 2013, September 2014 and July 2015 respectively. He also serves as a director in a number of our subsidiaries and a director of China Enterprise Capital Limited. Mr. Lo is also an independent non-executive director of Ajisen (China) Holdings Limited and Uni-President China Holdings Ltd., companies currently listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Lo joined our Group in 2006 and is primarily responsible for our Group's overall strategic planning and brand selection and sourcing. Mr. Lo received a Bachelor of Science (Economics) degree in Mathematical Economics and Econometrics from the London School of Economics and Political Science in 1982. He received the "Director of the Year 2004" award from The Hong Kong Institute of Directors. He was appointed as our Chairman and executive director on 10 March 2011.

Mr. ZHANG Yongli (張永力先生), aged 57, is the Chief Executive Officer and an executive director of our Company. He has been serving as an executive director of 上海瑞國置業有限公司 (Shanghai Ruiguo Real Estate Co., Ltd.), a subsidiary of our Company, since August 2013 and an executive director of MCS Apparel Hong Kong Limited, Henry Cotton's Greater China Company Limited and Marina Yachting Hong Kong Limited, the joint ventures of our Company, since November 2013, September 2014 and July 2015 respectively. Mr. Zhang joined our Group in 1999 and is primarily responsible for our Group's overall strategic planning and the management of our Group's business operations. He also serves as a director in almost all of our subsidiaries. Mr. Zhang has over 15 years of experience in the PRC menswear industry. Mr. Zhang was selected as one of the "25 Influential Chinese in Global Fashion" in 2011 by Forbes China. He was appointed as our Chief Executive Officer and executive director on 8 June 2011. Mr. Zhang was a director of Guangdong Rieys Group Co., Ltd. (廣東雷伊(集團)股份有限公司) until May 2009.

Mr. SUN David Lee (孫如暐先生), aged 51, is an executive director of our Company. He has been serving as an executive director of MCS Apparel Hong Kong Limited, Henry Cotton's Greater China Company Limited and Marina Yachting Hong Kong Limited, the joint ventures of our Company, since November 2013, September 2014 and July 2015 respectively. He joined our Group in 2006 and serves as a director in a number of our subsidiaries. Mr. Sun is primarily responsible for brands sourcing and transaction management. He has been an independent non-executive director of Dynasty Fine Wines Group Limited since November 2012 and an executive director of Asia Coal Limited since 23 October 2013, both companies are listed on the Main Board of the Stock Exchange. He was the managing director of Pacific Alliance Group Limited, an Asia-focused alternative investment management firm. Mr. Sun was the director for strategy and business development in Asia at Interbrew (currently known as Anheuser-Busch InBev). He was also a consultant in the corporate finance and strategy practice of McKinsey & Company, Inc. in Hong Kong. Prior to his position at McKinsey, Mr. Sun practised law as an associate in the corporate group at Linklaters. Mr. Sun holds a Juris Doctor from the University of Illinois College of Law. He is a registered attorney in Illinois of the U.S. Mr. Sun was appointed as our executive director on 8 June 2011.

Ms. HUANG Xiaoyun (黃曉雲女士), aged 45, is the Chief Financial Officer and an executive director of our Company. Ms. Huang joined our Group in 2000. Previously, she was a manager in our Group's financial department from 2000 to 2001. She is responsible for the financial reporting and administration of our Group's PRC operations. She has over 15 years of experience in accounting and financial management. Ms. Huang holds a Master of Business Administration Degree from The South China University of Technology. Ms. Huang was appointed as our executive director on 8 June 2011 and appointed as our Chief Financial Officer on 14 May 2012.

NON-EXECUTIVE DIRECTORS

Mr. WANG Wei (王瑋先生), aged 34, is a non-executive director of our Company. Mr. Wang is a director of Kohlberg Kravis Roberts & Co. L.P. ("KKR"), focusing on private equity transactions in the Greater China region. Prior to joining KKR, Mr. Wang worked at Orchid Asia Investment Group and McKinsey & Company. Mr. Wang has been actively involved in advising on investments in Sino Prosperity Real Estate Platform, China Cord Blood Corporation and the Company at KKR and Orchid Asia Investment Group. Mr. Wang graduated from Shanghai Jiaotong University with a Bachelor of Science degree in Economics in 2005. Mr. Wang was appointed as our non-executive director on 14 May 2012.

Mr. LIN Yang (林煬先生), aged 42, is a non-executive director of our Company. Mr. Lin is an executive director of Forebright Capital Management Limited ("FCM"), focusing on private equity transactions in the Greater China region. He is also a non-executive director of SPT Energy Group Inc., a company listed on the Main Board of the Stock Exchange, since 2012. Prior to joining FCM, Mr. Lin worked at China Everbright Investment Management Limited and earlier the research department of China Everbright Limited. Mr. Lin holds a Master of Business Administration Degree from the University of Ottawa and a Bachelor Degree in Mechanical and Automation Engineering from the South China University of Technology. He is a Chartered Financial Analyst charter holder and is currently a member of the CFA Institute. Mr. Lin was appointed as our non-executive director on 10 January 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KWONG Wilson Wai Sun (鄺偉信先生), aged 51, is an independent non-executive director of our Company. He has been appointed as an executive director of China Metal Resources Utilization Limited, a manufacturer of recycled copper products in China, a company listed on the Main Board of the Stock Exchange, since 16 August 2013. He is also an independent non-executive director of C. Banner International Holdings Limited and Shunfeng International Clean Energy Limited, companies listed on the Main Board of the Stock Exchange, since 26 August 2011 and 16 July 2014, respectively. Mr. Kwong acted as the President of Gushan Environment Energy Limited, a copper products manufacturer and biodiesel producer in China, until 16 August 2013. He has 12 years of experience in corporate finance and equity capital markets in Asia, having previously worked at a number of investment banks in Hong Kong. Prior to joining Gushan Environmental Energy Limited in 2006, he was the managing director of investment banking and he held the position as the head of Hong Kong and China equity capital markets at CLSA Equity Capital Markets Limited since March 2004. From 2002 to 2003, Mr. Kwong was a director and the head of equity capital markets for Cazenove Asia Limited. After graduating from the University of Cambridge, England with a Bachelor's degree in 1987, he qualified as a chartered accountant in the United Kingdom with KPMG in 1990 and as a chartered secretary and administrator in the United Kingdom in 1991. Mr. Kwong is currently an associate member of the Institute of Chartered Accountant in England and Wales, the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries. Mr. Kwong was appointed as our independent non-executive director on 8 June 2011.

Mr. CUI Yi (崔義先生), aged 62, is an independent non-executive director of our Company. He is the founder and director of PMC China Trading Company Limited (合力洋行(中國)有限公司), and was responsible for managing the authorised dealership of glass tube products under a German brand in the PRC and Hong Kong. Mr. Cui is also the director of Jescove Company Limited (宏銀有限公司). He has also been acting as the executive director and deputy general manager of Hong Kong Zhanyou Company Limited (香港湛佑有限公司) since 1993 and responsible for the preparation and establishment of ZIP Comayagus, S.A., a textile industrial complex, in Honduras, Central America. From 1995 to 1998, Mr. Cui was the executive director and executive general manager of the companies of ZIP Comayagua S.A., responsible for management of the textile industrial complex. From 1990 to 1991, he was the assistant general manager of Textile Development Company (上海紡織住宅開發總公司) under the Shanghai Textile Industry Council (上海紡織工業局), and he was the deputy general manager of Hainan Shenhai Enterprise Group (海南申海企業集團) under the same council in 1991, responsible for the trading of textile products and the development of overseas markets for textile products. Mr. Cui graduated from The East China University of Political Science and Law majoring in law. Mr. Cui was appointed as our independent non-executive director on 8 June 2011.

Mr. YEUNG Chi Wai (楊志偉先生), aged 56, is an independent non-executive director of our Company. Mr. Yeung is the founder and director of Edwin Yeung & Company (CPA) Limited and has been practising as a certified public accountant with the firm since 1991. He has been an associate of the Chartered Association of Certified Accountants since 1988. Mr. Yeung became an associate member and a fellow member of the Hong Kong Institute of Certified Public Accountants in 1989 and 1996, respectively. He is also a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung has been a fellow member of the Association of Chartered Certified Accountants since 1993, an associate of the Institute of Chartered Accountants in England and Wales since 2005 and a Fellow Member of CPA Australia since 2010. He was awarded the Medal of Honour by the Government of the Hong Kong Special Administrative Region (the "Government of Hong Kong") in 2010. He was also the president of the Society of Chinese Accountants and Auditors in 2008 and is currently the chairman of its membership and promotion committee. Mr. Yeung was appointed as a director of Accounting Development Foundation Limited in 2012. He has been a member of the Chinese People's Political Consultative Conference in Shandong Province since January 2013 and a committee member of Home Purchase Allowance Appeals Committee since 14 July 2014. Mr. Yeung was an independent non-executive director of Noble House (China) Holdings Limited, a company listed on the Growth Enterprises Market of the Stock Exchange, until October 2014. He has also been a member of the Appeal Board Panel (Town Planning), an independent statutory body established by the Government of Hong Kong, since 1 October 2016. Mr. Yeung was appointed as our independent non-executive director on 8 June 2011.

SENIOR MANAGEMENT

Mr. LU Yi (呂毅先生), aged 38, is the Chief Branding Officer and Regional Sales Controller of our Company. He joined our Group in 2000. Previously, he was Manager of the President's Office from 2003 to 2004 and the assistant to Chief Human Resource Officer of our Group from 2005 to 2013. He is responsible for management of licensed brands of our Group as well as business development planning and management of retail sales activites of Southern PRC.

Mr. YAN Zhong (閆仲先生), aged 47, is our Regional Sales Controller of our Company. Mr. Yan joined our Group in 1999. Previously, he was the Manager for Northern Region in 1999 and Deputy General Manager for Northern Region of our Group in 2000. He is primarily responsible for the Group's business development planning and management of retail sales activities of Northern PRC. He has over 15 years of experience in the apparel retail industry. Mr. Yan is the holder of a Bachelor's Degree from 中國青年政治學院 (China Youth University for Political Sciences).

Mr. LI Zhujun (李祝軍先生), aged 42, is the Chief Sales Officer of our Company. Mr. Li joined our Group in 1999. Previously, he was the Marketing Manager for Southern Region of our Group from 2001 to 2006 and the Chief Marketing Officer from 2007 to 2016. He is responsible for sales strategies planning and management of sales activities of the Group in the PRC. He has over 15 years of experience in the retail and apparel industry.

Mr. WONG Hon Wing (王漢嶸先生), aged 48, is the Chief Procurement Officer – Fashion of our Company. He joined our Group in 1999. Previously, he was the Procurement Manager of our Group in 1999. He is responsible for the purchase planning and manufacturing functions of the Group. He has over 20 years of experience in the purchase and production of apparels.

Mr. LIU Wenbo (劉文波先生), aged 52, is the Chief Procurement Officer – Accessories. Previously, he was the Procurement Manager from 1999 to 2000, Vice General Manager for Southern Region from 2000 to 2001, General Manager for Southern Region from 2001 to 2003, Chief Human Resource Officer of our Group from 2004 to 2005, Chief Procurement Officer – Accessories from 2005 to 2013 and Chief Human Resource Officer from 2014 to 2016. He is responsible for purchase planning and manufacturing of accessories for the Group. Mr. Liu holds a doctor's degree from the Shanghai International Studies University.

Ms. LEUNG Shuk Yi (梁淑儀女士), aged 50, is the Chief Designer of our Company. She joined our group in 2002 and has over 20 years experience in design and garment of apparels. Ms. Leung holds an Honor Diploma in fashion design from the Academie Internationale de Coupe de Paris (Ecole Superieure Internationale des Modelistes du Vetement) and Ecole Bellecour Supdemod (Haute Couture) Lyon in France.

Mr. LIU Dong (劉東先生), aged 53, is the Chief Manufacturing Officer – Fashion of our company. He joined our Group in January 2015 and is responsible for management of our manufacturing plant in Dezhou, Shandong province. Mr. Liu has over 30 years of experience in quality management and business administration.

Mr. YU Wenlong (余文龍先生), aged 53, is the Chief Marketing Officer of our Company. Mr. Yu joined our Group in 1999. Previously, he was the Deputy General Manager of a subsidiary of the Group from 2007 to 2016. He is primarily responsible for the assessment of the authorization of third-party retailers of our Group in the PRC and maintaining our business and strategic relationships with them. Mr. Yu has over 15 years of experience in the retail and apparel industry.

Ms. CHEUNG Laura Pui Wah (張佩華女士), aged 49, is the Chief Merchandising Officer of our Company. Ms. Cheung joined our Group on 12 December 2016 and is primarily responsible for developing strategies for purchasing plans and managing the buying activities of our Group. Prior to joining the Group, Ms. Cheung held several senior managerial positions in Dolce & Gabbana, Escada, Salvatore Ferragamo and Dunnu in the Asia-Pacific Region. She has over 20 years of experience in the retail and apparel industry.

Mr. LI Zhuoping (李卓平先生), aged 37, is the Chief Technology Officer of our Company. Mr. Li joined the Group in 2003. Previously, he was the Deputy General Manager of a subsidiary of the Group from 2014 to 2016. Mr. Li is primarily responsible for development and implementation of the information technology systems of the Group. He has over 10 years of experience in the information technology industry as well as the retail and apparel industry.

CORPORATE GOVERNANCE PRACTICES

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

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value and formulate its business strategies and policies.

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

The Board is of the view that throughout the year ended 31 December 2016, the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS' AND EMPLOYEES' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding Directors' dealings in the Company's securities and securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company (the "Code of Conduct") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and Code of Conduct throughout the year ended 31 December 2016.

No incident of non-compliance of the Code of Conduct by the employees was noted by the Company.

BOARD OF DIRECTORS

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

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

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

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

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 26 to 30 of the annual report for the year ended 31 December 2016.

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

Chairman and Chief Executive Officer

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

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

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

Independent Non-executive Directors

During the year ended 31 December 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors, representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Non-executive Directors and Directors' Re-election

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

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

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

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

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

BOARD COMMITTEES

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

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

Audit Committee

The main duties of the Audit Committee include the following:

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

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

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

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

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

The Audit Committee held three meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2016 and significant issues on the financial reporting and compliance procedures, effectiveness of risk management and internal control systems and internal audit function, scope of work and appointment of external auditors and arrangements for employees to raise concerns about possible improprieties.

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

Remuneration Committee

The primary functions of the Remuneration Committee include the following:

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

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

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

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

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

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

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

The remuneration of Directors and the senior management by band for the year ended 31 December 2016 is set out below:

	Number of persons
Nil to RMB1,000,000	16
RMB1,000,001 to RMB2,000,000	1
RMB2,000,001 to RMB3,000,000	–
RMB3,000,001 to RMB4,000,000	1
RMB4,000,001 to RMB5,000,000	–

Nomination Committee

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

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

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

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

Corporate Governance Functions

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

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2016 is set out in the table below:

Director	Attendance/Number of Meetings				
	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting
Mr. LO Peter	4/4	1/1	–	–	1/1
Mr. ZHANG Yongli	4/4	–	1/1	–	1/1
Mr. SUN David Lee	4/4	–	–	–	1/1
Ms. HUANG Xiaoyun	4/4	1/1	1/1	3/3	1/1
Mr. LIN Yang	4/4	–	–	–	1/1
Mr. WANG Wei	4/4	–	–	–	1/1
Mr. KWONG Wilson Wai Sun	4/4	1/1	1/1	3/3	1/1
Mr. CUI Yi	4/4	–	1/1	3/3	1/1
Mr. YEUNG Chi Wai	4/4	1/1	–	3/3	1/1

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

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

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

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

AUDITORS' REMUNERATION

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 53 to 58.

The fees paid or payable to Ernst & Young and its affiliated firms, for services rendered in respect of the year ended 31 December 2016 are as follows:

Service Category	Fees Paid/Payable (RMB'000)
Audit and review services	2,326
Non-audit Services	–
	2,326

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including sales and marketing, financial reporting, human resources and information technology.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

Principles of Risk Management and Internal Control Systems

The principal aim of the Company's risk management and internal control systems is to manage and mitigate business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets.

Main Features of Risk Management and Internal Control Systems

The key elements of the Company's risk management and internal control systems include the establishment of a risk register to keep track of and document identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness.

A risk matrix is also adopted to determine risk rating after evaluation of the risk by the likelihood and the impact of the risk event. The risk ratings reflect the level of managements attention and risk treatment effort required.

Process Used to Identify, Evaluate and Manage Significant Risk

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2016.

Process Used to Review Effectiveness of the Risk Management and Internal Control Systems and to Resolve Material Internal Control Defects

The Internal Audit Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit function examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2016, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS

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

Putting Forward Proposals at General Meetings

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

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

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

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

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

Convening an Extraordinary General Meeting by Shareholders

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

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

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

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

Putting Forward Enquiries to the Board

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

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

INVESTOR RELATIONS

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

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

Report of the Directors

The Board has pleasure in presenting the report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2016.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a review of the business of the Group, a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, a description of the risks and uncertainties facing the Group, and an indication of the future development of the business of the Group, is set out under sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 18 of this Annual Report. Those discussions form part of this Report of the Directors.

SUSTAINABILITY

The Group is committed to contributing to the sustainability of the environment and community in which it conducts its business and considers this essential to maintain its long-term competitiveness.

Environmental Policies and Performance

The Group recognises the importance of environmental protection and is committed to environmental-friendly development as a part of social responsibility. The Group achieves this through utilization resources efficiently and effectively in its operations to reduce impacts on environment and compliance with the relevant environmental laws, standards, policies and practices of environmental protection, seeking to contribute to the improvement of ecological environment and sustainable development. The Group continues to improve the environmental performance as an integral and fundamental part of the business strategy and operating methods.

Relationships with Key Stakeholders

The Company strives to maintain harmonious relationship with its stakeholders including its customers, suppliers and employees. This includes providing quality products and services to customers, developing effective and mutual beneficial working relationships with its suppliers, and offering competitive remuneration package with safety working environments to employees.

The Group's first environmental, social and governance report as set out in the section headed "Environmental, Social and Governance Report" on pages 19 to 25 laid out the details of the policies and attainments of the Company on the environmental and social aspects and how it works with its stakeholders for the sustainability.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The compliance with legislative and regulatory provisions in all jurisdictions in which the Group operates is a key ethical value fundamental to the Group. The Group mainly conducts its business in the PRC while the Company is incorporated in the Cayman Islands and is listed on the Stock Exchange in Hong Kong. Therefore, the Company and the Group shall comply with relevant laws and regulations in the PRC, the Cayman Islands and Hong Kong.

During the year ended 31 December 2016 and up to the date of this report, the Board was unaware of any non-compliance with relevant laws and regulations that had a significant impact on the business and operations of the Group.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2016 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 59 to 141 of the annual report.

The Board does not recommend to declare any final dividends for the year ended 31 December 2016.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 142 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment of the Group, and investment properties of the Group during the year ended 31 December 2016 are set out in notes 17 and 19 to the financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2016 are set out in note 36 to the financial statements.

Details of other equity-linked agreements are included in the section "SHARE OPTION SCHEMES" below.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF SHARES OF THE COMPANY

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except for the trustee of the Employees' Share Award Scheme adopted by the Board on 4 November 2014 (the "Scheme"). Pursuant to the terms of the rules and trust deed of the Scheme, a total of 506,000 shares of the Company at a total consideration of about HK$215,000 (equivalent of RMB182,000) were purchased on the Stock Exchange for the year ended 31 December 2016.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2016 are set out in note 47 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 December 2016, the Company's reserves, including contributed surplus less the accumulated loss, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"), amounted to approximately 673.7 million. Under the Companies Law, a company may make distribution to its shareholders out of contributed surplus under certain circumstances.

DONATION

Charitable and other donations made by the Group during the year ended 31 December 2016 amounted to RMB0.5 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2016, the aggregate sales attributable to the Group's five largest customers and the sales attributable to the Group's largest customer were approximately 7.3% and 2.4%, respectively, of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers and the purchases attributable to the Group's largest supplier were approximately 22.3% and 5.8%, respectively, of the Group's total purchases during the year ended 31 December 2016.

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

DIRECTORS

During the year ended 31 December 2016 and up to the date of this report, the Directors were:

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

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

* Independent Non-executive Directors

In accordance with the Company's articles of association, Mr. LO Peter, Mr. CUI Yi and Mr. YEUNG Chi Wai will retire from the Board by rotation and will offer themselves for re-election at the annual general meeting ("AGM").

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 26 to 30 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

Each of the Non-Executive Directors Mr. WANG Wei and Mr. LIN Yang has entered into a letter of appointment with the Company on 14 May 2012 and 10 January 2014, respectively. The Non-Executive Directors are appointed for an initial fixed term of three years commencing from the date on which they entered into the letter of appointment until terminated by not less than three months' notice in writing served by either party on the other or in accordance with the terms set out in the respective letters of appointment.

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

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

No Director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during or at the end of the year ended 31 December 2016.

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

As at 31 December 2016, the interests and short positions of the Directors and chief executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

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

Name of director	Nature of Interest	Number of Ordinary Shares Owned	Underlying Shares Interested (Note 1)	Total	Percentage of the Company's issued share capital (%)
Mr. LO Peter	Beneficial owner	1,000,000	10,164,000	11,164,000	0.32
Mr. ZHANG Yongli	Beneficial owner	9,028,000	10,164,000	19,192,000	0.56
	Corporate interest (Note 2)	1,789,636,000	–	1,789,636,000	51.94
Mr. SUN David Lee	Beneficial owner	452,000	4,164,000	4,616,000	0.13
Ms. HUANG Xiaoyun	Beneficial owner	600,000	7,200,000	7,800,000	0.23
Mr. KWONG Wilson Wai Sun	Beneficial owner	–	500,000	500,000	0.01
Mr. CUI Yi	Beneficial owner	–	500,000	500,000	0.01
Mr. YEUNG Chi Wai	Beneficial owner	–	500,000	500,000	0.01

Note:

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

(2) CEC Outfitters Limited, holding 1,789,636,000 shares (long position) of the Company, was owned as to 56.13% and 43.87% by CEC Menswear Limited ("CEC Menswear") and Vinglory Holdings Limited ("Vinglory") respectively. CEC Menswear was wholly owned by China Enterprise Capital Limited. Vinglory was wholly owned by Mr. ZHANG Yongli.

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SHARE OPTION SCHEMES

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

Share Option Scheme

A share option scheme ("Share Option Scheme") was conditionally approved by the written resolutions of the shareholders passed on 25 November 2011 (the "Resolutions") and the terms of such Share Option Scheme are disclosed in the Prospectus. No share option was granted, exercised or cancelled by the Company under the Share Option Scheme during the year ended 31 December 2016.

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

1. Summary of Terms

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

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

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

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

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

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

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

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

2. Outstanding Share Options Granted

A total of 205,552,000 shares options were granted to 20 participants by the Company on 9 December 2011 under the Pre-IPO Share Option Scheme, including 7 directors.

Details of movements of share options under the Pre-IPO Share Option Scheme during the year ended 31 December 2016 are set out below:

Category of grantees	Name of director	Date of grant	Exercise price (HK$)	Outstanding at 1.1.2016	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31.12.2016	Vesting and exercise period
Executive director	Mr. LO Peter	25 November 2011	1.64	15,246,000	–	–	–	(5,082,000)	10,164,000	Note
Executive director	Mr. ZHANG Yongli	25 November 2011	1.64	15,246,000	–	–	–	(5,082,000)	10,164,000	Note
Executive director	Mr. SUN David Lee	25 November 2011	1.64	6,246,000	–	–	–	(2,082,000)	4,164,000	Note
Executive director	Ms. HUANG Xiaoyun	25 November 2011	1.64	10,800,000	–	–	–	(3,600,000)	7,200,000	Note
Independent non-executive director	Mr. KWONG Wilson Wai Sun	25 November 2011	1.64	750,000	–	–	–	(250,000)	500,000	Note
Independent non-executive director	Mr. CUI Yi	25 November 2011	1.64	750,000	–	–	–	(250,000)	500,000	Note
Independent non-executive director	Mr. YEUNG Chi Wai	25 November 2011	1.64	750,000	–	–	–	(250,000)	500,000	Note
Employees in aggregate	–	25 November 2011	1.64	72,984,000	–	–	–	(24,328,000)	48,656,000	Note
Other eligible grantees in aggregate	–	25 November 2011	1.64	3,246,000	–	–	–	(1,082,000)	2,164,000	Note

Note: 50% of the outstanding options as at 31 December 2016 were vested and exercisable on 9 December 2014 and the remaining 50% outstanding options as at 31 December 2016 were vested and exercisable on 9 December 2015. Each option outstanding has a three-year exercise period after vesting of the relevant option.

Details of the share options granted by the Company under the Pre-IPO Share Option Scheme are set out on pages 126 to 128 of the annual report.

Saved as disclosed above, no share option granted under Pre-IPO Share Option Scheme was exercised, forfeited, lapsed or cancelled during the year ended 31 December 2016.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2016.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2016.

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

As at 31 December 2016, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	Nature of Interest	Number of Shares	Percentage of the Company's Issued Share Capital
China Enterprise Capital Limited	(1)	Corporate interest	1,786,656,000	51.86
CEC Menswear Limited	(1)	Corporate interest	1,786,656,000	51.86
Mr. ZHANG Yongli	(1)	Corporate interest	1,789,636,000	51.94
	(1)	Beneficial owner	19,192,000	0.56
Vinglory Holdings Limited	(1)	Corporate interest	1,789,636,000	51.94
CEC Outfitters Limited	(1)	Beneficial owner	1,786,656,000	51.86
Managecorp Limited	(2)	Trustee	482,176,000	13.99
Ms. LAM Lai Ming	(2)	Other	482,176,000	13.99
Mr. LI Gabriel	(2)	Other	482,176,000	13.99
YM Investment Limited	(3)	Corporate interest	482,176,000	13.99
Orchid Asia IV Investment, Limited	(3)	Corporate interest	472,570,000	13.72
Orchid Asia IV Group, Limited	(3)	Corporate interest	472,570,000	13.72
Orchid Asia IV Group Management, Limited	(3)	Corporate interest	472,570,000	13.72
OAIV Holdings, L.P.	(3)	Corporate interest	472,570,000	13.72
Orchid Asia IV, L.P.	(3)	Beneficial owner	472,570,000	13.72
Mr. KRAVIS Henry Roberts	(4)	Corporate interest	285,366,000	8.33
Mr. ROBERTS George R.	(4)	Corporate interest	285,366,000	8.33
KKR Management LLC	(4)	Corporate interest	285,366,000	8.33
KKR & Co. L.P.	(4)	Corporate interest	285,366,000	8.33
KKR Group Limited	(4)	Corporate interest	285,366,000	8.33
KKR Fund Holdings GP Limited	(4)	Corporate interest	285,366,000	8.33
KKR Group Holdings L.P.	(4)	Corporate interest	285,366,000	8.33
KKR Fund Holdings L.P.	(4)	Corporate interest	285,366,000	8.33
KKR China Growth Limited	(4)	Corporate interest	285,366,000	8.33
KKR SP Limited	(4)	Corporate interest	285,366,000	8.33
KKR Associates China Growth L.P.	(4)	Corporate interest	285,366,000	8.33
KKR China Growth Fund L.P.	(4)	Corporate interest	285,366,000	8.33
KKR China Apparel Limited	(4)	Beneficial owner	285,366,000	8.33

Notes:

(1.1) CEC Outfitters Limited, holding 1,789,636,000 shares (long position) of the Company, was owned as to 56.13% and 43.87% by CEC Menswear and Vinglory respectively. CEC Menswear was wholly owned by China Enterprise Capital Limited. Vinglory was wholly owned by Mr. ZHANG Yongli. The interest in 1,789,636,000 shares (long position) relates to the same block of shares in the Company.

(1.2) Mr. ZHANG Yongli held interests in a total of 19,192,000 shares (long position) of the Company, including 10,164,000 underlying shares interested as a result of holding share options.

(2) YM Investment Limited, holding 482,176,000 shares (long position) of the Company, was owned by Managecorp Limited as trustee of a discretionary trust with Mr. LI Gabriel and Ms. LAM Lai Ming as founders and Managecorp Limited as trustee.

(3) YM Investment Limited held interests in a total of 482,176,000 shares (long position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:

(3.1) Orchid Asia IV, L.P. held 472,570,000 shares (long position) in the Company. Orchid Asia IV, L.P. was wholly owned by OAIV Holdings, L.P. which was in turn wholly owned by Orchid Asia IV Group Management, Limited. Orchid Asia IV Group Management, Limited was wholly owned by Orchid Asia IV Group, Limited which was in turn wholly owned by Orchid Asia IV Investment, Limited. Orchid Asia IV Investment, Limited was owned as to 92.61% by YM Investment Limited.

(3.2) Orchid Asia IV Co-Investment, Limited held 9,606,000 shares (long position) in the Company. Orchid Asia IV Co-Investment Limited was a wholly owned subsidiary of YM Investment Limited.

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

Save as disclosed above, as at 31 December 2016, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS

Save as disclosed under the sections headed "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" and "Share option schemes" above, at no time during the year ended 31 December 2016 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2016, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

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

DISCLOSURES PURSUANT TO RULES 13.21 AND 13.22 OF THE LISTING RULES

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

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year ended 31 December 2016 and up to the date of this report, none of the Directors has any interest in business, which competes or may compete with the business of the Group.

REMUNERATION POLICY

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

PENSION SCHEME

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

EVENT AFTER THE REPORTING PERIOD

Details of the significant event took place subsequent to 31 December 2016 of the Group are set out in note 46 to the financial statements.

CORPORATE GOVERNANCE

A report on the principal governance practices adopted by the Company is set out on pages 31 to 41 of the annual report.

AUDIT COMMITTEE

The Company established the Audit Committee pursuant to the Resolutions in compliance with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting and oversee the risk management and internal control systems and internal audit function of the Group. At present, the Audit Committee of the Company consists of three members who are Mr. KWONG Wilson Wai Sun, Mr. CUI Yi and Mr. YEUNG Chi Wai. Mr. KWONG Wilson Wai Sun is the chairman of the Audit Committee. The Company's and the Group's financial statements for the year ended 31 December 2016 have been reviewed by the Audit Committee.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these financial statements for the year ended 31 December 2016, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable; and have prepared the financial statements on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

AUDITORS

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

ON BEHALF OF THE BOARD

LO Peter
Chairman
Hong Kong
20 March 2017

安永

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

OPINION

We have audited the consolidated financial statements of China Outfitters Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 59 to 141, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Write-down of inventories to net realisable value	
The Group is principally engaged in the business of design, manufacture and sale of apparel products. The write-down of inventories to net realisable value recognised in profit or loss amounted to RMB137,891,000 for the year ended 31 December 2016. The extent of write-down for the Group's apparel products is subject to changing customer demands and fashion trends, this involves significant judgement and increases the level of estimation uncertainty. Related changes in the estimation might have a significant impact on the consolidated financial statements. The disclosure of write-down of inventories to net realisable value is included in note 6 and note 11 to the consolidated financial statements.	Our audit procedures included reviewing the impairment test schedule prepared by management, evaluating management's inventory aging reports, selecting samples covering each aging period of the aging reports and traced back to the original goods receipts and invoices to evaluate the aging period in the aging reports, performing financial analytical review on inventory turnover days and compared the turnover days with other listed entities of the same industry where available, performing subsequent sales review on the inventories consumptions, reviewing management's inventory net realisable value test, and performing stock taking procedures at the end of the year.
Goodwill impairment	
The goodwill of the Group mainly arose from the Group's acquisition of PRC Doright Group whose subsidiaries are principally engaged in the business of design, manufacture and sale of apparel products. As at 31 December 2016, the amount of goodwill is RMB70,697,000, representing 4% of the Group's total equity. The Group's management performs goodwill impairment test every year. The Group's goodwill allocated to the menswear cash-generated units for impairment testing purpose. The Group's management uses cash flow projections from financial budgets covering a five-year period, and the growth rates used are largely based on the management's forecast and estimation on the further development of the menswear business. Related changes in the estimation might have a significant impact on the consolidated financial statements. The related disclosures are included in notes 6, 23 and 25 to the consolidated financial statements.	Our audit procedures included obtaining the approved five-year forecast and budget from senior management, discussing with management on significant assumptions, including management's newly adopted market strategy and obtained related supporting evidence, comparing the assumptions used with the historical figures and growth rates, researching into market and industrial figures for available public external data with regard to customer demand, market development, commodity prices, and growth rates to evaluate the assumptions, performing our own sensitivity analyses to assess the range of acceptable valuations, and employing our internal specialist to assist us with our review of the impairment assessment model.

Key audit matter	How our audit addressed the key audit matter
Impairment of intangible assets with indefinite useful lives	
The Group classified the trademarks of "London Fog", "Artful Dodger" and "Zoo York" as intangible assets with indefinite useful lives. The Group performs impairment reviews of the carrying values of trademarks as at each year end based on a forecast of operating performance, cash flows and key assumptions such as growth rates and discount rates. As of 31 December 2016, the impairment of intangible assets with indefinite useful lives during the year amounted to RMB18, 000,000. We focused on the impairment assessment for intangible assets with indefinite useful lives as the assessment is sensitive to changes in assumptions, in particular the long term growth rate, the discount rate and the assumptions underlying future operating cash flows. Management made these assumptions based on their forecast and estimation on the future development of the menswear business, which involves significant judgement and estimations. Related changes in the estimations might have a significant impact on the consolidated financial statements. The disclosures of impairment of intangible assets with indefinite useful lives are included in notes 6, 24 and 25 to the consolidated financial statements.	Our audit procedures included obtaining the approved five-year forecast and budget from senior management, discussing with management on significant assumptions, including management's newly adopted market strategy and obtained related supporting evidence, comparing the assumptions used with the historical figures and growth rates, researching into market and industrial figures for available public external data with regard to customer demand, market development, commodity prices, and growth rates to evaluate the assumptions, performing our own sensitivity analyses to assess the range of acceptable valuations, and employing our internal specialist to assist us with our review of the impairment assessment model.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is *Chan Yuen Tao.*

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

20 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	8	**902,005**	1,012,764
Cost of sales		**(334,588)**	(347,307)
Gross profit		**567,417**	665,457
Other income and gains, net	8	**36,127**	30,041
Selling and distribution expenses		**(456,764)**	(497,309)
Administrative expenses		**(60,344)**	(61,486)
Other expenses		**(19,162)**	(9,063)
Operating profit		**67,274**	127,640
Finance income	9	**34,629**	44,619
Finance costs	10	**(6,681)**	(12,003)
Share of profits and losses of:			
Joint ventures		**484**	(4,112)
PROFIT BEFORE TAX	11	**95,706**	156,144
Income tax expense	14	**(52,351)**	(53,434)
PROFIT FOR THE YEAR		**43,355**	102,710
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(8,608)**	(14,600)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**34,747**	88,110
Profit attributable to:			
Owners of the parent		**45,403**	104,837
Non-controlling interests		**(2,048)**	(2,127)
		43,355	102,710
Total comprehensive income attributable to:			
Owners of the parent		**36,698**	90,161
Non-controlling interests		**(1,951)**	(2,051)
		34,747	88,110
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	16		
Basic and diluted		**RMB1.32 cents**	RMB3.05 cents

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**275,123**	246,834
Prepaid land lease payments	18	**83,927**	85,765
Investment properties	19	**4,499**	4,653
Investments in joint ventures	20	**156,980**	141,621
Investment in an associate	21	**16,121**	–
Available-for-sale investment	22	**17,016**	–
Goodwill	23	**70,697**	70,697
Other intangible assets	24	**99,093**	112,449
Deferred tax assets	26	**149,780**	108,941
Total non-current assets		**873,236**	770,960
CURRENT ASSETS			
Inventories	27	**258,755**	398,599
Trade and bills receivables	28	**105,565**	118,595
Prepayments, deposits and other receivables	29	**75,096**	75,720
Derivative financial instruments	30	**10,365**	5,026
Structured bank deposits	31	**474,200**	380,734
Pledged bank deposits	32	**429,324**	437,890
Cash and cash equivalents	32	**157,122**	165,086
Total current assets		**1,510,427**	1,581,650
CURRENT LIABILITIES			
Interest-bearing bank borrowings	33	**384,639**	360,245
Trade and bills payables	34	**32,489**	105,700
Deposits received, other payables and accruals	35	**140,454**	106,041
Tax payable		**141,861**	150,238
Total current liabilities		**699,443**	722,224
NET CURRENT ASSETS		**810,984**	859,426
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,684,220**	1,630,386
NON-CURRENT LIABILITIES			
Deferred tax liabilities	26	**26,864**	7,595
Net assets		**1,657,356**	1,622,791

	Notes	2016 RMB'000	2015 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	36	**280,661**	280,661
Shares held for share award scheme	38	**(7,591)**	(7,409)
Reserves	39	**1,384,412**	1,347,714
		1,657,482	1,620,966
Non-controlling interests		**(126)**	1,825
Total equity		**1,657,356**	1,622,791

LO Peter
Director

SUN David Lee
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to the owners of the parent											
	Share capital RMB'000 (note 36)	Shares held for share award scheme RMB'000 (note 38)	Capital redemption reserve RMB'000	Merger reserve RMB'000 (note 39(a))	Acquisition reserve RMB'000 (note 39(b))	Share option reserve RMB'000 (note 37)	Statutory surplus reserve RMB'000 (note 39(c))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	280,661	(7,409)	543	389,848	(186,036)	53,701	48,042	(10,268)	1,051,884	1,620,966	1,825	1,622,791
Profit for the year	–	–	–	–	–	–	–	–	45,403	45,403	(2,048)	43,355
Other comprehensive income for the year:												
Exchange differences related to foreign operations	–	–	–	–	–	–	–	(8,705)	–	(8,705)	97	(8,608)
Total comprehensive income for the year	–	–	–	–	–	–	–	(8,705)	45,403	36,698	(1,951)	34,747
Appropriations to statutory surplus reserve	–	–	–	–	–	–	500	–	(500)	–	–	–
Lapsed of share options	–	–	–	–	–	(26,154)	–	–	26,154	–	–	–
Share award scheme arrangements	–	(182)	–	–	–	–	–	–	–	(182)	–	(182)
At 31 December 2016	280,661	(7,591)	543*	389,848*	(186,036)*	27,547*	48,542*	(18,973)*	1,122,941*	1,657,482	(126)	1,657,356

* These components of equity comprise the reserves of RMB1,384,412,000 (2015: RMB1,347,714,000) in the consolidated statement of financial position as at 31 December 2016.

	Attributable to the owners of the parent											
	Share capital RMB'000 (note 36)	Shares held for share award scheme RMB'000 (note 38)	Capital redemption reserve RMB'000	Merger reserve RMB'000 (note 39(a))	Acquisition reserve RMB'000 (note 39(b))	Share option reserve RMB'000 (note 37)	Statutory surplus reserve RMB'000 (note 39(c))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	280,661	(3,669)	543	389,848	(186,036)	50,523	47,783	4,413	1,049,110	1,633,176	3,876	1,637,052
Profit for the year	–	–	–	–	–	–	–	–	104,837	104,837	(2,127)	102,710
Other comprehensive income for the year:												
Exchange differences related to foreign operations	–	–	–	–	–	5	–	(14,681)	–	(14,676)	76	(14,600)
Total comprehensive income for the year	–	–	–	–	–	5	–	(14,681)	104,837	90,161	(2,051)	88,110
Appropriations to statutory surplus reserve	–	–	–	–	–	–	259	–	(259)	–	–	–
Equity-settled share option arrangements	–	–	–	–	–	3,173	–	–	–	3,173	–	3,173
Share award scheme arrangements	–	(3,740)	–	–	–	–	–	–	–	(3,740)	–	(3,740)
Final 2014 dividend declared	–	–	–	–	–	–	–	–	(101,804)	(101,804)	–	(101,804)
At 31 December 2015	280,661	(7,409)	543	389,848	(186,036)	53,701	48,042	(10,268)	1,051,884	1,620,966	1,825	1,622,791

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**95,706**	156,144
Adjustments for:			
Finance income	9	**(34,629)**	(44,619)
Finance costs	10	**6,681**	12,003
Share of profits and losses of joint ventures		**(484)**	4,112
Equity-settled share option expenses	11	**–**	3,173
Loss on disposal of items of property, plant and equipment		**13**	33
Fair value gains, net:			
Derivative financial instruments – transactions not qualifying as hedges	11	**(5,339)**	(2,783)
Depreciation of items of property, plant and equipment	11	**14,927**	12,233
Depreciation of investment properties	11	**154**	292
Amortisation of prepaid land lease payments	11	**2,100**	2,020
Amortisation of intangible assets	11	**1,572**	1,572
Impairment of other intangible assets	11	**18,000**	4,680
Write-down of inventories to net realisable value	11	**137,891**	136,134
Impairment of trade receivables	11	**1,162**	–
		237,754	284,994
Increase in inventories		**(12,921)**	(145,096)
Decrease in trade and bills receivables		**11,868**	10,360
Decrease in prepayments, deposits and other receivables		**7,929**	17,720
(Decrease)/increase in trade and bills payables		**(73,211)**	6,980
Increase/(decrease) in deposits received, other payables and accruals		**34,319**	(10,131)
Cash generated from operations		**205,738**	164,827
Interest paid		**(6,587)**	(12,003)
Withholding tax paid		**(8,586)**	(34,413)
PRC corporate income tax paid		**(73,713)**	(64,423)
Net cash flows from operating activities		**116,852**	53,988

	Notes	2016 RMB'000	2015 RMB'000
Net cash flows from operating activities		**116,852**	53,988
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(41,148)**	(50,445)
Proceeds from disposal of items of property, plant and equipment		**26**	578
(Decrease)/increase in short term deposits with original maturity of over three months		**2,000**	(1,000)
Interest received from bank deposits		**1,537**	2,323
Interest received from structured bank deposits		**12,958**	37,920
(Increase)/decrease in structured bank deposits		**(93,466)**	371,700
Decrease in a loan to a joint venture		**–**	7,889
Purchase of shareholding in a joint venture		**–**	(16,075)
Purchase of/prepayment for an available-for-sale investment		**(4,449)**	(12,567)
Purchase of shareholding in an associate		**(16,121)**	–
Net cash flows (used in)/from investing activities		**(138,663)**	340,323
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		**–**	(286,582)
Purchases of shares for share award scheme		**(182)**	(3,740)
Increase in pledged deposits		**–**	(6,836)
Dividends paid	15	**–**	(101,804)
Net cash flows used in financing activities		**(182)**	(398,962)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(21,993)**	(4,651)
Effect of foreign exchange rate changes, net		**7,463**	(22,461)
Cash and cash equivalents at beginning of year		**172,276**	199,388
CASH AND CASH EQUIVALENTS AT END OF YEAR		**157,746**	172,276

	Notes	2016 RMB'000	2015 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**154,122**	160,086
Time deposits		**3,000**	5,000
Cash and cash equivalents as stated in the consolidated statement of financial position	32	**157,122**	165,086
Time deposits with original maturity of less than three months when acquired, pledged as security for forward currency contracts	32	**3,624**	12,190
Less: Time deposits with original maturity of over three months		**(3,000)**	(5,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**157,746**	172,276

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place and date of incorporation/ registration	Registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Doright Group Limited	BVI 30 October 2009	US$1	100	–	Investment holding
CEC Menswear Limited (1)	Hong Kong 11 July 2006	HK$100	–	100	Investment holding
Faith Enterprise Limited (1)	Hong Kong 5 June 2006	HK$100	–	100	Investment holding
Sky Trend Hong Kong Investment Limited (1)	Hong Kong 24 October 2007	HK$10,000	–	100	Investment holding
Zoo York (China) Limited (5)	Hong Kong 11 October 2013	HK$10,000	88	–	Investment holding

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Company name	Place and date of incorporation/ registration	Registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Lincs (China) Limited (1)	Hong Kong 11 April 2014	HK$13,750,000	84	–	Investment holding
London Fog (China) Limited ("London Fog (China)") (1)	Hong Kong 26 February 2009	RMB9,000,000	100	–	Holding trademarks and investment holding
Manhattan (China) Limited (1)	Hong Kong 11 April 2012	RMB10,000,000	75	–	Investment holding
Shanghai Doright Fashion Co., Ltd. (上海同瑞服飾有限公司) ("Shanghai Doright")# * (2)	PRC 6 August 2003	US$8,500,000	–	100	Manufacture and sale of menswear and womenswear and accessories
Dezhou Sino-Union Garment Co., Ltd. (德州中合服飾有限公司) ("DZ Sino-union")# * (2)	PRC 6 January 2005	US$600,000	–	100	Manufacture and sale of menswear and accessories
Guangdong Leaderway Garment Co., Ltd. (廣東利威製衣有限公司)# * (3)	PRC 25 March 1999	RMB3,000,000	–	100	Manufacture and sale of menswear and accessories
Shanghai Baowei Fashion Co., Ltd. (上海保威服飾有限公司)# * (3)	PRC 5 April 1999	RMB1,000,000	–	100	Sale of menswear and accessories
Shanghai Bolderway Fashion Co., Ltd. (上海保德威服飾有限公司)# * (3)	PRC 28 November 2001	RMB6,000,000	–	100	Sale of menswear and womenswear and accessories
Beijing Bolderway Fashion Co., Ltd. (北京保德威服飾有限公司)# * (3)	PRC 28 November 2003	RMB3,000,000	–	100	Sale of menswear and womenswear and accessories

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Company name	Place and date of incorporation/ registration	Registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Sichuan Bolderway Trading Co., Ltd. (四川保德威商貿有限公司)# * (3)	PRC 19 March 2004	RMB300,000	–	100	Retail trading of menswear and accessories
Guangzhou Ruitang Trading Co., Ltd. (廣州瑞唐貿易有限公司)# * (3)	PRC 24 May 2004	RMB500,000	–	100	Retail trading of menswear and accessories
Shanghai Jiancheng Trading Co., Ltd. (上海簡成商貿有限公司)# * (3)	PRC 31 May 2004	RMB3,000,000	–	100	Sale of menswear and accessories
London Fog (Shanghai) Fashion Co., Ltd. (倫頓弗格(上海)服飾有限公司)# (4)	PRC 31 May 2009	RMB10,000,000	–	100	Sale of menswear and womenswear and accessories
Shanghai Ruiguo Fashion Co., Ltd. (上海瑞國服飾有限公司)# (2)	PRC 14 June 2012	US$1,000,000	100	–	Sale of menswear and womenswear and accessories
Shanghai Ruihe Fashion Co., Ltd. (上海瑞合服飾有限公司)# (3)	PRC 5 September 2011	RMB5,000,000	–	100	Sale of menswear and womenswear and accessories
Shanghai Manhattan Fashion Co., Ltd. (上海曼克頓服飾有限公司)# (2)	PRC 6 September 2012	US$1,000,000	–	75	Sale of menswear
Shanghai Ruiguo Real Estate Co., Ltd. (上海瑞國置業有限公司)# (3)	PRC 9 August 2013	RMB5,000,000	–	100	Property development, operation and management
Shanghai Ruiquan Information Technology Co., Ltd. (上海瑞全信息科技有限公司)# (3)	PRC 8 January 2014	RMB1,000,000	–	100	Sale of software

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Company name	Place and date of incorporation/ registration	Registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Zoo York (Shanghai) Fashion Co., Ltd. (卓約(上海)服飾有限公司)# (2)	PRC 21 October 2014	HK$1,200,000	–	100	Sale of menswear and accessories
Lincs (Shanghai) Fashion Co., Ltd. (菱科斯(上海)服飾有限公司)# (2)	PRC 11 August 2014	HK$10,000,000	–	84	Sale of menswear and accessories
Shanghai Greg Norman Fashion Co., Ltd (上海籍恩服飾有限公司)# (3)	PRC 6 May 2016	RMB1,000,000	–	100	Sale of menswear and accessories
Wuxi Pulande Technology Co., Ltd (無錫普蘭德科技有限公司)# (3)	PRC 18 November 2016	RMB40,000,000	–	100	Purchase and Sale of menswear and accessories

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

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

Notes:

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

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

(3) Limited liability companies under PRC law

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

(5) This company was incorporated in Hong Kong.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IAS") and Interpretations) issued by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2. BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Except for the amendments to IFRS 10, IFRS 12 and IAS 28, amendments to IFRS 11, IFRS 14, amendments to IAS 16 and IAS 41, amendments to IAS 27, and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

   (i) the materiality requirements in IAS 1;

   (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

   (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

   (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

   Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to IFRSs 2012-2014 Cycle* issued in September 2014 sets out amendments to a number of IFRSs. Details of the amendments are as follows:

   - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any non-current assets or disposal group held for sale during the year.

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IAS 40	*Transfers of investment property*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
Amendments to IFRS 12 included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*[1]
Amendments to IFRS 1 included in *Annual Improvements 2014-2016 Cycle*	*First-time Adoption of International Financial reporting Standards*[2]
Amendments to IAS 28 included in *Annual Improvements 2014-2016 Cycle*	*Investment in Associates and Joint Ventures*[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

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

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

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

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

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

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

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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

Goodwill

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

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

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

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

Fair value measurement

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

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

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

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

Fair value measurement *(Continued)*

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

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

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

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

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

Impairment of non-financial assets

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

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

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

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

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

(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); and

(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 parent of the Group.

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

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

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

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

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

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

Investment properties

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

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

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

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

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Intangible assets (other than goodwill)

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

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

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

Intangible assets (other than goodwill) *(Continued)*

Licensing agreements

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

Retail networks

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

Trademarks

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

Leases

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

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

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss and other comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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

Investments and other financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method less any allowance for impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the consolidated statement of profit or loss and other comprehensive income. The loss arising from impairment is recognised in finance costs in the consolidated statement of profit or loss and other comprehensive income for loans and in cost of sales or other expenses for receivables.

Held-to-maturity investments

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

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

Investments and other financial assets *(Continued)*

Available-for-sale financial investments (Continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

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

Impairment of financial assets *(Continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

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

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

The Group’s financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

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

Financial liabilities *(Continued)*

Subsequent measurement of loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

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

Income tax *(Continued)*

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

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

Government grants

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

Revenue recognition

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

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

(b) subsidy income, on a cash basis;

(c) arrangement fees, on a cash basis;

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

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

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

Share-based payments

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

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

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

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

Shares held for the Share Award Scheme

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

Other employee benefits

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

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Borrowing costs

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

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

Foreign currencies

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

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

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

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

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

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

Tax

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

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

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

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

Estimation uncertainty

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

Useful lives and residual values of property, plant and equipment

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

Useful lives of intangible assets

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

Write-down of inventories to net realisable value

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was RMB70,697,000 (2015: RMB70,697,000). More details are given in notes 23 and 25 below.

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

Estimation uncertainty *(Continued)*

Impairment of non-financial assets (other than goodwill)

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

Impairment allowances for trade receivables

The Group estimates the impairment allowances for trade 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 receivables 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, the difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period in which the estimate is changed. The Group reassesses the impairment allowance at the end of each reporting period. At 31 December 2016, the aggregate carrying amount of trade receivables was RMB105,565,000 (2015: RMB118,595,000)

7. OPERATING SEGMENT INFORMATION

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

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

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

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

8. REVENUE AND OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold after trade discounts.

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

	2016 RMB'000	2015 RMB'000
Revenue		
Sale of goods	**902,005**	1,012,764
Other income, net		
Government subsidies*	**21,403**	24,641
Arrangement fees#	**76**	218
Rental income, net	**2,175**	1,440
External order processing income	**1,623**	209
Sale of consumables, net	**75**	71
Exchange gain, net	**5,048**	–
	30,400	26,579
Gains, net		
Fair value gains, net:		
Derivative financial instruments – transactions not qualifying as hedges	**5,339**	2,783
Others	**388**	679
	5,727	3,462
	36,127	30,041

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

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

9. FINANCE INCOME

	2016 RMB'000	2015 RMB'000
Interest income on bank deposits	**1,537**	2,323
Interest income on structured bank deposits	**33,092**	42,296
	34,629	44,619

10. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on bank loans	**6,681**	12,003

11. PROFIT BEFORE TAX

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

	Notes	2016 RMB'000	2015 RMB'000
Cost of inventories sold		**196,697**	211,173
Depreciation:			
Property, plant and equipment	17	**14,927**	12,233
Investment properties	19	**154**	292
		15,081	12,525
Amortisation of prepaid land lease payments*	18	**2,100**	2,020
Amortisation of other intangible assets*	24	**1,572**	1,572
Minimum lease payments under operating leases in respect of buildings		**18,285**	17,038
Auditor's remuneration		**2,326**	2,224
Employee benefit expenses (including directors' remuneration (note 12)):			
Wages and salaries		**97,115**	96,446
Equity-settled share option expenses		**–**	3,173
Pension scheme contributions		**14,249**	14,058
		111,364	113,677
Impairment of other intangible assets^	24	**18,000**	4,680
Fair value gains, net:			
Derivative financial instruments – transactions not qualifying as hedges		**(5,339)**	(2,783)
Write-down of inventories to net realisable value#		**137,891**	136,134
Impairment of trade receivables^		**1,162**	–
Foreign exchange differences, net		**(5,048)**	4,383

11. PROFIT BEFORE TAX *(Continued)*

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

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

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

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

12. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016	2015
	RMB'000	RMB'000
Fees	**2,920**	2,920
Other emoluments:		
Salaries, allowances and benefits in kind	**3,218**	3,216
Equity-settled share option expense	**–**	1,025
Pension scheme contributions	**51**	48
	3,269	4,289
	6,189	7,209

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

12. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive Directors

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

	Fees RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
2016			
KWONG Wilson Wai Sun (鄺偉信)	**200**	**–**	**200**
CUI Yi (崔義)	**200**	**–**	**200**
YEUNG Chi Wai (楊志偉)	**200**	**–**	**200**
	600	**–**	**600**
2015			
KWONG Wilson Wai Sun (鄺偉信)	200	15	215
CUI Yi (崔義)	200	15	215
YEUNG Chi Wai (楊志偉)	200	15	215
	600	45	645

There were no other emoluments payable to the independent non-executive Directors during the year (2015: Nil).

12. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive Directors and non-executive Directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2016					
Executive Directors:					
LO Peter (路嘉星)	**600**	**–**	**–**	**16**	**616**
ZHANG Yongli (張永力)	**600**	**2,520**	**–**	**6**	**3,126**
SUN David Lee (孫如暐)	**380**	**–**	**–**	**16**	**396**
HUANG Xiaoyun (黃曉雲)	**380**	**698**	**–**	**13**	**1,091**
	1,960	**3,218**	**–**	**51**	**5,229**
Non-executive Directors:					
WANG Wei (王瑋)	**180**	**–**	**–**	**–**	**180**
LIN Yang (林煬)	**180**	**–**	**–**	**–**	**180**
	360	**–**	**–**	**–**	**360**
	2,320	**3,218**	**–**	**51**	**5,589**
2015					
Executive Directors:					
LO Peter (路嘉星)	600	–	314	15	929
ZHANG Yongli (張永力)	600	2,520	314	6	3,440
SUN David Lee (孫如暐)	380	–	129	15	524
HUANG Xiaoyun (黃曉雲)	380	696	223	12	1,311
	1,960	3,216	980	48	6,204
Non-executive Directors:					
WANG Wei (王瑋)	180	–	–	–	180
LIN Yang (林煬)	180	–	–	–	180
	360	–	–	–	360
	2,320	3,216	980	48	6,564

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

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three Directors (2015: four), details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining two (2015: one) highest paid employees who are neither a Director nor chief executive of the Company are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	947	417
Equity-settled share option expense	–	223
Pension scheme contributions	30	15
	977	655

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

	Number of employees 2016	2015
Nil to HK$1,000,000	2	1
	2	1

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

14. INCOME TAX EXPENSE

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

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

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

14. INCOME TAX EXPENSE *(Continued)*

In accordance with the relevant PRC income tax rules and regulations, the Group's subsidiaries registered in the PRC are subject to Corporate Income Tax ("CIT") at a statutory rate of 25% on their respective taxable income for the year ended 31 December 2016.

	2016	2015
	RMB'000	RMB'000
Current – PRC		
Charge for the year	**73,921**	63,877
Deferred (note 26)	**(21,570)**	(10,443)
Total tax charge for the year	**52,351**	53,434

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

	2016		2015	
	RMB'000	**%**	RMB'000	%
Profit before tax	**95,706**		156,144	
Tax charge at the statutory tax rate	**23,926**	**25**	39,036	25
Entities subject to lower statutory income tax rates	**264**	**–**	(30)	–
Effect of withholding tax on distributable profits of certain PRC subsidiaries	**23,618**	**25**	3,058	2
Effect of withholding tax on services fee	**3,086**	**3**	1,800	1
Profits and losses attributable to joint ventures	**(121)**	**–**	1,028	1
Adjustments in respect of current tax of previous periods	**(2,091)**	**(2)**	4,714	3
Tax losses not recognised	**3,120**	**3**	3,408	2
Others	**549**	**1**	420	–
Tax charge at the Group's effective tax rate	**52,351**	**55**	53,434	34

No share of tax attributable to joint ventures (2015: Nil) is included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss and other comprehensive income.

15. DIVIDENDS

The Board does not recommend to declare any final dividends for the year ended 31 December 2016 and 31 December 2015.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,435,162,000 (2015: 3,438,220,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2016 and 31 December 2015 in respect of a dilution as the impact of the share options under the Pre-IPO Share Option Scheme outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	2016	2015
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**45,403**	104,837

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue	**3,445,450,000**	3,445,450,000
Weighted average number of shares purchased for the Share Award Scheme	**(10,288,000)**	(7,230,000)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**3,435,162,000**	3,438,220,000

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2015, net of accumulated depreciation	109,589	5,832	7,220	5,086	79,640	207,367
Additions	25,347	129	559	470	23,940	50,445
Disposals	(570)	–	(34)	(7)	–	(611)
Depreciation provided during the year	(8,337)	(975)	(1,940)	(981)	–	(12,233)
Exchange realignment	1,866	–	–	–	–	1,866
Transfers	103,580	–	–	–	(103,580)	–
At 31 December 2015 and 1 January 2016, net of accumulated depreciation	231,475	4,986	5,805	4,568	–	246,834
Additions	39,993	126	700	329	–	41,148
Disposals	–	(1)	(25)	(13)	–	(39)
Depreciation provided during the year	(11,694)	(906)	(1,166)	(1,161)	–	(14,927)
Exchange realignment	2,033	–	–	74	–	2,107
At 31 December 2016, net of accumulated depreciation	261,807	4,205	5,314	3,797	–	275,123
At 31 December 2015:						
Cost	263,719	10,097	18,719	16,323	–	308,858
Accumulated depreciation	(32,244)	(5,111)	(12,914)	(11,755)	–	(62,024)
Net carrying amount	231,475	4,986	5,805	4,568	–	246,834
At 31 December 2016:						
Cost	306,324	10,218	18,922	16,475	–	351,939
Accumulated depreciation	(44,517)	(6,013)	(13,608)	(12,678)	–	(76,816)
Net carrying amount	261,807	4,205	5,314	3,797	–	275,123

As at 31 December 2016, three certificates of ownership in respect of properties in Haikou with a net carrying amount of RMB18,828,000 (2015: RMB19,191,000), one certificate of ownership in respect of a warehouse in Chengdu with a net carrying amount of approximately RMB5,428,000 (2015: two certificates of ownership in respect of two warehouses in Shanghai and Chengdu with net carrying amount of approximately RMB106,478,000 and RMB5,786,000 respectively), and two certificates of ownership in respect of two office buildings in Wuxi and Tianjin with net carrying amount of approximately RMB35,548,000 and RMB3,696,000 respectively (2015: Nil) have not been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

18. PREPAID LAND LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	**87,785**	89,805
Amortisation charged during the year	**(2,100)**	(2,020)
Carrying amount at 31 December	**85,685**	87,785
Current portion included in prepayments, deposits and other receivables	**(1,758)**	(2,020)
Non-current portion	**83,927**	85,765

19. INVESTMENT PROPERTIES

	2016 RMB'000	2015 RMB'000
Cost at 1 January, net of accumulated depreciation	**4,653**	4,945
Depreciation provided during the year	**(154)**	(292)
At 31 December	**4,499**	4,653
At 31 December:		
Cost	**5,907**	5,907
Accumulated depreciation	**(1,408)**	(1,254)
Net carrying amount	**4,499**	4,653

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

The Group's investment properties were revalued on 31 December 2016 by Dezhou Tianqu Assets Appraisals Co., Ltd. (德州天衢資產評估有限公司), independent professionally qualified valuers, at RMB18,529,000 (31 December 2015: RMB18,185,000) on an open market, existing use basis.

19. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

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

	Fair value measurement as at 31 December 2016 using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Commercial properties	**–**	**–**	**18,529**	**18,529**

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Commercial properties	–	–	18,185	18,185

20. INVESTMENTS IN JOINT VENTURES

	2016 RMB'000	2015 RMB'000
Share of net assets	**100,534**	85,175
Goodwill on acquisition	**56,446**	56,446
	156,980	141,621

20. INVESTMENTS IN JOINT VENTURES *(Continued)*

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

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

The above investments are directly held by the Company.

(i) MCS Apparel Hong Kong Limited

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

20. INVESTMENTS IN JOINT VENTURES *(Continued)*

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

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

	2016 RMB'000	2015 RMB'000
Cash and cash equivalents	33,835	29,984
Other current assets	39,878	29,296
Current assets	73,713	59,280
Non-current assets	58,949	62,120
Current financial liabilities (excluding trade and other payables)	(61)	(15,936)
Other current liabilities	(10,126)	(7,050)
Current liabilities	(10,187)	(22,986)
Other non-current liabilities	(1,327)	(1,969)
Non-current liabilities	(1,327)	(1,969)
Net assets	121,148	96,445
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture	60,574	48,223
Goodwill on acquisition	56,446	56,446
Carrying amount of the investment	117,020	104,669
Revenue	46,544	62,820
Interest income	647	360
Depreciation and amortisation	(191)	(191)
Income tax expense	(5,306)	(7,646)
Other comprehensive income/(loss)	668	(94)
Profit and total comprehensive income for the year	21,959	24,901

20. INVESTMENTS IN JOINT VENTURES *(Continued)*

(ii) Henry Cotton's Greater China Company Limited

Henry Cotton's Greater China Company Limited, which is considered a material joint venture of the Group, acts as the Group's operation centre of apparels branded "Henry Cotton's" and is accounted for using the equity method. The financial statements of the joint venture have the same reporting date of the Group.

The following table illustrates the summarised financial information of Henry Cotton's Greater China Company Limited reconciled to the carrying amount in the financial statements:

	2016 RMB'000	2015 RMB'000
Cash and cash equivalents	8,173	10,961
Other current assets	5,147	6,321
Current assets	13,320	17,282
Non-current assets	35,465	35,465
Current financial liabilities (excluding trade and other payables)	(1,723)	(2,494)
Other current liabilities	(2,972)	(6,822)
Current liabilities	(4,695)	(9,316)
Other non-current liabilities	–	(1,676)
Non-current liabilities	–	(1,676)
Net assets	44,090	41,755
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture	22,045	20,877
Carrying amount of the investment	22,045	20,877
Revenue	8,440	15,384
Interest income	39	11
Income tax expense	(1,021)	(1,801)
Other comprehensive (loss)/income	(430)	80
Profit and total comprehensive income for the year	2,891	6,314

20. INVESTMENTS IN JOINT VENTURES *(Continued)*

(iii) Marina Yachting Hong Kong Limited

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

The following table illustrates the financial information of Marina Yachting Hong Kong Limited reconciled to the carrying amount in the financial statements:

	2016 RMB'000	2015 RMB'000
Cash and cash equivalents	4,008	61
Other current assets	4,709	626
Current assets	8,717	687
Non-current assets	32,152	32,170
Current financial liabilities (excluding trade and other payables)	(4,078)	–
Other current liabilities	(961)	(705)
Current liabilities	(5,039)	(705)
Net assets	35,830	32,152
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture	17,915	16,075
Carrying amount of the investment	17,915	16,075
Revenue	8,967	275
Interest income	12	–
Other comprehensive (loss)/income	(134)	251
Profit/(loss) and total comprehensive income/(loss) for the year	3,679	(485)

21. INVESTMENT IN AN ASSOCIATE

	2016 RMB'000
Share of net assets	**15,056**
Goodwill on acquisition	**1,065**
	16,121

Particulars of the Group's material associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
China Mingmen Investment Group Limited	Ordinary shares	Hong Kong	40	Development, manufacture and sale of alcohol and drink products

On 28 December 2016, the Group had completed its investment in China Mingmen Investment Group Limited. The investment is directly held by the wholly-owned subsidiary of the Company.

China Mingmen Investment Group Limited, which is considered a material associate of the Group, is accounted for using the equity method. The financial statements of the associate have the same reporting date of the Group. Up to the date of the financial statement, China Mingmen Investment Group Limited has not commenced operation.

21. INVESTMENT IN AN ASSOCIATE *(Continued)*

The following table illustrates the summarised financial information of China Mingmen Investment Group Limited reconciled to the carrying amount in the consolidated financial statements:

	2016 RMB'000
Cash and cash equivalents	13,000
Other current assets	2,765
Current assets	15,765
Non-current assets	26,466
Other current liabilities	(4,592)
Current liabilities	(4,592)
Net assets	37,639
Reconciliation to the Group's interest in an associate:	
Proportion of the Group's ownership	40%
Group's share of net assets of an associate	15,056
Goodwill on acquisition	1,065
Carrying amount of the investment	16,121
Profit and total comprehensive income for the year	–

22. AVAILABLE-FOR-SALE INVESTMENT

	2016 RMB'000
Unlisted equity investment, at cost	17,016

As at 31 December 2016, certain unlisted equity investment with a total carrying amount of RMB17,016,000 was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

23. GOODWILL

As at 31 December 2016, the carrying value of goodwill was RMB70,697,000 (2015: RMB70,697,000).

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

24. OTHER INTANGIBLE ASSETS

	Licensing agreements RMB'000	Retail networks RMB'000	Trademarks RMB'000	Total RMB'000
At 1 January 2015, net of accumulated amortisation and impairment	10,586	2,968	99,143	112,697
Amortisation charged during the year	(1,323)	(249)	–	(1,572)
Impairment during the year	–	–	(4,680)	(4,680)
Exchange realignment	–	–	6,004	6,004
At 31 December 2015 and 1 January 2016, net of accumulated amortisation and impairment	9,263	2,719	100,467	112,449
Amortisation charged during the year	(1,323)	(249)	–	(1,572)
Impairment during the year	–	–	(18,000)	(18,000)
Exchange realignment	–	–	6,216	6,216
At 31 December 2016, net of accumulated amortisation and impairment	7,940	2,470	88,683	99,093
At 31 December 2015:				
Cost	97,460	4,981	110,292	212,733
Accumulated amortisation and impairment	(88,197)	(2,262)	(9,825)	(100,284)
Net carrying amount	9,263	2,719	100,467	112,449
At 31 December 2016:				
Cost	97,460	4,981	110,292	212,733
Accumulated amortisation and impairment	(89,520)	(2,511)	(21,609)	(113,640)
Net carrying amount	7,940	2,470	88,683	99,093

The Group classified the trademarks of "London Fog", "Artful Dodger" and "Zoo York" as intangible assets with indefinite useful lives. The Group has performed impairment reviews of the carrying values of trademarks as at 31 December 2016 based on a forecast of operating performance, cash flows and the key assumptions as detailed in note 25 below. Based on the result of the impairment test, the recoverable amount of the trademark of "London Fog" and "Zoo York" were RMB34,120,327 and RMB38,008,000 as at 31 December 2016 respectively. Accordingly, management had determined that there were impairment of the trademark of "London Fog" and "Zoo York", and recognised impairments charge of RMB15,000,000 (2015: RMB4,680,000) and RMB3,000,000 (2015: Nil) respectively, which were recorded within other expenses in the consolidated statement of profit or loss and other comprehensive income.

25. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

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

The recoverable amount of the Menswear cash-generating units has been determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period approved by senior management. For the year ended 31 December 2016, the discount rate applied to the cash flow projections is 19.0% (2015: 19.0%) and cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2015: 3%) which does not exceed the projected long term average growth rate for the relevant industry in the Mainland China.

The recoverable amount of the trademarks with indefinite useful lives has been determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period approved by senior management. For the year ended 31 December 2016, the discount rates applied to the cash flow projection were 19.0% (2015: 20.0%) for London Fog, 27.0% (2015: 28.0%) for Artful Dodger and 24.0% (2015: 25.0%) for Zoo York and cash flows beyond the five-year period were extrapolated using a growth rate of 3% (2015: 3%) which does not exceed the projected long term average growth rate for the relevant industry in the Mainland China.

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

Budgeted gross profit margins

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

Discount rates

The discount rates used are before tax and reflect specific risks relating to the Menswear cash-generating units and the trademarks with indefinite useful lives.

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

26. DEFERRED TAX

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

Deferred tax assets

	Impairment of assets RMB'000	Unrealised profits RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2015	86,599	2,809	5,520	94,928
Deferred tax credited/(charged) to the consolidated statement of profit or loss and other comprehensive income during the year (note 14)	13,522	(1,328)	1,819	14,013
At 31 December 2015 and 1 January 2016	100,121	1,481	7,339	108,941
Deferred tax credited/(charged) to the consolidated statement of profit or loss and other comprehensive income during the year (note 14)	34,830	8,728	(2,719)	40,839
At 31 December 2016	134,951	10,209	4,620	149,780

The Group had tax losses arising in the PRC of approximately RMB51,908,000 and RMB49,956,000 as at 31 December 2015 and 2016, respectively, that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the losses amounting to RMB31,476,000 as at 31 December 2016 (31 December 2015: RMB22,552,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the taxable losses can be utilised.

The Group has recognised deferred tax assets of approximately RMB18,480,000 as at 31 December 2016 (31 December 2015: RMB29,356,000), the utilisation of which is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The amount of deferred tax assets is based on the profit forecast approved by the management of the Group.

26. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Fair value adjustments arising from acquisitions	Fair value adjustments from financial instruments	Withholding tax on distributable profits of the PRC subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	5,376	562	32,500	38,438
Deferred tax transferred out in respect of withholding tax paid by a PRC subsidiary	–	–	(34,413)	(34,413)
Deferred tax charged/(credited) to the consolidated statement of profit or loss and other comprehensive income during the year (note 14)	(184)	696	3,058	3,570
At 31 December 2015 and 1 January 2016	5,192	1,258	1,145	7,595
Deferred tax charged/(credited) to the consolidated statement of profit or loss and other comprehensive income during the year (note 14)	(184)	1,335	18,118	19,269
At 31 December 2016	5,008	2,593	19,263	26,864

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

At 31 December 2016, the Group has not recognised deferred tax liabilities of RMB23,405,000 (2015: RMB47,563,000) in respect of temporary differences relating to the unremitted profits of the Group's subsidiaries established in the PRC amounting to RMB468,105,000 (2015: RMB844,933,000), that would be payable on the distribution of these profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

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

27. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**13,436**	11,997
Work in progress	**6,709**	6,365
Finished goods	**238,610**	380,237
	258,755	398,599

28. TRADE AND BILLS RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**104,767**	115,213
Trade receivables, net	**103,605**	115,213
Bills receivable	**1,960**	3,382
	105,565	118,595

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

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

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

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

28. TRADE AND BILLS RECEIVABLES *(Continued)*

An aged analysis of the trade receivables as at 31 December 2016 and 31 December 2015, based on the invoice date and net of provision, and the balances of bills receivable are as follows:

	2016 RMB'000	2015 RMB'000
Trade receivables		
Within 60 days	**98,381**	107,929
61 to 90 days	**917**	800
91 to 180 days	**1,285**	2,057
181 to 360 days	**1,944**	3,383
Over 360 days	**1,078**	1,044
	103,605	115,213
Bills receivable	**1,960**	3,382
	105,565	118,595

The bills receivable are due to mature within three months.

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

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**98,381**	107,929
1 to 180 days past due	**2,202**	2,857
181 to 360 days past due	**3,022**	4,427
	103,605	115,213

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

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Prepayments	**23,107**	43,208
Deposits and other receivables	**51,989**	32,512
	75,096	75,720

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

30. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 RMB'000	2015 RMB'000
Forward currency contracts	**10,365**	5,026

The Group has entered into various forward currency contracts to manage its exchange rate exposure. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging currency derivatives amounting to RMB5,339,000 were charged to profit or loss during the year (2015: RMB2,783,000).

These forward currency contracts are secured by RMB denominated pledged bank deposits placed with financial institutions in China of RMB3,624,000 as at 31 December 2016 (2015: RMB2,023,000).

31. STRUCTURED BANK DEPOSITS

	2016 RMB'000	2015 RMB'000
Structured bank deposits, in licensed banks in the PRC, at amortised cost	**474,200**	380,734

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

32. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2016 RMB'000	2015 RMB'000
Cash and bank balances	**154,122**	160,086
Time deposits	**432,324**	442,890
	586,446	602,976
Less: Bank deposits pledged*	**(429,324)**	(437,890)
Cash and cash equivalents as stated in the consolidated statement of financial position	**157,122**	165,086

* Bank deposits pledged for securing short term bank loans and forward currency contracts amounted to RMB425,700,000 and RMB3,624,000 respectively.

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB499,207,000 (2015: RMB496,137,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

33. INTEREST-BEARING BANK BORROWINGS

	2016			2015		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Interest-bearing bank loans – secured (HK$)*	**HIBOR +1.5%**	**2017**	**384,639**	HIBOR +1.8%	2016	360,245
Total:			**384,639**			360,245

* These bank borrowings are secured by RMB denominated pledged bank deposits placed with financial institutions in China of RMB425,700,000 as at 31 December 2016.

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

The pledged deposits for securing the bank borrowings were included in "Pledged bank deposits" in the consolidated statement of financial position as at 31 December 2016.

	2016	2015
	RMB'000	RMB'000
Analysed into:		
Within one year and denominated in HK$	**384,639**	360,245
	384,639	360,245

The Group has no undrawn banking facilities as at 31 December 2016 and 2015.

34. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables as at 31 December 2016 and 2015, based on the invoice date, and the balances of bills payable are as follows:

	2016	2015
	RMB'000	RMB'000
Trade payables		
Within 30 days	**22,798**	36,904
31 to 90 days	**4,248**	10,582
91 to 180 days	**273**	692
181 to 360 days	**5,170**	2,621
	32,489	50,799
Bills payable	**–**	54,901
	32,489	105,700

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

35. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	2016 RMB'000	2015 RMB'000
Advances from customers	**67,107**	66,755
Other payables	**33,393**	29,679
Accruals	**19,546**	9,607
Other taxes payable	**20,408**	–
	140,454	106,041

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

36. SHARE CAPITAL

Shares

	2016 HK$'000	2015 HK$'000
Issued and fully paid:		
3,445,450,000 (2015: 3,445,450,000) ordinary shares	**344,545**	344,545
Equivalent to RMB'000	**280,661**	280,661

Share options

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

37. SHARE OPTION SCHEMES

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

Pre-IPO Share Option Scheme

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

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

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

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

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

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

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

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

37. SHARE OPTION SCHEMES *(Continued)*

Pre-IPO Share Option Scheme *(Continued)*

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

	Year ended 31 December 2016		Year ended 31 December 2015	
	Weighted average exercise price HK$ per share	**Number of share options**	Weighted average exercise price HK$ per share	Number of share options
At beginning of year	**1.64**	**168,024,000**	1.64	168,024,000
Lapsed during the year	**1.64**	**(84,012,000)**	–	–
At the end of year	**1.64**	**84,012,000**	1.64	168,024,000

The fair value of the share options under the Pre-IPO Share Option Scheme granted was estimated at approximately RMB65,108,000, of which the Group recognised a share option expense of Nil during the year ended 31 December 2016 (2015: RMB3,173,000).

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

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

37. SHARE OPTION SCHEMES *(Continued)*

Pre-IPO Share Option Scheme *(Continued)*

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

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

No share option was exercised during the year. As at 31 December 2016, the Company had 84,012,000 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 84,012,000 additional ordinary shares of the Company and additional share capital of HK$8,401,200 (equivalent to RMB7,277,000) and share premium of HK$129,378,480 (equivalent to RMB115,730,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 84,012,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 2.4% of the Company's shares in issue as at that date.

Share Option Scheme

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

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

37. SHARE OPTION SCHEMES *(Continued)*

Share Option Scheme *(Continued)*

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

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

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

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

As at 31 December 2016 and the date of approval of these financial statements, no share option was granted and outstanding under the Share Option Scheme.

38. SHARE AWARD SCHEME

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

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

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

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

38. SHARE AWARD SCHEME *(Continued)*

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

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

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

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

The Trustee purchased 506,000 shares of the Company at a total cost (including related transaction costs) of HK$215,000 (equivalent to RMB182,000) during the year ended 31 December 2016 (2015: The Trustee purchased 5,134,000 shares of the Company at a total cost (including related transaction costs) of HK$4,166,705 (equivalent to RMB3,740,000)).

The Board has not yet granted any shares to any employees from 4 November 2014 to 31 December 2016.

39. RESERVES

The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on pages 62 of the financial statements.

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

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

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

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	1,418	2,110
In the second to third years, inclusive	234	1,096
	1,652	3,206

(b) As lessee

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

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	9,997	8,600
In the second to third years, inclusive	2,414	6,965
	12,411	15,565

41. COMMITMENTS

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

	2016 RMB'000	2015 RMB'000
Contracted, but not provided for:		
Lands and buildings	5,165	–
	5,165	–

42. RELATED PARTY TRANSACTIONS

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

	2016 **RMB'000**	2015 RMB'000
Fees	**2,933**	2,920
Salaries, allowances and benefits in kind	**4,753**	4,414
Equity-settled share option expenses	**–**	2,619
Pension scheme contributions	**165**	154
Total compensation paid to key management personnel	**7,851**	10,107

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

43. FINANCIAL INSTRUMENTS BY CATEGORY

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

2016	**Financial assets at fair value through profit or loss**				
Financial assets	**Held for trading RMB'000**	**Held-to-maturity investments RMB'000**	**Loans and receivables RMB'000**	**Available-for-sale financial assets RMB'000**	**Total RMB'000**
Available-for-sale investment	**–**	**–**	**–**	**17,016**	**17,016**
Trade and bills receivables	**–**	**–**	**105,565**	**–**	**105,565**
Financial assets included in prepayments, deposits and other receivables (note 29)	**–**	**–**	**51,989**	**–**	**51,989**
Derivative financial instruments	**10,365**	**–**	**–**	**–**	**10,365**
Structured bank deposits	**–**	**474,200**	**–**	**–**	**474,200**
Pledged bank deposits	**–**	**429,324**	**–**	**–**	**429,324**
Cash and cash equivalents	**–**	**–**	**157,122**	**–**	**157,122**
	10,365	**903,524**	**314,676**	**17,016**	**1,245,581**

43. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2015	Financial assets at fair value through profit or loss			
Financial assets	Held for trading	Held-to-maturity investments	Loans and receivables	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables	–	–	118,595	118,595
Financial assets included in prepayments, deposits and other receivables (note 29)	–	–	32,512	32,512
Derivative financial instruments	5,026	–	–	5,026
Structured bank deposits	–	380,734	–	380,734
Pledged bank deposits	–	437,890	–	437,890
Cash and cash equivalents	–	–	165,086	165,086
	5,026	818,624	316,193	1,139,843

Financial liabilities	**Financial liabilities at amortised cost**	
	2016	2015
	RMB'000	RMB'000
Trade and bills payables	**32,489**	105,700
Financial liabilities included in deposits received, other payables and accruals (note 35)	**33,393**	29,679
Interest-bearing bank borrowings	**384,639**	360,245
	450,521	495,624

44. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Derivative financial instruments	**10,365**	5,026	**10,365**	5,026

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, structured bank deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

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

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

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

Fair value hierarchy

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

Assets measured at fair value

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	**Significant observable inputs Level 2 RMB'000**	**Significant unobservable inputs Level 3 RMB'000**	**Total RMB'000**
Derivative financial instruments	**–**	**10,365**	**–**	**10,365**

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Derivative financial instruments	–	5,026	–	5,026

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 31 December 2016 (2015: Nil).

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

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

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** RMB'000	**Increase/ (decrease) in equity*** RMB'000
31 December 2016			
RMB	100	(2,297)	–
RMB	(100)	2,297	–

* Excluding retained profits

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

Foreign currency risk

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

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

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

	Increase/ (decrease) in HK$ exchange rate	**Increase/ (decrease) in equity***
	%	RMB'000
31 December 2016		
If RMB weakens against HK$	**5**	**(4,568)**
If RMB strengthens against HK$	**(5)**	**4,568**
31 December 2015		
If RMB weakens against HK$	5	(1,778)
If RMB strengthens against HK$	(5)	1,778

* Excluding retained profits

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

Credit risk

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

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

Liquidity risk

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

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

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

	31 December 2016		
	On demand RMB'000	**Less than 1 year RMB'000**	**Total RMB'000**
Trade and bills payables	**–**	**32,489**	**32,489**
Other payables	**–**	**33,393**	**33,393**
Interest-bearing bank borrowings	**–**	**384,639**	**384,639**
	–	**450,521**	**450,521**

	31 December 2015		
	On demand RMB'000	Less than 1 year RMB'000	Total RMB'000
Trade and bills payables	–	105,700	105,700
Other payables	–	29,679	29,679
Interest-bearing bank borrowings	–	360,245	360,245
	–	495,624	495,624

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

Capital management

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

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

	2016 **RMB'000**	2015 RMB'000
Trade and bills payables	**32,489**	105,700
Other payables	**33,393**	29,679
Interest-bearing bank borrowings	**384,639**	360,245
Less: Cash and cash equivalents	**(157,122)**	(165,086)
Net debt	**293,399**	330,538
Capital – equity attributable to owners of the parent	**1,657,482**	1,620,966
Capital and net debt	**1,950,881**	1,951,504
Gearing ratio	**15.1%**	16.9%

46. EVENTS AFTER THE REPORTING PERIOD

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

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016	2015
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property	**32,432**	31,136
Other intangible assets	**54,826**	51,349
Investments in subsidiaries	**1,493,383**	3,700,109
Investments in joint ventures	**123,337**	128,797
Total non-current assets	**1,703,978**	3,911,391
CURRENT ASSETS		
Prepayments and other receivables	**761**	13,185
Amounts due from subsidiaries	**44,011**	20,464
Cash and cash equivalents	**61,522**	29,902
Total current assets	**106,294**	63,551
CURRENT LIABILITIES		
Interest-bearing bank borrowings	**384,639**	360,245
Amounts due to subsidiaries	**360,148**	309,954
Other payables and accruals	**405**	612
Total current liabilities	**745,192**	670,811
NET CURRENT LIABILITIES	**(638,898)**	(607,260)
Net assets	**1,065,080**	3,304,131
EQUITY		
Issued capital	**280,661**	280,661
Shares held for share award scheme (note)	**(7,591)**	(7,409)
Reserves (note)	**792,010**	3,030,879
Total equity	**1,065,080**	3,304,131

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Share held for share award scheme RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
As at 1 January 2015	543	2,646,255	50,523	(3,669)	127,447	70,937	2,892,036
Total comprehensive loss for the year	–	–	5	–	62,955	170,845	233,805
Equity-settled share option arrangements	–	–	3,173	–	–	–	3,173
Transfer of share option reserve upon the forfeiture of share options	–	–	–	–	–	–	–
Share Award Scheme	–	–	–	(3,740)	–	–	(3,740)
Final 2014 dividend declared	–	–	–	–	–	(101,804)	(101,804)
As at 31 December 2015 and 1 January 2016	543	2,646,255	53,701	(7,409)	190,402	139,978	3,023,470
Total comprehensive loss for the year^	–	–	–	–	(37,825)	(2,201,044)	(2,238,869)
Lapse of share options	–	–	(26,154)	–	–	26,154	–
Share Award Scheme	–	–	–	(182)	–	–	(182)
As at 31 December 2016	543	2,646,255	27,547	(7,591)	152,577	(2,034,912)	784,419

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

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

^ The total comprehensive loss for the year was mainly attributable to the impairment provided on the carrying amount of investments in subsidiaries of RMB2,206,726,000 in the Company's financial statements for the year ended 31 December 2016. The provisions have no effect on the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 December 2016.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 20 March 2017.

Financial Summary

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

	2016 **RMB'000**	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Results					
REVENUE	**902,005**	1,012,764	1,094,327	1,247,158	1,407,777
Cost of sales	**(334,588)**	(347,307)	(328,789)	(320,587)	(353,325)
Gross profit	**567,417**	665,457	765,538	926,571	1,054,452
Other income and gains, net	**36,127**	30,041	30,424	50,180	45,509
Selling and distribution expenses	**(456,764)**	(497,309)	(454,304)	(441,592)	(443,595)
Administrative expense	**(60,344)**	(61,486)	(53,410)	(63,036)	(75,426)
Other expenses	**(19,162)**	(9,063)	(12,726)	–	(1,424)
Finance income	**34,629**	44,619	55,137	48,732	45,445
Finance costs	**(6,681)**	(12,003)	(7,512)	–	–
Share of profits and losses of Joint Ventures	**484**	(4,112)	(3,590)	(225)	–
PROFIT BEFORE TAX	**95,706**	156,144	319,557	520,630	624,961
Income tax expense	**(52,351)**	(53,434)	(116,646)	(136,739)	(164,706)
PROFIT FOR THE YEAR	**43,355**	102,710	202,911	383,891	460,255
Attributable to:					
Owners of the parent	**45,403**	104,837	203,607	383,951	460,246
Non-controlling interests	**(2,048)**	(2,127)	(696)	(60)	9

	2016 **RMB'000**	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Assets, Liabilities and Non-controlling interests					
TOTAL ASSETS	**2,383,663**	2,352,610	2,643,258	2,420,263	2,342,082
TOTAL LIABILITIES	**726,307**	729,819	1,006,206	333,193	370,603
Non-controlling interests	**(126)**	1,825	3,876	2,388	2,476