ODELLA LEATHER HOLDINGS LIMITED
愛特麗皮革控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 8093

Annual Report 2016

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. CHEUNG Woon Yiu — *Chairman*
Ms. LAM Wai Si Grace — *Chief Executive Officer*
Mr. CHING Wai Man

Non-Executive Director

Ms. NG Lai Hung

Independent Non-Executive Directors

Dr. WONG Wai Kong
Mr. HOW Sze Ming
Mr. Philip David THACKER

Audit Committee

Dr. WONG Wai Kong — *Chairman*
Mr. HOW Sze Ming
Mr. Philip David THACKER

Remuneration Committee

Mr. HOW Sze Ming — *Chairman*
Dr. WONG Wai Kong
Ms. LAM Wai Si Grace

Nomination Committee

Ms. CHEUNG Woon Yiu — *Chairman*
Dr. WONG Wai Kong
Mr. HOW Sze Ming

Corporate Governance Committee

Ms. NG Lai Hung — *Chairman*
Dr. WONG Wai Kong
Mr. HOW Sze Ming
Mr. Philip David THACKER

Authorised Representatives

Ms. CHEUNG Woon Yiu
Mr. CHAN Hing Yik

Company Secretary

Mr. CHAN Hing Yik *(CPA)*

Compliance Officer

Ms. CHEUNG Woon Yiu *(CPA)*

Registered Office

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Headquarters and Principal Place of Business

Unit 1701 Treasure Centre
42 Hung To Road
Kwun Tong, Kowloon,
Hong Kong

Principal Share Registrar

Codan Trust Company (Cayman) Limited

Hong Kong Branch Share Registrar

Tricor Investor Services Limited

Principal Banker

Chong Hing Bank Limited

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Legal Advisers

Guangdong Haoyi Law Firm *(as to PRC law)*

Compliance Adviser

Halcyon Capital Limited (terminated with effect from 7 June 2016 upon mutual agreement)
Messis Capital Limited (appointed with effect from 7 June 2016)

Website

www.odella.com

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overview

The Company is an investment holding company. Its subsidiaries are principally engaged in manufacturing and sales of leather garment products to renowned customers based in the United States of America, Australia, Malaysia, Hong Kong and the People's Republic of China (the "PRC").

During the year, the revenue of the Company and its subsidiaries (the "Group") recorded a drop of approximately 32% from approximately HK$81.9 million for the year ended 30 June 2015 ("FY 2015") to approximately HK$55.8 million for the year ended 30 June 2016 ("FY 2016"). This is because the customers became more conservative the trend of global fashion market.

During FY 2016, the Group recorded a profit after tax of approximately HK$3.8 million, represented an increase of approximately HK$3.7 million as compared with the profit after tax of approximately HK$0.1 million for FY 2015. This is mainly attributable to the non-recurring listing expenses of approximately HK$18.4 million incurred last year in connection with the preparation for listing of the ordinary shares of the Company (the "Shares") on the GEM on 12 February 2015 (the "Listing"), the effect of which was partially offset by the decrease in its gross profit.

Revenue

The Group recorded revenue of approximately HK$55.8 million for FY 2016, which represented a decrease of approximately 32% from approximately HK$81.9 million for FY 2015. The decrease was mainly due to the fact that the customers have generally made prudent market prediction and thus have ordered smaller quantity for the coming seasons.

Cost of Sales and Gross Profit

Cost of sales mainly represents cost of raw materials, cost of accessories, labour costs and other manufacturing overheads. As a result of a decrease in order quantity, the Group's total cost of sales dropped from approximately HK$45.4 million for FY 2015 to approximately HK$35.1 million for FY 2016, represented a decrease of approximately HK$10.3 million. Gross profit for FY 2016 was approximately HK$20.7 million, represented a decrease of approximately HK$15.9 million from approximately HK$36.6 million for FY 2015.

Gross profit margin for FY 2016 was approximately 37% which represented a drop of approximately 8% from the gross profit margin in FY 2015 of approximately 45%. This was mainly attributable to a higher overhead per unit as a result of lower total quantity of production in the current year.

Other Revenue and Other Income

Other revenue and other income mainly represent sundry income that are incidental to the Group's business such as interest income and sales of scrap materials.

Other revenue and other income for FY 2016 amounted to approximately HK$0.3 million (2015: HK$0.2 million), represented an increase of approximately HK$0.1 million. The increase was mainly attributable to the increase in interest income of approximately HK$0.1 million from deposits of Listing proceeds and surplus working capital for FY 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review (continued)

Selling and Distribution Expenses

Selling and distribution expenses mainly comprise logistic expenses and marketing expenses. Selling and distribution expenses decreased from approximately HK$2.7 million for FY 2015 to approximately HK$2.4 million for FY 2016, representing a decrease of approximately HK$0.3 million which was in line with the decrease in revenue.

Administrative Expenses

Administrative expenses (excluding Listing expenses as separately discussed below) mainly comprise payroll expenses, rent and rates and other office administrative expenses. Administrative expenses increased from approximately HK$11.9 million in FY 2015 to approximately HK$14.4 million in FY 2016, representing an increase of approximately 21%.

The higher administrative expenses for FY 2016 was mainly attributable to the higher professional costs incurred subsequent to the Listing of the Shares on the GEM last year.

Finance Costs

Finance costs represent interests for bank loan and trust receipt loans. For both FY 2016 and FY 2015, there were insignificant amount of interests as there were no major outstanding bank loans nor heavy reliance on trade finance facilities.

Listing Expenses

During FY 2015, the Group recorded Listing expenses of approximately HK$18.4 million. There were no such expenses for FY 2016.

Taxation

Income tax represents Hong Kong Profits Tax at 16.5% for the Company's subsidiary in Hong Kong and PRC Corporate Income Tax at 25% for the Company's subsidiary in Foshan, the PRC.

Lower effective tax rate for FY 2016 than that for FY 2015 was recorded because the Listing expenses which were only incurred in FY 2015 mainly consisted of certain expenditures which may not be tax deductible.

Profit for the Year

For FY 2016, the Group recorded profit for the year of approximately HK$3.8 million. For FY 2015, the Group recorded profit for the year of approximately HK$0.1 million, which was the net effect of recurring operational profit after tax for the year of approximately HK$18.5 million and non-recurring Listing expenses of approximately HK$18.4 million incurred for the preparation of the Listing during FY 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review (continued)

Financial Position, Liquidity and Financial Resources

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and cash is generally deposited with banks in Hong Kong and the PRC.

The Group has maintained its funds at a sound and healthy financial resource level during the year under review. As at both 30 June 2016 and 2015, the Group did not have any outstanding bank borrowings. There was no seasonality as to the Group's borrowing requirements and no committed borrowing facilities.

As at 30 June 2016, included in net current assets were cash and bank balances (including pledged bank deposits) totalling approximately HK$52.0 million (2015: HK$39.7 million), the increase of which was mainly due to profit retained and lower level of trade receivables as comparing to last year.

No gearing ratio (which is calculated by dividing the net debt by total equity where net debt comprise borrowings less cash and bank balances) was presented as the Group did not have net debt as at both 30 June 2016 and 2015.

Charge Over Assets of the Group

As at 30 June 2016, the Group's banking facilities were supported by pledged bank deposits of the Group of approximately HK$3.0 million (2015: HK$3.3 million).

Financial Management Policies

The Group in its ordinary course of business is exposed to market risks such as foreign currency risk and interest rate risk. The Group's risk management strategy aims to minimise the adverse effects of these risks on its financial performance.

Cash is generally deposited at banks in Hong Kong and the PRC and denominated mostly in Hong Kong dollar, United States dollar and Renminbi. As at 30 June 2016, no related hedges were made by the Group (2015: nil).

As most of the Group's trading transactions, monetary assets and liabilities are denominated in United States dollar, Renminbi and Hong Kong dollar, the impact of foreign exchange exposure to the Group during FY 2016 was minimal and there was no significant adverse effect on normal operations.

Capital Commitments and Contingent Liabilities

As at 30 June 2016, the Group did not have any significant capital commitment (2015: nil) and contingent liability (2015: nil).

Risk management and uncertainties

The board of Directors (the "Board") believe that risk management is essential to the Group's efficient and effective operation. Details of the principal risks and uncertainties facing the Group are set out in notes 5 and 23 to the consolidated financial statements, which are consistent with prior years. The Group's management assists the Board in periodic evaluation of principal risks exposed to the Group and estimation made for the uncertainties; and participates in formulating appropriate risk management and internal control measures for the purpose of on-going monitoring of such risks and assessing the appropriateness of such estimations.

MANAGEMENT DISCUSSION AND ANALYSIS

Listing of the Company's Shares and Use of Proceeds

The Company was incorporated in the Cayman Islands on 3 September 2014 as an exempted company with limited liability under the Companies Law (as revised from time to time) of the Cayman Islands. As a result of a reorganisation (the "Reorganisation") to prepare for the Listing, the Company become the holding company of its subsidiaries.

The Shares were first listed on the GEM on 12 February 2015 by way of placing ("Placing") of 100,000,000 Shares at a placing price of HK$0.55 per Share. The total net proceeds from the Placing after deducting all related expenses was approximately HK$25.3 million. Up to 30 June 2016, the Group has applied the proceeds as follows:

(a) approximately HK$1.0 million for strengthening the Group's business development capability by expanding its marketing function;

(b) approximately HK$0.3 million for enhancing the Group's manufacturing facilities through purchasing new production equipment and machineries;

(c) approximately HK$3.4 million for expansion of the Group's pre-production product development function;

(d) approximately HK$1.2 million for expansion of the Group's sourcing capability; and

(e) approximately HK$1.8 million for general working capital.

The business objectives, future plans and planned use of proceeds as stated in the Company's prospectus dated 5 February 2015 (the "Prospectus") were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

Business objectives for the period since the date of Listing up to 30 June 2016	Actual business progress for the period since the date of Listing up to 30 June 2016
A. Strengthening business development capability	
Cost will be incurred as remuneration payable to one to two additional marketing staff recruited for this business strategy Strengthening our marketing coverage in the PRC market Continue to participate in more trade fairs and fashion shows to increase the market presence of our Group Arrange additional marketing trips to visit our customers in Hong Kong and overseas Cost will be incurred as remuneration payable to the additional staff recruited for the organisation of training programs and meetings with the quality control team from our customers for this business strategy	During FY 2016, the Group recruited one high caliber sales and marketing staff to develop relationship with existing and potential customers; recruited another sales and marketing staff to develop the PRC market; and recruited an additional staff to organise training programs to new staff and less experienced staff. Moreover, the Group set up regular meetings with the quality control teams from its customers to enhance the communication and understanding with its customers' technical requirements and standards for business development purposes. The Group has arranged additional marketing trips to visit its customers in the PRC, United States of America and Australia. The Group is currently in the process of identifying relevant and popular trade fairs to increase its market presence.

Listing of the Company's Shares and Use of Proceeds (continued)

Business objectives for the period since the date of Listing up to 30 June 2016	Actual business progress for the period since the date of Listing up to 30 June 2016
B. Enhancing manufacturing facilities	
Making payment for the purchase of automatic flat press machine, sewing machines with special functions, computerised pattern cutting machine and automated button-attaching machines	The Group is currently in the process of identifying further production machines that enable the enhancement of the Group's production efficiency.
Examine the state and condition of the existing production facilities to ascertain and develop time schedule for replacement of old equipment and machineries	
C. Expansion of pre-production product development function	
Cost will be incurred as remuneration payable to one to two additional design and development staff recruited for this business strategy Continue to develop and create more samples for presentation to existing and potential customers Plan for developing a database with comprehensive and updated data and information of different leather accessories, fashion samples, fashion design photos and other historical information related to leather garments Research on and search for new technologies and technics on leather garments Research on new technologies, organise training and visit fabric factories to enhance the technics and skills of manufacturing leather garments blended with fabrics and textiles	During FY 2016, the Group recruited one experienced staff for the research and technical development of production technics and leather garment patterns. The Group has also developed and created more samples for presentation to existing and potential customers during the FY 2016. To update the new technology and technics in leather treatment, the Group have visited its suppliers' factories regularly.

Listing of the Company's Shares and Use of Proceeds (continued)

Business objectives for the period since the date of Listing up to 30 June 2016	Actual business progress for the period since the date of Listing up to 30 June 2016
D. Expansion of sourcing capability	
Cost will be incurred as remuneration payable to two to four additional sourcing staff/agent recruited for this business strategy Arrange business trips to visit our major suppliers to update our staff with the latest leather treatment technologies and so that our staff can learn the proper skills of handling leather with the latest leather technologies Cost will be incurred as remuneration payable to the leather garment specialists recruited and expenses for the organisation of training on the effects of different leather treatments, technics on handling different types of leather to enhance the knowledge of our staff on different types of leather for this business strategy	The Group recruited one additional sourcing staff as well as one leather garment specialist for expanding the Group's sourcing capability. Additional training on the effects of different leather treatments and technics on handling different types of leather were organised for existing staff in order to enhance the knowledge of our staff on different types of leather. The Group visited its major suppliers to obtain information about the latest leather treatment technologies.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, the Group intends to deposit the net proceeds in short-term demand deposits. The Group will continue to review and evaluate the business plan critically and will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

Material Acquisitions and Disposals

Save for the Reorganisation, during FY 2015, the Group did not have any material acquisition and disposal. There was no material acquisition and disposal during FY 2016.

Business Review and Outlook

The Group is specialised in the manufacture and sales of private label leather garments for its customers on original equipment manufacturer basis. Its major customers are mostly fashion brands with price range of leather garments fall under the high-end and middle-end categories. During FY 2016, there was a significant drop in order quantity from its international fashion brand customers. The Directors believe this is mainly attributable to the softer confidence of the Group's customers in forward prediction due to the sluggish luxury retail market and the instability of the global economy.

Nevertheless, the Group has never stopped its efforts in market developments. It has strengthened its marketing activities by paying more visits to its customers and invested in development of pre-production sampling and production techniques. During FY 2016, the Group successfully gained four new customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook (continued)

During FY 2016, the Group has also reported increase in administrative expenses mainly due to the increase in professional fees subsequent to the Listing of the Shares on the GEM. The decrease in gross profit and increase in administrative expenses resulted in significant drop in operating profit as comparing to the operating profit before Listing expenses in last year.

Currently, the Group sees that customers' confidences on market trend are still on the weak side. Nevertheless, the Group will continue to strengthen its marketing efforts and its investments in technical research and development and product quality controls to ensure a high standard of quality will be offered to its customers. The Group has confidence that it will continue to enjoy its customers' support and gain more orders when the market recovers.

Looking forward, the Group does not have any concrete plan for material investments or capital assets in the near future. Nonetheless, if potential investment opportunity arises which fits the Group's development strategy, the Group will consider such opportunity for the overall benefits to the Group and the Company's shareholders (the "Shareholders") as a whole.

Employees and Remuneration Policy

As at 30 June 2016, the Group had a workforce of 130 employees (2015: 158). The decrease in number of employees was mainly due to natural loss in production workforce. Nevertheless, total staff costs for FY 2016 was approximately HK$15.3 million, represented an increase of approximately HK$0.6 million as compared to that for FY 2015 offsetting the decrease in headcount because the Group recruited a number of experienced staff with higher salary.

The emolument policy of the employees of the Group is formulated by the Remuneration Committee (as defined below) with reference to the duties, responsibilities, experience and competence of individual employees. The same policy also applies to the Directors. In addition to salaries and discretionary bonuses relating to the performance of the Group, employee benefits included pension scheme contributions. The emoluments of the Directors are reviewed annually by the remuneration committee ("Remuneration Committee").

As incentives and rewards for their contributions to the Group, the employees of the Group and all the Directors (including the independent non-executive Directors and non-executive Director) may also be granted share options by the Company from time to time pursuant to the share option scheme adopted on 28 January 2015, details of which are set out in note 27 to the consolidated financial statements.

The Group provides various training to its employees to enhance their technical skills and knowledge relevant to the employees' responsibilities. The Group also provides its employees with quality control standards and work safety standards training to enhance their safety awareness.

During the year under review, the Group did not experience any strikes, work stoppages or significant labour disputes which affected its operations in the past and it did not experience any significant difficulties in recruiting and retaining qualified staff. The Directors consider that the Group has maintained good working relationship with its employees.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. CHEUNG Woon Yiu (張煥瑤, alias Idy Cheung), aged 52, is the chairman of the Board and an executive Director. She joined the Group in March 2010 when she was appointed as a director of Perline. She was appointed as a director of Foshan Nanhai Shengli Leather Garment Co., Ltd. (佛山市南海盛麗皮衣有限公司) ("Foshan Shengli") in April 2010. In September 2014, she was appointed as a director of the Company and also of Odella International Limited ("Odella BVI"). She is also the compliance officer of the Group. She is responsible for the Group's corporate strategic formulation and goal setting and overseeing the finance and secretarial functions.

Ms. Cheung was awarded a Bachelor of Economics degree by the University of Sydney, Australia in June 1993. She is a practising member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and a member of the Australian Society of Certified Practising Accountants.

Prior to joining the Group, Ms. Cheung is a practising certified public accountant as a sole proprietor of Idy Cheung & Co. since April 1998. She worked in the audit department of an international accounting firm for about four years from January 1993 to July 1997. She has extensive experience in accounting, auditing and corporate finance.

Ms. Cheung is the sole shareholder and director of Quality Century Limited ("QCL") which is a controlling Shareholder. QCL holds 51% of the issued share capital in the Company. Ms. Cheung and Ms. Lam Wai Si Grace, the Group's chief executive officer and an executive Director, are family relatives, namely, Ms. Cheung's husband is a cousin of Ms. Lam.

Ms. LAM Wai Si Grace (林慧思), aged 44, is the Group's chief executive officer and an executive Director. She is primarily responsible for sales and marketing of the Group and also overseeing and directing the daily operations.

Ms. Lam was awarded a Bachelor of Mathematics degree (with honours) from the University of Waterloo, Ontario, Canada in May 1995. In September 1996 and August 1996, she became qualified to be a certified management accountant of The Society of Management Accountants of Ontario and was awarded the certificate of certified public accountant in the state of Illinois, the United States, respectively. She started her career in a manufacturer and trader of garment as a merchandiser. She joined the Group in November 1999. She was appointed as a director of Perline and Foshan Shengli in March 2010 and April 2010, respectively. In September 2014, she was also appointed as a director of the Company and Odella BVI. She has accumulated about 17 years' experience in the marketing and management function in fine leather garment industry.

Ms. Lam is the sole shareholder and director of Design Vanguard Limited ("DVL") which is a substantial Shareholder. DVL holds 12.75% of the issued share capital in the Company. Ms. Lam is a cousin of Ms. Cheung Woon Yiu's husband (Ms. Cheung is the Chairman of the Board and an executive Director).

Mr. CHING Wai Man (程偉文, alias Ramond Ching), aged 53, is an executive Director. He is primarily responsible for the production and operating functions of the Group.

Mr. Ching obtained a diploma in knitting technology from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1983. He worked in a United States luxury brand apparel trading and export company in Hong Kong from May 1987 to May 1989. In July 1989, he started his career in the fine leather garment industry by joining a then related company of Perline, a company which was principally engaged in trading of luxury leather garments. He joined the Group in March 2010 and he was appointed as a director of Perline and then he was appointed as a director of Foshan Shengli in April 2010. In September 2014, he was appointed as a director of the Company and also of Odella BVI. Mr. Ching has accumulated more than 28 years' working experience in the luxury and fine leather garment trading and manufacturing industry.

Mr. Ching is the sole shareholder and director of Olson Global Limited ("OGL") which is a substantial Shareholder. OGL holds 11.25% of the issued share capital in the Company.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Ms. NG Lai Hung (吳麗虹), aged 48, is a non-executive Director. She joined the Group as a director of Perline in March 2010. In September 2014, she was appointed as a director of the Company and also of Odella BVI. She is primarily responsible for providing advice in corporate governance and internal control matters.

Ms. Ng was awarded a Bachelor Degree of Arts in Accountancy (with honours) from The City Polytechnic of Hong Kong (now known as The City University of Hong Kong) in November 1991. She is a practicing member of HKICPA and an associate member of The Institute of Chartered Accountants in England and Wales.

Ms. Ng has accumulated over 20 years of experience in professional accounting service, internal control review, corporate finance and merger and acquisitions in Hong Kong, PRC and North America and she is currently a director of an accounting firm. Prior to that, Ms. Ng served in one of the international accounting firms before joining the private sector.

Independent Non-executive Directors

Dr. WONG Wai Kong, (黃偉桄), aged 50, was appointed as an independent non-executive Director ("INED") in January 2015.

Dr. Wong obtained a Bachelor of Business Administration degree from the Hong Kong Baptist University in Hong Kong in November 1990, a Master of Business Administration degree from the University of Sheffield in the United Kingdom in May 1995, a Master of Science degree majoring in Business Information Technology from the Middlesex University in the United Kingdom in January 2003. He further obtained a Doctor of Philosophy in Business Administrative from the Bulacan State University in the Republic of the Philippines in July 2015.

Dr. Wong is a certified public accountant (practising) in Hong Kong, a fellow member of the HKICPA and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. He has extensive experience in corporate finance, financial advisory and management, professional accounting and auditing.

Dr. Wong started to accumulate solid accounting experience from working in an international accounting firm since 1997. Thereafter, from December 2002 to September 2008 he worked as the chief financial officer of, and has since October 2008 been an executive director of Kam Hing International Holdings Limited (stock code: 2307), a company listed on the Main Board of Stock Exchange. He has also been an independent non-executive director of Koradior Holdings Limited (stock code: 3709), a company listed on the Main Board of Stock Exchange since 6 June 2014.

Mr. HOW Sze Ming (侯思明), aged 39, was appointed as an INED in January 2015. He graduated from The Chinese University of Hong Kong with a first class honours bachelor's degree in Business Administration (majoring in professional accountancy). By profession, he is a fellow member of the Association of Chartered Certified Accountants and an associate member of HKICPA.

Mr. How has over 16 years of experience in investment banking and business assurance industries. He started his career by working in one of the international accounting firms. Thereafter, he has accumulated extensive experience in corporate finance advisory by working in several renowned investment banks with China background in Hong Kong. At present, Mr. How is the managing director and co-head of investment banking where he is responsible for corporate finance advisory of Southwest Securities (HK) Capital Limited. He is an independent non-executive director of QPL International Holdings Limited (stock code: 243) from September 2013 to September 2016 and Forgame Holdings Limited (stock code: 484) since January 2016 of which are listed on the Main Board of Stock Exchange and is an independent non-executive director of World-Link Logistics (Asia) Holdings Limited (stock code: 8012) since December 2015 of which is listed on GEM.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors (continued)

Mr. Philip David THACKER, aged 54, was appointed as an INED in January 2015. He was awarded a Bachelor of Arts degree in classical studies from the University of Leicester in the United Kingdom in July 1984 and obtained a Master of Business Administration degree from The Open University in the United Kingdom through long distance learning in December 1992. He completed a course organised by the European Commission named "The 15th Executive Training Programme in Japan (ETP15)" in November 1996.

Mr. Thacker served as a director of On-Line plc (London Stock Exchange stock code: ONL) from 1999 to 2002 and ADVFN.com plc (London Stock Exchange stock code: AFN) from 2000 to 2001. From January 2002 to July 2016, he was a senior adviser to Pentland Brands plc, a corporation principally engaged in brand management and retail of footwear, clothing and related accessories in the sports, outdoor and fashion sectors. Mr. Thacker is also an executive director of Berghaus Japan Co., Ltd., a corporation principally engaged in brand management, during July to October 2009 and since August 2012.

General

Save as disclosed above, none of the above Directors:

(i) held any other positions in any members of the Group as at 30 June 2016;

(ii) had any other relationship with any Directors, senior management or substantial Shareholders or controlling Shareholders of the Company as at 30 June 2016;

(iii) held any other directorships in listed public companies in the three years prior to 30 June 2016; and

(iv) had any interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO").

Remuneration of the Directors is set out in note 11 to the consolidated financial statements.

Save as disclosed above, there is no information in relation to the above Directors that needs to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules, and there are no other matters that need to be brought to the attention of the Shareholders pursuant to Rule 17.50(2)(w) of GEM Listing Rules.

Senior Management

Ms. FA Pik Hoi (花碧海), aged 57, is the merchandising manager of the Group. She joined the marketing department of the Group in December 2004, left in February 2010 and re-joined in January 2011. She is responsible for monitoring the Group's marketing programs, product design and development, maintaining relationships with customers and preparing client presentations.

Ms. Fa completed a training course in quality control in Clothing Industry Training Authority in Hong Kong in May 1980 and obtained a certificate on flat pattern stylist from Hong Kong Institute of Fashion Design in September 1984. She has about 24 years of experience in the marketing of garments. Prior to joining the Group, Ms. Fa gained experience of merchandising for apparels through her previous working experience as merchandisers of various companies.

DIRECTORS AND SENIOR MANAGEMENT

Senior Management (continued)

Mr. NG Lai Wing (吳麗榮), aged 61, joined the Group in August 2012 as a quality assurance and factory operation manager and is responsible for quality control and overseeing the operations of Foshan Shengli by formulating, implementing, managing and evaluating various processes to enhance the production effectiveness and efficiency and quality control.

Mr. Ng has over 20 years of experience in local garment industry and has extensive experience in factory management. Prior to joining the Group, Mr. Ng worked in a local fashion wear company as quality assurance manager for over 18 years and has gained solid experience in quality assurance of garments and factory management.

Mr. LEUNG Hoi Keung (梁海強), aged 47, joined the sourcing department of the Group in April 2014 and is the Group's sourcing manager, responsible for strategic sourcing management and collaborating with suppliers to develop effective solutions in sourcing. He is also responsible for vendor sourcing and evaluation, overseeing order placement process and negotiation with vendors.

Mr. Leung completed his secondary education in 1986. He has over 18 years of experience in material sourcing. Prior to joining the Group, he has worked in the merchandising department in Li & Fung (Trading) Ltd., a subsidiary of Li & Fung Limited, the principal activities of which included export trading, for nine years.

Ms. HO Fung Yee (何鳳儀), aged 48, is the Group's administrative and credit management manager. She is responsible for credit management, administrative and treasury function and she also assists the Board in monitoring the Group's financial position. She obtained a Bachelor of Arts in Business Administration degree from the University of Portsmouth in the United Kingdom through long distance learning in February 2007.

Ms. Ho joined the Group in June 1988 as a merchandiser and has about 28 years of experience in the leather garment manufacturing industry.

Mr. CHAN Hing Yik (陳慶益), aged 32, was appointed as the company secretary of the Company on 22 September 2014. He joined the Group in July 2014 as an accounting manager. He is responsible for the accounting and company secretarial matters of the Group.

Mr. Chan was awarded a Bachelor of Business Administration degree (majoring in accountancy) from The Hong Kong Polytechnic University in October 2008. By profession, he is a certified public accountant (practising) in Hong Kong and a member of HKICPA. He has also been working in the assurance services department of Idy Cheung & Co. (a local accounting firm solely owned by Ms. Cheung Woon Yiu, who is an executive Director and Chairman of the Board) since June 2008.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 30 June 2016.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 32 to the consolidated financial statements.

Results and Dividends

The Group's profit for the year ended 30 June 2016 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 34 to 36.

The Board does not recommend the payment of any dividend for the year ended 30 June 2016.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 22 to the consolidated financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association ("Articles of Association") or the laws of the Cayman Islands, being the jurisdiction in which 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 Listed Securities of the Company

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 30 June 2016.

Reserves

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

Distributable Reserves

As at 30 June 2016, the Company had reserves amounted to approximately HK$43,568,000 available for distribution as calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Under the laws of the Cayman Islands, the share premium account is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS

Major Customers and Suppliers

The Group understands the importance of maintaining good relationships with its customers and suppliers to the overall development of its business. During the year, there were no significant disputes between the Group and its customers and/or suppliers which would have caused significant adverse impact to the Group's business.

During the year ended 30 June 2016, sales to the Group's five largest customers accounted for approximately 54.5% of the Group's total sales for the year and sales to the Group's largest customer included therein accounted for approximately 17.9% of the Group's total sales.

During the year ended 30 June 2016, purchases from the Group's five largest suppliers accounted for approximately 55.0% of the Group's total purchases and purchases from the Group's largest supplier included therein accounted for approximately 13.2% of the Group's total purchases.

To the best knowledge of the Directors, as at 30 June 2016, none of the Directors or any of their close associates or any Shareholders own more than 5% of the Company's issued share capital had any interest in the Group's five largest customers and/or five largest suppliers during the year.

Directors

The Directors of the Company who held office during the year and up to the date of this report were:

Executive Directors:
Ms. CHEUNG Woon Yiu — *Chairman*
Ms. LAM Wai Si Grace — *Chief Executive Officer*
Mr. CHING Wai Man

Non-Executive Director:
Ms. NG Lai Hung

Independent Non-Executive Directors:
Dr. WONG Wai Kong
Mr. HOW Sze Ming
Mr. Philip David THACKER

In accordance with article 105(A) of the Articles of Association, Mr. How Sze Ming, Mr. Philip David Thacker and Mr. Ching Wai Man will retire as Directors by rotation and, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company.

Independent Non-Executive Directors' Confirmations of Independence

The Company has received from each of the INEDs an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of its INEDs to be independent.

REPORT OF THE DIRECTORS

Directors' Service Contract and Letter of Appointment

Each of the executive Directors has entered into a Director's service contract with the Company for an initial term of three years commencing from 1 January 2015 and each of the non-executive Directors (including INEDs) has entered into a letter of appointment with the Company for an initial term of three years commencing from 28 January 2015. All of them are subject to retirement by rotation and re-election in accordance with the Articles of Association.

No Directors proposed for re-election at the forthcoming annual general meeting have 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' Interests in Contracts

None of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance subsisting during or at the end of the year ended 30 June 2016 to which the Company or any of its subsidiaries was a party.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Related Party Transactions

Details of the related party transactions of the Group are set out in notes 11 and 29 to the consolidated financial statements. The Directors consider that those material related party transactions disclosed in note 29 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Chapter 20 of the GEM Listing Rules.

Share Option Scheme

The Company adopts and administers a share option scheme (the "Share Option Scheme") on 28 January 2015 by a Shareholders' written resolution.

During the period from the effective date of the Share Option Scheme to 30 June 2016, no share option has been granted, expired, lapsed, exercised or cancelled. A summary of the major terms of Share Option Scheme is set out in note 27 to the consolidated financial statements.

Business Review and Outlook

A fair review of the Group's business and financial performance, its principal risks and uncertainties and outlook are set out in the section headed "Management Discussion and Analysis" in this report.

Financial Summary

Details of the Group's financial summary are set out in the section headed "Financial Summary" in this report.

Emolument Policies and Relationship with Employees

Details of the Group's emolument policies and relationship with employees are set out in the section headed "Management Discussion and Analysis" in this report.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2016, the interests and short positions of the Directors and chief executive in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, required to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Shares

Name of Directors	Capacity	Notes	Number of Shares	Approximate percentage of total number of Shares
				(note 1)
Ms. CHEUNG Woon Yiu	Interest in controlled corporation	2	204,000,000	51.00%
Ms. LAM Wai Si Grace	Interest in controlled corporation	3	51,000,000	12.75%
Mr. CHING Wai Man	Interest in controlled corporation	4	45,000,000	11.25%

Notes:

1. As at 30 June 2016, the Company had 400,000,000 Shares in issue.

2. QCL, a company incorporated in the British Virgin Islands, held 204,000,000 Shares, representing 51.00% of the total number of issued Shares. QCL is wholly owned by Ms. Cheung Woon Yiu.

3. DVL, a company incorporated in the British Virgin Islands, held 51,000,000 Shares, representing 12.75% of the total number of issued Shares. DVL is wholly owned by Ms. Lam Wai Si Grace.

4. OGL, a company incorporated in the British Virgin Islands, held 45,000,000 Shares, representing 11.25% of the total number of issued Shares. OGL is wholly owned by Mr. Ching Wai Man.

Save as disclosed above, as at 30 June 2016, none of the Directors and chief executive of the Company had an interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations that was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the sections headed "Share Option Scheme" and "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Interests and Short Positions of Substantial Shareholders

As at 30 June 2016, so far as is known to any Director or chief executive of the Company, persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions in Shares

Name of Shareholders	Capacity	Notes	Number of Shares	Approximate percentage of total number of Shares
				(note 1)
Mr. LAM Andrew Hung Yun	Interest of spouse	2	204,000,000	51.00%
QCL	Beneficial owner	2	204,000,000	51.00%
Mr. LEE Ben	Interest of spouse	3	51,000,000	12.75%
DVL	Beneficial owner	3	51,000,000	12.75%
OGL	Beneficial owner	4	45,000,000	11.25%

Notes:

1. As at 30 June 2016, the Company had 400,000,000 Shares in issue.

2. QCL held 204,000,000 Shares, representing 51.00% of the total number of issued Shares. QCL is wholly owned by Ms. Cheung Woon Yiu. Mr. Lam Andrew Hung Yun is the spouse of Ms. Cheung Woon Yiu and he is deemed to be interested in such Shares held by QCL by virtue of the SFO.

3. DVL held 51,000,000 Shares, representing 12.75% of the total number of issued Shares. DVL is wholly owned by Ms. Lam Wai Si Grace. Mr. Lee Ben is the spouse of Ms. Lam Wai Si Grace and he is deemed to be interested in such Shares held by DVL by virtue of the SFO.

4. OGL held 45,000,000 Shares, representing 11.25% of the issued Shares. OGL is wholly owned by Mr. Ching Wai Man.

Save as disclosed above, as at 30 June 2016, so far as is known to any Director or chief executive of the Company, no persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

REPORT OF THE DIRECTORS

Corporate Governance Code

The Company has complied with all the code provisions set out in "Corporate Governance Code and Corporate Governance Report" ("CG Code") as contained in Appendix 15 to the GEM Listing Rules during the year ended 30 June 2016 except that one of independent non-executive Directors, Dr. Wong Wai Kong, could not attend the annual general meeting of the Company held on 24 November 2015 due to other business commitments which was a deviation from Code Provision A.6.7.

Compliance with the Requirement of Timely Lodgment of Trade Declarations under the IAE Registration Regulations

As disclosed in the Prospectus, the Company will, for the first two years after Listing, report its compliance with the requirement of timely lodgement of trade declarations under the Import and Export (Registration) Regulations ("IAE Registration Regulation", Chapter 60E of the Law of Hong Kong) in its annual and interim reports. Since 1 October 2014 and up to 30 June 2016, all trade declarations lodged by the Group were lodged within the prescribed 14-day period under the IAE Registration Regulation. For compliance status during the period between 1 July 2012 and 30 September 2014, please refer to the Prospectus for details.

Directors' and Controlling Shareholders' Interest in Competing Business

For the year ended 30 June 2016, the Directors are not aware of any business or interest of the Directors, the controlling Shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

Compliance Advisers' Interests

Upon Listing of the Shares, in accordance with Rule 6A.19 of the GEM Listing Rules, the Company had appointed Halcyon Capital Limited ("Halcyon") to be the compliance adviser. On 7 June 2016, Halcyon and the Company has manually agreed to terminate the above-mentioned appointment. On 7 June 2016, Messis Capital Limited ("Messis") has been appointed as the compliance adviser of the Company pursuant to the requirements of Rule 6A.27 of the GEM Listing Rules.

The compliance adviser's appointment entered into between Messis and the Company is for a period commencing on 7 June 2016 and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the dispatch of its annual report of the financial results for the second full financial year commencing after that date, i.e. for the year ending 30 June 2017, or until the compliance adviser agreement is terminated in accordance with its terms and conditions, whichever is earlier. Pursuant to the compliance adviser agreement entered into between Messis and the Company, Messis will receive fees for acting as the Company's compliance adviser.

Halcyon had declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules in connection with the Listing from 1 July 2015 to 7 June 2016 (i.e. date of resignation).

Neither Halcyon, Messis nor any of their directors, employees or close associate who have been involved in providing advice to the Company, has or may have any interest in any securities of the Company or which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

Environmental Policies and Performance

The Group recognises the importance of care for the environment by minimising the environmental impact concerning the Group's activities and is committed to regularly reviewing, implementing and monitoring its environmental practices and measures from time to time with an aim to operating effectively and responsibly to protect the environment. The Group aspires to protect the environment and natural resources by continually reviewing our environmental management practices and measures.

The Group's major line of business is manufacturing and trading of leather garments which does not have material impact on the environment. During the FY 2016, the Group has reviewed its policies as to environmental policies and did not incur any significant cost of compliance with applicable environmental protection rules and regulations.

Compliance with Laws and Regulations

During the year, as far as the Directors are aware, there was no material breach of or non-compliance with applicable laws, rules and regulations by the Group that would have a material impact on the Group.

Sufficiency of Public Float

Based on 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 latest practicable date prior to the date of this report.

Auditors

The Company was incorporated on 3 September 2014 and HLB Hodgson Impey Cheng Limited ("HLB") was appointed as the first auditors.

The consolidated financial statements for the year were audited by HLB whose term of office will expire upon the forthcoming annual general meeting. A resolution will be proposed to the forthcoming annual general meeting to re-appoint HLB as auditors of the Company.

On behalf of the Board

Cheung Woon Yiu
Chairman

Hong Kong
21 September 2016

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Group's corporate governance framework bases on two main beliefs:

- the Group is well-committed to maintain good corporate governance practices and procedures; and

- the Group recognises the need to adopt practices that improve itself continuously for a quality management.

Accordingly, the Group is committed to maintain high standards of corporate governance with a view to assuring the conduct of management of the Group as well as protecting the interests of all Shareholders. The corporate governance principles adopted by the Group emphasises a quality Board for leadership, effective internal controls, transparency and accountability to all Shareholders.

The Group has applied the principles and adopted all code provisions, where applicable, of the CG Codes its own code of corporate governance. The Directors consider that during the year ended 30 June 2016, the Group has complied with all the code provisions as set out in the CG Code except that one of INEDs, Dr. Wong Wai Kong, could of not attend the annual general meeting of the Company held on 24 November 2015 due to other business commitments. This was deviate from Code Provision A.6.7 which state that independent non-executive Directors and other non-executive Directors should attend general meetings.

Code of conduct Regarding Securities Transactions by the Directors

The Group has further adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to specific enquiry made by the Company, each of the Directors gave confirmation that he/she has complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the year ended 30 June 2016.

The Group believes through the operation of an effective Board, sound internal controls, and accountability to Shareholders, the Group is able to maximise the value of all Shareholders. The following summarises the corporate governance practices adopted and observed by the Group during the year ended 30 June 2016.

Board of Directors

Board Composition

As at 30 June 2016 and as at the date on which this annual report is approved, the Board comprises three executive Directors, one non-executive Director and three INEDs as named below. An updated list of the Directors identifying their roles and functions is posted on GEM's website and the Company's website from time to time.

Executive Directors:
Ms. CHEUNG Woon Yiu — *Chairman*
Ms. LAM Wai Si Grace — *Chief Executive Officer*
Mr. CHING Wai Man

Non-Executive Director:
Ms. NG Lai Hung

Independent Non-Executive Directors:
Dr. WONG Wai Kong
Mr. HOW Sze Ming
Mr. Philip David THACKER

The names, biographical details of the Directors and the relationships among them are set out in the "Directors and Senior Management" section of this annual report.

Board of Directors (continued)

In compliance with Rules 5.05(1) and (2) of the GEM Listing Rules, at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

Each Director has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently. The Board provides the Group with diversified industry expertise, advised the management on strategic development and the Board maintains high standard of compliance with financial and other mandatory reporting requirements as well as provides adequate checks and balances to safeguard the interests of Shareholders and the Company as a whole.

Term of Appointment and Re-election

Each of the executive Directors has entered into a Director's service contract with the Company and each of the non-executive Directors including INEDs has entered into a letter of appointment with specific terms with the Company. All Directors are subject to retirement by rotation and are eligible for re-election at the general meeting in accordance with the Articles of Association. Details of the terms of appointment of the Directors are disclosed in the section "Directors' Service Contract and Letter of Appointment" of the Report of the Directors in this annual report.

Pursuant to the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not three (3) or a multiple of three (3), then the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

Any newly appointed Director will be provided with a package of materials detailing the duties and responsibilities of Directors under the GEM Listing Rules, the Articles of Association, related ordinances and relevant regulatory requirements of Hong Kong. Every Director is aware that, before accepting appointment as a Director, he/she must be able to give sufficient time and attention to the affairs of the Company.

Board Meetings

The Group adopted the practice of holding Board meetings that included both executive Directors and non-executive Directors in person or through electronic means of communication regularly at least four times every year. During regular meetings of the Board, the Directors discussed and formulated the overall strategies of the Group, monitored financial performances and reviewed the financial results, as well as discussed and decided on other significant matters. The Board will also meet on other occasions when a board-level decision on a particular matter is required.

Generally, at least 14-days' notice for the Company's regular Board meeting, and reasonable time for all other meetings, would be given prior to such meetings. The Directors will receive the agenda and accompanying documents tabled in the meeting at least three days before regular Board meetings and will be given an opportunity to include matters in the agenda for discussion.

In order to ensure that Board procedures, applicable rules and code provisions are followed, all Directors are able to access the company secretary of the Company for advice. Upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances at the Company's expense.

Board of Directors (continued)

Board Meetings (continued)

The company secretary of the Company has assisted the chairman of the Board in preparing the agenda for each meeting. Minutes of such meetings are kept by the company secretary of the Company or other duly authorised person during the meeting which included all decisions made during the meetings together with concerns raised and dissenting views expressed (if any). All minutes are open for inspection by any Director on reasonable notice. Such minutes are recorded in sufficient detail of the matters considered and decisions reached. Draft and final versions of minutes are sent to Directors for comment and records, respectively.

During the year ended 30 June 2016, seven Board meetings (excluding committee meetings) were held and attendance of each Director is set out below.

Name of Directors	Attendance
Executive Directors	
Ms. CHEUNG Woon Yiu	7/7
Ms. LAM Wai Si Grace	7/7
Mr. CHING Wai Man	7/7
Non-Executive Director	
Ms. NG Lai Hung	7/7
Independent Non-Executive Directors	
Dr. WONG Wai Kong	7/7
Mr. HOW Sze Ming	7/7
Mr. Philip David THACKER	7/7

Apart from the Board meetings, Board committees met on other occasions during which matter relating to their respective terms of reference was discussed. The Board committee members would receive notice, agenda and documents to be tabled for consideration in advance of each meeting in accordance with the CG Code and respective terms of reference.

Directors are provided with monthly updates on internal unaudited financial information so as to give them a balanced and understandable assessment of the Group's performance, position and prospects. All Directors gave sufficient time and attention to the affairs of the Group to ensure a competent Board operation during the year ended 30 June 2016.

Board of Directors (continued)

Directors' Training

The Company provides newly appointed Directors with briefings on the businesses of the Group and training materials on corporate governance, directors' duties and responsibilities and other matters under the GEM Listing Rules and other relevant rules and regulations.

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year ended 30 June 2016, all Directors have participated in continuous professional development by attending seminars and conferences, in-house briefing and/or studying materials on the topics related to corporate governance and regulations and/or the Group's business and governance policies.

Name of Directors	Type of training
Executive Directors	
Ms. CHEUNG Woon Yiu	A, B, C
Ms. LAM Wai Si Grace	A, B, C
Mr. CHING Wai Man	A, B, C
Non-Executive Director	
Ms. NG Lai Hung	A, C
Independent Non-Executive Directors	
Dr. WONG Wai Kong	A, C
Mr. HOW Sze Ming	A, C
Mr. Philip David THACKER	A, C

A: participating in external seminars or conferences
B: participating in in-house briefing
C: studying materials

Board of Directors (continued)

Other Training Records

In order to equip themselves with requisite and up-to-date knowledge in connection with corporate governance and compliance matters, the executive Directors have undertaken, on an annual basis, to attend, after Listing, at least (i) 18 hours of training for securities-related, corporate governance and companies law-related compliance and (ii) 4 hours of training on business operational matters (e.g. lodgment of trade declarations and the operation of related lodgment system).

During the year ended 30 June 2016, each of the executive Directors has complied with the above undertaking as to training for the corporate governance and compliance matters and business operational matters.

Delegation by the Board

The Company has set out the respective functions and responsibilities which can be reserved to the Board and delegated to management or Board committees. The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters, mainly relating to the approval and monitoring of the Group's overall strategies, policies and business plans; and overseeing and evaluating the performance of the Group. It is also responsible for promoting the success of the Group and its businesses by directing and supervising the Group's affairs. Board committees for specific functions are also set up to ensure efficient Board operations.

Decisions of the Board are communicated to the management through executive Directors and the company secretary of the Company who have attended at Board meetings through internal communication channels.

Directors' Work Commitments Outside the Group

Directors are required to disclose in a timely manner to the company secretary of the Company for any change, the number and nature of offices held in public companies or organisations and other significant commitments, and the identity of such public companies or organisations. Such information is disclosed in the "Directors and Senior Management" section of this annual report.

Directors' Liability Insurance

The Company has arranged appropriate liability insurance to cover the Directors' risk exposure arising out of corporate activities. The insurance coverage is reviewed annually.

Board Committees

The Board has established four committees, namely the Remuneration Committee, nomination committee ("Nomination Committee"), audit committee ("Audit Committee") and corporate governance committee ("CG Committee") for overseeing various particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of such Board committees are available on GEM's website and the Company's website. The Board committees are provided with sufficient resource to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

The majority of the members of the Remuneration Committee and the Nomination Committee are INEDs and all members of the Audit Committee are INEDs and the list of the chairman and members of each Board committee is set out below.

Board Committees (continued)

Remuneration Committee

The Company established the Remuneration Committee on 28 January 2015 with written terms of reference. In line with good and fair practice, the Remuneration Committee comprises two INEDs, namely Mr. How Sze Ming (Chairman of the Remuneration Committee), Dr. Wong Wai Kong and one executive Director, Ms. Lam Wai Si Grace.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Group's policy and structure for remuneration of all Directors and senior management; reviewing their remuneration packages, approving the management's proposal of remuneration packages by reference to corporate goals and objectives.

During the year ended 30 June 2016, one meeting of the Remuneration Committee was held to review the structure and policy of remuneration of the Group and approve the remuneration package of Directors and senior management. The emoluments of the Directors are reviewed by the Remuneration Committee according to the Directors' respective responsibilities, individual performance and prevailing market conditions.

Name of Directors	Attendance
Mr. HOW Sze Ming — *Chairman of the Remuneration Committee*	1/1
Dr. WONG Wai Kong	1/1
Ms. LAM Wai Si Grace	1/1

Nomination Committee

The Company established the Nomination Committee on 28 January 2015 with written terms of reference. The Nomination Committee comprises one executive Director, namely Ms. Cheung Woon Yiu (Chairman of the Nomination Committee) and two INEDs, Dr. Wong Wai Kong and Mr. How Sze Ming.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition of the Board, formulating nomination policy, making recommendations to the Board on nomination, rotation and re-appointment of Directors as well as assessing the independence of INEDs.

The composition and diversity of the Board were considered by taking into account the Group's board diversity policy by reference to a range of diversity measurable perspectives, including but not limited to their age, gender, skills, professional experience, knowledge and length of service. All executive Directors possess extensive and diversified experience in management, finance and broad industrial experience. The non-executive Director and the three INEDs possess professional knowledge in corporate finance and accountancy with broad and extensive experience in business advisory and management, brand building and marketing, respectively. Further details of the Directors are set out in the section headed "Directors and Senior Management" in this report. It is considered that the current Board composition represents an appropriate balance for the requirements of the business development of the Company and for effective leadership.

Where vacancies on the Board arise, the Nomination Committee will carry out the selection process in accordance with the Group's policy by making reference to the above perspectives of the proposed candidates which suit the Group's requirements.

Board Committees (continued)

Nomination Committee (continued)

During the year ended 30 June 2016, one meeting of the Nomination Committee was held to review the structure, size, composition and diverification (including the skills, knowledge and experience) of the Board, and review the policy of Directors' nomination related matters, assess the independence of INEDs and make recommendations to the Board on the proposal of re-appointment of Directors at the forthcoming annual general meeting. The individual attendance record of each Nomination Committee member is as follows:

Name of Directors	Attendance
Ms. CHEUNG Woon Yiu — *Chairman of the Nomination Committee*	1/1
Dr. WONG Wai Kong	1/1
Mr. HOW Sze Ming	1/1

Audit Committee

The Company established the Audit Committee on 28 January 2015 with written terms of reference. The Audit Committee comprises three INEDs, namely Dr. Wong Wai Kong (Chairman of the Audit Committee), Mr. How Sze Ming and Mr. Philip David Thacker.

The principal responsibilities of the Audit Committee include overseeing the Group's financial reporting system, risk management and internal control procedures, reviewing the Group's financial information and reviewing the Group's relationship with external auditors.

During the year ended 30 June 2016, four meetings of the Audit Committee were held to review the quarterly, half yearly and the annual consolidated financial statements, including the accounting principles and practices adopted, risk management and internal control systems and financial reporting matters (in conjunction with the external auditors for the audited results). The Audit Committee endorsed the accounting treatments adopted by the Group and, to the best of its ability assured itself that the disclosures of the financial information in the Company's quarterly, interim and annual reports comply with the applicable accounting standards and the GEM Listing Rules. The individual attendance record of each Audit Committee member is as follows:

Name of Directors	Attendance
Dr. WONG Wai Kong — *Chairman of the Audit Committee*	4/4
Mr. HOW Sze Ming	4/4
Mr. Philip David THACKER	4/4

The Group's unaudited quarterly and interim results and audited annual results published during the year ended 30 June 2016 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

Corporate Governance Committee

The Company established the CG Committee on 28 January 2015 with written terms of reference. The CG Committee comprises one non-executive Director, namely Ms. Ng Lai Hung (Chairman of the CG Committee) and three INEDs, namely Dr. Wong Wai Kong, Mr. How Sze Ming and Mr. Philip David Thacker.

The principal responsibilities of the CG Committee include review of the Group's corporate governance practice and procedures and oversee of the Company's compliance to the CG Codes.

Board Committees (continued)

Corporate Governance Committee (continued)

During the year ended 30 June 2016, one meeting of the CG Committee was held to review the Group's corporate governance policy, practice and procedures and oversee of the Company's compliance with the CG codes. The individual attendance record of each CG Committee member is as follows:

Name of Directors	Attendance
Ms. NG Lai Hung — *Chairman of the CG Committee*	1/1
Dr. WONG Wai Kong	1/1
Mr. HOW Sze Ming	1/1
Mr. Philip David THACKER	1/1

Chairman and the Chief Executive Officer

During the year ended 30 June 2016, Ms. Cheung Woon Yiu has been acting as the chairman of the Board since 28 January 2015 who is responsible for enabling effective operation of the Board and Ms. Lam Wai Si Grace has been acting as the chief executive officer of the Group since 28 January 2015 who is responsible for the day-to-day management of the Group's business. Their roles were clearly defined and segregated to ensure balanced power and responsibilities.

Ms. Cheung Woon Yiu and Ms. Lam Wai Si are family relatives, namely Ms. Cheung's husband is a cousin of Ms. Lam.

Company Secretary

The company secretary is responsible for facilitating the Board's process and communications among Board members and with the Shareholders and the management, and advising the Board and its committees on all corporate governance matters.

During the year ended 30 June 2016, the company secretary has undertaken not less than 15 hours of relevant professional training required under Rule 5.15 of the GEM Listing Rules. The Company did not engage an external service provider as its company secretary.

Compliance Officer

Ms. Cheung Woon Yiu, an executive Director, is the compliance officer of the Group. Please refer to the section headed "Directors and Senior Management" for her biographical and information.

Auditors' Report and Auditors' Remuneration

Appointment of Auditors

The Company was incorporated on 3 September 2014 and the first external auditors appointed was HLB, which is the existing external auditors of the Company.

Directors' and Auditors' Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements of the Group.

The statements of the external auditors of the Group, HLB, about their reporting responsibilities on the consolidated financial statements of the Group are set out in the section headed "Independent Auditors' Report" of this annual report.

Auditors' Report and Auditors' Remuneration (continued)

Auditors' Remuneration

The Audit Committee is responsible for considering and reviewing the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Group.

For the year ended 30 June 2016, the fees paid/payable to the auditors in respect of the audit services are as follows:

Services	HK$'000
Audit service	560

Internal Control

The Board is responsible for the maintenance of a sound and effective internal control system of the Group and has established the Group's internal control policies and procedures for monitoring the internal control system. The internal control system of the Group is designed to achieve business objectives, safeguard assets against unauthorised use or disposition, ensure maintenance of proper books and records for the provision of reliable financial information for internal use or publication, and ensure compliance with relevant legislations and regulations.

The management and various departments conduct periodic self-assessment of the effectiveness of the internal control policies and procedures. Besides, the Board reviews at least annually the overall effectiveness of the Group's internal control system.

The Audit Committee is delegated with authorities to assist the Board to fulfill its oversight role over the Group's internal control system by reviewing and evaluating on a regular basis the effectiveness and adequacy of the Company's financial controls, internal control and risk management systems. During the year ended 30 June 2016, the Audit Committee, after taking into consideration the size of the Group's activities and operations, had adopted a risk-based approach in identifying the scope for review. The Audit Committee and the Board satisfied the result of the review and concluded that the key areas of the Group's internal control systems are reasonably and adequately implemented to their satisfaction.

Changes in Constitutional Documents

During the year ended 30 June 2016, there was no significant change in the constitutional documents.

Shareholders' Rights and Investor Relations

Communications with Shareholders

The Group is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its Shareholders.

The Board strives to encourage and maintain constant dialogue with its Shareholders through various means. The Company updates its Shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The website of the Company has provided an effective communication platform to the public and the Shareholders. The Directors host the annual general meeting each year to answer their enquiries, if any. During the annual general meeting held on 24 November 2015, Ms. Cheung Woon Yiu, Ms. Lam Wai Si Grace, Mr. Ching Wai Man, Ms. Ng Lai Hung, Mr. How Sze Ming and Mr. Philip David Thacker attended the meeting and met the Shareholders.

Shareholders may send written enquiries to the Company, for the attention of the Board or company secretary of the Company, by fax: (852) 2341 0331, e-mail at info@odella.com or mail to Unit 1701, Treasure Centre, 42 Hung To Road, Kwun Tong, Kowloon, Hong Kong. Appropriate members of the Board and senior management are ready to respond to enquiries from Shareholders and investors on a timely basis.

Investor Relations

The Company has disclosed all necessary information to the Shareholders and investors and established a range of communication channels between itself, its Shareholders and investors in accordance with the GEM Listing Rules. The Company also communicates with the public including potential investors through its periodic reports and announcements. The focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete thereby enabling the public as well as the investors to make rational and informed decisions.

Procedures for Shareholders to Convene an Extraordinary General Meeting

The following set out the procedures for Shareholders to convene an extraordinary general meeting ("EGM") of the Company in accordance with article 64 of the Articles of Association.

One or more Shareholders ("Requisitionist(s)") holding not less than one tenth of the paid up capital of the Company having the right of voting at general meetings at the date of deposit of the requisition shall have the right, by written notice to the Board or the company secretary of the Company, to require an EGM to be called by the Directors for the transaction of any business specified in such requisition.

Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one day of such deposit the Board fails to proceed to convene such EGM, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expense incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for Shareholders to Propose a Person for Election as a Director

The provisions for a Shareholder to propose a person for election as a Director are set out in article 110 of the Articles of Association.

If a Shareholder wishes to propose a person for election as a Director at a general meeting, he/she should deposit (i) a written notice contained the information of the person to be proposed to act as a Director as required by Rule 17.50(2) of the GEM Listing Rules, duly signed by the Shareholder who wishes to make such proposal; and (ii) a consent notice in writing duly signed by the person being proposed to be elected as to his/her willingness to be elected and consent of publication of his/her information pursuant to the GEM Listing Rules, during a period commencing on the day after the dispatch of the notice of the general meeting and ending no later than seven clear days before the date of such general meeting.

Shareholders' Rights and Investor Relations (continued)

Procedures for Shareholders to Put Forward Proposals at Shareholders' Meetings

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information at the Company's principal place of business at Unit 1701, Treasure Centre, 42 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The particulars of the Shareholder set out in the request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the particulars are in order, the Board will be asked to include the Proposal 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 Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(a) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires an ordinary resolution or a special resolution of the Company at an annual general meeting of the Company;

(b) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution of the Company at an extraordinary general meeting of the Company; and

(c) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of an ordinary resolution of the Company at an extraordinary general meeting of the Company.

Non-Competition Undertakings by Controlling Shareholders

Each of the controlling Shareholders has made an annual declaration to the Company that during the year ended 30 June 2016, it has complied with the terms of non-compete undertakings ("Non-Compete Undertakings") given in favour of the Company which are contained in the share purchase agreement dated 4 December 2014.

Details of the Non-Compete Undertakings are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

The INEDs have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings in the Non-Compete Undertakings and have confirmed that, as far as the INEDs can ascertain, there is no breach of any of the undertakings in the Non-Compete Undertakings.

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF ODELLA LEATHER HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Odella Leather Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 85 , which comprise the consolidated statement of financial position as at 30 June 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 a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2016, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Ng Ka Wah
Practising Certificate Number: P06417
Hong Kong, 21 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	6	**55,847**	81,947
Cost of sales		**(35,130)**	(45,357)
Gross profit		**20,717**	36,590
Other revenue and other income	7	**289**	154
Selling and distribution expenses		**(2,379)**	(2,676)
Administrative expenses		**(14,439)**	(11,875)
Finance costs	8	**—**	(12)
Listing expenses		**—**	(18,422)
Profit before taxation	9	**4,188**	3,759
Taxation	10	**(361)**	(3,643)
Profit for the year attributable to owners of the Company		**3,827**	116
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**92**	5
Other comprehensive income for the year		**92**	5
Total comprehensive income for the year attributable to owners of the Company		**3,919**	121
Earnings per share attributable to owners of the Company	13		
Basic and diluted (HK cents)		**0.96**	0.03

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	14	**498**	303
Total non-current assets		**498**	303
Current assets			
Inventories	16	**6,202**	2,243
Trade receivables	17	**9,476**	26,848
Deposits, prepayments and other receivables	18	**1,571**	2,778
Cash and cash equivalents	19	**48,988**	36,388
Pledged bank deposits	19	**3,031**	3,348
Total current assets		**69,268**	71,605
Current liabilities			
Trade payables	20	**1,496**	1,328
Accruals, other payables and trade deposits received	21	**5,179**	7,901
Tax payable		**1,197**	4,720
Total current liabilities		**7,872**	13,949
Net current assets		**61,396**	57,656
Total assets less current liabilities		**61,894**	57,959
Non-current liabilities			
Deferred tax liabilities	15	**22**	6
Net assets		**61,872**	57,953

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016 HK$'000	2015 HK$'000
Equity			
Capital and reserves attributable to owners of the Company			
Share capital	22	**4,000**	4,000
Reserves		**57,872**	53,953
Total equity		**61,872**	57,953

The consolidated financial statements were approved and authorised for issue by the board of directors on 21 September 2016 and are signed on its behalf by:

Cheung Woon Yiu
Director

Lam Wai Si Grace
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Attributable to owners of the Company							
	Share capital HK$'000	**Share premium** HK$'000	**Statutory reserve** HK$'000 (note i)	**Exchange fluctuation reserve** HK$'000 (note ii)	**Other reserve** HK$'000 (note iii)	**Retained earnings** HK$'000	**Reserves sub-total** HK$'000	**Total** HK$'000
At 1 July 2014	200	—	48	179	—	16,923	17,150	17,350
Profit for the year	—	—	—	—	—	116	116	116
Other comprehensive income for the year	—	—	—	5	—	—	5	5
Total comprehensive income for the year	—	—	—	5	—	116	121	121
Appropriation of statutory reserve	—	—	160	—	—	(160)	—	—
Dividend paid (note 12)	—	—	—	—	—	(3,200)	(3,200)	(3,200)
Effect of shares exchange (note iv)	(200)	—	—	—	200	—	200	—
Issue of shares on Group reorganisation (note iv)	100	—	—	—	(100)	—	(100)	—
Shares issued pursuant to the capitalisation issue (note v)	2,900	(2,900)	—	—	—	—	(2,900)	—
Placing of new shares (note vi)	1,000	54,000	—	—	—	—	54,000	55,000
Transaction costs attributable to issuance of shares	—	(11,318)	—	—	—	—	(11,318)	(11,318)
As at 30 June 2015 and 1 July 2015	4,000	39,782	208	184	100	13,679	53,953	57,953
Profit for the year	**—**	**—**	**—**	**—**	**—**	**3,827**	**3,827**	**3,827**
Other comprehensive income for the year	**—**	**—**	**—**	**92**	**—**	**—**	**92**	**92**
Total comprehensive income for the year	**—**	**—**	**—**	**92**	**—**	**3,827**	**3,919**	**3,919**
As at 30 June 2016	**4,000**	**39,782**	**208**	**276**	**100**	**17,506**	**57,872**	**61,872**

Notes:

(i) Statutory reserve

Pursuant to the relevant laws and regulations for business enterprises in the People's Republic of China (the "PRC"), a portion of the profits of the entities which are registered in the PRC has been transferred to the statutory reserve which is restricted as to use. When the balance of such reserve reaches 50% of the capital of that entity, any further appropriation is optional. The statutory reserve can be utilised, upon approval of the relevant authority, to offset prior years' losses or to increase capital. However, the balance of the statutory reserve must be maintained at a minimum 25% of capital after such usage.

(ii) Exchange fluctuation reserve

Exchange fluctuation reserve represents exchange differences relating to the translation of the net assets of the foreign operations of the Group (as defined later) from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) that are recognised directly in other comprehensive income and accumulated in the exchange fluctuation reserve. Such exchange differences accumulated in the exchange fluctuation reserve are reclassified to profit or loss on the disposal of the foreign operations.

(iii) Other reserve

Other reserve represents the difference between the nominal value of the Shares (as defined below) issued by the Company in exchange for the nominal value of the share capital of its subsidiary arising from the Reorganisation (as defined below).

(iv) Reorganisation

The share capital as at 1 July 2014 represented the share capital of Perline Company Limited ("Perline"), the then holding company, amounted to HK$200,000.

In preparation for the listing (the "Listing") of the ordinary shares of the Company ("Shares") on Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a corporate reorganisation (the "Reorganisation") as below. Further details of the Reorganisation are set out in note 1 to the consolidated financial statements.

On 3 September 2014, the Company was incorporated in the Cayman Islands with one subscriber Share issued at nil paid. On the same date, the subscriber Share was transferred to Quality Century Limited ("QCL") and 999,999 Shares were further allotted at nil paid to QCL, Design Vanguard Limited ("DVL") and Olson Global Limited ("OGL"), companies solely owned by each of the then shareholders of Perline.

On 4 December 2014, Odella International Limited ("Odella BVI"), a wholly owned subsidiary of the Company, (as a purchaser) acquired from the then shareholders of Perline (as the vendors) the entire share capital of Perline. In consideration, the Company credited as fully paid the 1,000,000 nil-paid Shares and issued to QCL, DVL, OGL (as nominated by the vendors) 9,000,000 new Shares, all credited as fully paid. Since then, Odella BVI became the sole shareholder of Perline, and the number of issued Shares in the Company was increased to 10,000,000.

Notes: (continued)

(v) Capitalisation issue

On 11 February 2015, the Company issued and allotted a total of 290,000,000 Shares of HK$0.01 each to the Company's shareholders ("Shareholders") whose names appeared on the Company's register of members on 28 January 2015 by capitalising an amount of HK$2,900,000 standing to the credit of the Company's share premium account which was created pursuant to the Placing (as defined below) (the "Capitalisation Issue").

(vi) Placing

On 11 February 2015, the Company issued a total of 100,000,000 new Shares of HK$0.01 each at a placing price of HK$0.55 per Share pursuant to the prospectus of the Company dated 5 February 2015 (the "Prospectus"). The gross listing proceeds were HK$55,000,000.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Profit before taxation		**4,188**	3,759
Adjustments for:			
Interest income	7	**(226)**	(127)
Interest expense	8	**—**	12
Depreciation of property, plant and equipment	9, 14	**125**	130
Loss on disposal of items of property, plant and equipment	9	**11**	—
Impairment loss on trade receivables	9	**89**	—
Cash inflow from operations before working capital changes		**4,187**	3,774
(Increase)/decrease in inventories		**(3,997)**	5,995
Decrease/(increase) in trade receivables		**17,231**	(17,051)
Decrease/(increase) in deposits, prepayments and other receivables		**1,168**	(2,348)
Increase/(decrease) in trade payables		**200**	(482)
(Decrease)/increase in accruals, other payables and trade deposits received		**(2,475)**	1,998
Cash generated from/(used in) operations		**16,314**	(8,114)
Interest received		**226**	127
Net income tax paid		**(3,855)**	(2,903)
Net cash generated from/(used in) operating activities		**12,685**	(10,890)
Cash flow from investing activity			
Purchases of items of property, plant and equipment	14	**(336)**	(151)
Net cash used in investing activity		**(336)**	(151)
Cash flows from financing activities			
Decrease/(increase) in pledged bank deposits		**317**	(3,348)
New bank borrowings		**—**	3,389
Repayment of bank borrowings		**—**	(3,389)
Decrease in amounts due to directors		**—**	(4,824)
Dividend paid to then shareholders of Perline		**—**	(3,200)
Proceeds from issuance of Shares		**—**	55,000
Transaction cost attributable to issuance of Shares		**—**	(11,318)
Interest paid		**—**	(12)
Net cash generated from financing activities		**317**	32,298

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	2016 HK$'000	2015 HK$'000
Net increase in cash and cash equivalents	**12,666**	21,257
Effect of foreign exchange rate changes, net	**(66)**	(2)
Cash and cash equivalents at the beginning of the year	**36,388**	15,133
Cash and cash equivalents at the end of the year	**48,988**	36,388
Cash and cash equivalents as stated in the consolidated statement of financial position	**48,988**	36,388

The accompanying notes form an integral part of these consolidated financial statements.

1. Corporate Information of the Group and Reorganisation

General information of the Group

Odella Leather Holdings Limited (the "Company", together with its subsidiaries known as the "Group") was incorporated in the Cayman Islands on 3 September 2014 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Unit 1701, Treasure Centre, 42 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The directors of the Company (the "Directors") consider the ultimate holding company is QCL, which is incorporated in the British Virgin Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sales of leather products.

The Company's Shares are listed on GEM on 12 February 2015.

Reorganisation

The principal business of the Group was previously carried out by Perline, an indirect wholly owned subsidiary of the Company incorporated in Hong Kong with limited liability. Perline was then owned by Ms. Cheung Woon Yiu as to 68%, Ms. Lam Wai Si Grace as to 17% and Mr. Ching Wai Man as to 15%. In preparation for the Listing, the Group underwent the Reorganisation in 2014, details of which are set out below.

(i) On 3 September 2014, the Company was incorporated in the Cayman Islands as an exempted company with limited liability, with an authorised share capital of HK$1,000,000 divided into 100,000,000 Shares of HK$0.01 each. Upon incorporation, one Share of HK$0.01 was allotted and issued at nil paid to the subscriber (being an officer of Codan Trust Company (Cayman) Limited, the provider of registered office of the Company). On the same date, the subscriber Share was transferred to QCL (a company solely owned by Ms. Cheung Woon Yiu) and the Company further allotted and issued 999,999 Shares at nil paid, to QCL, DVL (a company solely owned by Ms. Lam Wai Si Grace) and OGL (a company solely owned by Mr. Ching Wai Man).

(ii) On 11 September 2014, Odella BVI was incorporated in the British Virgin Islands (the "BVI") with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. Upon incorporation, 100 shares in Odella BVI of US$1 each were issued to the Company at par value.

(iii) By an agreement dated 4 December 2014, Odella BVI (as a purchaser) acquired from the then shareholders of Perline (as vendors) the entire issued share capital in Perline. In consideration of and in exchange for such acquisition, the Company credited as fully paid the 1,000,000 nil-paid Shares which were first issued on 3 September 2014, and issued to QCL, DVL and OGL (as nominated by the vendors) 9,000,000 new Shares in the proportion of 68%, 17% and 15% respectively, all credited as fully paid. On completion, Odella BVI became the sole shareholder of Perline, and the number of issued Shares in the Company was increased to 10,000,000. The shareholding percentage of QCL, DVL and OGL in the Company remained the same immediately before and after the completion of the above agreement.

2. Basis of Presentation and Basis of Preparation

Basis of Presentation

Immediately prior to and after the Reorganisation, the principal business of the Group remained under the control of Ms. Cheung Woon Yiu, Ms. Lam Wai Si Grace and Mr. Ching Wai Man. The principal business of the Group is conducted through Perline including its direct wholly owned subsidiary, 佛山市南海盛麗皮衣有限公司 (Foshan Nanhai Shengli Leather Garment Co. Ltd., being an English name for identification purpose only). Perline was directly owned by Ms. Cheung Woon Yiu, Ms. Lam Wai Si Grace and Mr. Ching Wai Man immediately prior to the Reorganisation. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 4 December 2014. The Reorganisation was merely reorganisations of the principal business of the Group with no change in management of such business and the ultimate owners of the business. Accordingly, the consolidated financial statements for the year ended 30 June 2015 have been prepared by applying the principles of merger accounting as if the Company had been the holding company of the Group throughout the year ended 30 June 2015.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended 30 June 2016 and 2015 include the results and cash flows of all companies now comprising the Group, or since the date when the subsidiaries first came under the common control, where this is a shorter period.

All intra-group transactions and balances have been eliminated on consolidation in full.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) (the "New CO").

The disclosure requirements set out in the GEM Listing Rules regarding annual consolidated financial statements have been amended with reference to the New CO and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 30 June 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 30 June 2015 are presented or disclosed in these consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance (Cap. 32) or the original GEM Listing Rules, but not under the New CO or the enacting GEM Listing Rules are not disclosed in these consolidated financial statements. A summary of the significant accounting policies adopted by the Group is set out in note 4 to the consolidated financial statements.

2. Basis of Presentation and Basis of Preparation (continued)

Basis of Preparation

These consolidated financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

3. Application of New or Revised Hong Kong Financial Reporting Standards

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 5 to the consolidated financial statements.

HKICPA has issued a number of new or revised HKFRS (including their subsequent amendments) which are not yet effective during the year. The Group has not applied or early adopted these new or revised HKFRS in these consolidated financial statements. The name, principle nature and effective date of these pronouncements which may relevant to the Group's operations are set out below.

Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 7	Disclosure Initiative[2]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[3]
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers[3]
HKFRS 9	Financial Instruments[3]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRS 16	Leases[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2016.

[2] Effective for annual periods beginning on or after 1 January 2017.

[3] Effective for annual periods beginning on or after 1 January 2018.

[4] Effective for annual periods beginning on or after 1 January 2019.

[5] Effective for annual periods beginning on or after a date to be determined.

3. Application of New or Revised Hong Kong Financial Reporting Standards (continued)

Further information about these HKFRSs that are expected to applicable to the Group is as follows:

HKAS 7 (Amendments) Disclosure Initiative

The amendments to HKAS 7 require entities to provide disclosure 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.

To satisfy such requirements, an entity shall disclose (to the extent necessary) the changes in liabilities arising from financing activities including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes.

Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities. In addition, the disclosure requirement also applies to changes in financial assets (for example, assets that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

The amendments state that one way to fulfil the new disclosure requirement is to provide reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities.

Finally, the amendments also state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The Directors anticipate that the application of Amendments to HKAS 7 in the future may have a material impact on the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

3. Application of New or Revised Hong Kong Financial Reporting Standards (continued)

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (continued)

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors do not anticipate that the application of these amendments to HKFRS 10 and HKFRS 28 will have a material impact on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held with a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

3. Application of New or Revised Hong Kong Financial Reporting Standards (continued)

HKFRS 9 Financial Instruments (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the type of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the application of HKFRS 9 in the future may impact the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

3. Application of New or Revised Hong Kong Financial Reporting Standards (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported an disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

HKFRS 16 Leases

HKFRS 16 was issued on 13 January 2016 and is effective for annual periods beginning on or after 1 January 2019. HKFRS 16 replaces all existing lease accounting requirements and represents a significant change in the accounting and reporting of leases, with more assets and liabilities to be reported on the consolidated statement of financial position and a different recognition of lease costs.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments in these consolidated financial statements in note 26 to the consolidated financial statements.

The Directors anticipate that the application of HKRFS 16 in the future may impact the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

The Directors do not anticipate that the application of other new or revised HKFRSs will have a material effect on the Group's consolidated financial statements.

The Directors anticipated that all of the pronouncements will be adopted by the Group in its accounting policies when they first become effective.

4. Summary of Significant Accounting Policies

The statement of compliance and basis of measurement adopted are set out in note 2 to the consolidated financial statements.

The principal accounting policies adopted are as follows:

4.1 Subsidiaries

4.1.1 Consolidation

These consolidated financial statements include the consolidated financial statements of the Company and its subsidiaries now comprising the Group for the periods covered.

As explained in note 2 to the consolidated financial statements, the acquisition of subsidiaries under common control has been accounted for using the merger accounting.

The merger method of accounting involves incorporating the financial statement items of the combining subsidiaries in which the common control combination occurs as if they had been consolidated from the date when the combining subsidiaries first came under the control of the controlling party.

No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining subsidiaries from the earliest date presented or since the date when the combining subsidiaries first came under common control, where this is a shorter period, regardless of the date of the common control combination. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All significant intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

For the purpose of these consolidated financial statements, the financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

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

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.

4. Summary of Significant Accounting Policies (continued)

4.1 Subsidiaries (continued)

4.1.2 Investments in subsidiaries

A subsidiary is an entity, directly or indirectly, controlled by the Company.

Control is achieved when the Group:

(a) has power over the investee;

(b) is exposed, or has rights, to variable returns from its involvement with the investee; and

(c) has the ability to used its power to affect its return.

When the Company has, directly or indirectly, less than 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 size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(b) potential voting rights held by the Group, other vote holders or other parties;

(c) rights arising from other contractual arrangements; and

(d) any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

4.2 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive Directors, Ms. Cheung Woon Yiu, Ms. Lam Wai Si Grace and Mr. Ching Wai Man (the "Management") that make strategic decisions.

4.3 Foreign Currency Translation

4.3.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in HK$, which is the same as the functional currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

4.3.2 Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

4. Summary of Significant Accounting Policies (continued)

4.3 Foreign Currency Translation (continued)

4.3.2 Group companies (continued)

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, corresponding exchange differences that are recorded in other comprehensive income are recognised in the profit or loss as part of the gains or losses on sale.

4.4 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Machinery and equipment	10%–20%
Furniture, fixtures and office equipment	20%–50%
Motor vehicles	10%–30%
Leasehold improvements	50% or over the lease term, whichever is shorter

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

4. Summary of Significant Accounting Policies (continued)

4.5 Impairment of Non-Financial Assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of an impairment at each reporting date.

4.6 Financial Assets and Financial Liabilities
Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

4.6.1 Financial assets

(a) Classification

The Group classifies its financial assets under the category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables, deposits and other receivables, cash and cash equivalents and pledged bank deposits in the consolidated statement of financial position.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

4. Summary of Significant Accounting Policies (continued)

4.6 Financial Assets and Financial Liabilities (continued)

4.6.1 Financial assets (continued)

(c) 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 derecognised 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, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(d) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss 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 been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

4. Summary of Significant Accounting Policies (continued)

4.6 Financial Assets and Financial Liabilities (continued)

4.6.2 Financial liabilities

(a) *Classification*

The Group classifies its financial liabilities under the category of loans and borrowing. The classification depends on the substance of the contractual arrangements and the definitions of a financial liability. Management determines the classification of its financial liabilities at initial recognition.

Loans and borrowing are non-derivative financial liabilities. They are included in current liabilities, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current liabilities. The Group's loans and borrowing comprise trade payables, accruals and other payables and refundable trade deposits received in the consolidated statement of financial position.

(b) *Subsequent measurement*

Loans and borrowing

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

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

(c) *Derecognition of financial liabilities*

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

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

(d) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the 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.

4. Summary of Significant Accounting Policies (continued)

4.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs.

4.8 Trade and Other Receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

4.9 Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand 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 statements of financial position, cash and cash equivalents includes cash on hand and in banks. Restricted bank deposits are excluded from cash and cash equivalents.

4.10 Trade and Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.11 Current and Deferred Tax

The income tax expense for the year comprises current and deferred tax.

4.11.1 Current tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

4. Summary of Significant Accounting Policies (continued)

4.11 Current and Deferred Tax (continued)

4.11.2 Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business consolidation that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax asset 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 asset is reassessed at the end of each reporting period and is recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax asset and liability 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.

4.11.3 Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4. Summary of Significant Accounting Policies (continued)

4.12 Employee Benefits

4.12.1 Pension Schemes

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

The Group entity in the Mainland China participates in defined contribution retirement benefit plans (including Housing Provident Fund) organised by relevant government authorities for its employees in the Mainland China and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group has no further obligation for post-employment benefits beyond the contributions made. The Group's contributions to these plans are charged to the consolidated statement of profit or loss as incurred.

4.12.2 Share Option Scheme

The Company operates a share option scheme for the purpose to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group.

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Company revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

4. Summary of Significant Accounting Policies (continued)

4.13 Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliability.

4.14 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, after allowances for returns. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

4.14.1 Sales of goods

Revenue from the sales of goods is recognised when the risk and reward of the goods has been transferred to the customer, who is usually when the Group has delivered the products to the customer, the collectability of the related receivables is reasonably assured and there is no unfulfilled obligation that could affect the customer's acceptance of the products. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

4.14.2 Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.15 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivables as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

4. Summary of Significant Accounting Policies (continued)

4.16 Dividend Distribution

Dividend distribution to the owners is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the owners.

4.17 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.

(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.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

5. Critical Accounting Judgements and Estimates Uncertainty

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimation Uncertainty

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of trade and other receivables

The Group's management estimates the provision of impairment of trade and other receivables by assessing their recoverability. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivables and impairment charge in the period in which such estimate has been changed.

(c) Net realisable value of inventories

The Group's management estimates the provision of impairment of inventories by assessing their net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale. Provisions are applied to inventories where events or changes in circumstances indicate that the inventory cost may exceed the net realisable value and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of inventories and impairment charge in the period in which such estimate has been changed.

(d) Current and deferred tax

The Group is mainly subject to income tax in Hong Kong and the PRC. Significant judgement is required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and provisions in the year in which such determination is made.

Deferred tax assets and liabilities are determined using income tax rates that are expected to apply when the related deferred tax assets are realised or the deferred tax liabilities are settled. The expected applicable income tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group. The Management will revise the expectation where the final income tax rate is different from the original expectation.

6. Revenue and Operating Segment Information

Revenue represents the aggregate of the net invoiced value of leather products sold, after allowances for returns.

The Group has only one single operating segment as the Group is principally engaged in the manufacturing and sales of leather products which is the basis to allocate resources and assess performance.

The chief operating decision-maker has been identified as the Management. The Management reviews the Group's internal reporting in order to assess performance and allocate resources. The Group focuses primarily on manufacturing and sales of leather products during the periods. Information reported to the chief operating decision-marker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

(a) Information about major customers

Revenues from external customers contributing over 10% of the total revenue of the Group during the years are as follows:

	2016 HK$'000	2015 HK$'000
Customer A	**10,012**	22,319
Customer B	**6,521**	*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective year.

6. Revenue and Operating Segment Information (continued)

(b) Geographical information

The following tables set out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets excluding deferred tax assets. The geographical location of customers is based on the location to which the goods are delivered. The geographical location of non-current assets excluding deferred tax assets is based on the physical location of the assets.

Revenue from external customers

	2016 HK$'000	2015 HK$'000
Australia	**20,909**	13,328
United States of America	**20,340**	33,441
Malaysia	**6,429**	5,187
Hong Kong	**6,032**	14,053
Japan	**932**	3,560
South Africa	**708**	1,648
PRC	**150**	7,663
Netherlands	**—**	1,150
Others (Note)	**347**	1,917
	55,847	81,947

Note: Other countries mainly included Canada, France, United Kingdom, Italy, Indonesia, South Korea, Singapore, New Zealand and Brazil.

Non-current assets excluding deferred tax assets

	2016 HK$'000	2015 HK$'000
Hong Kong	**206**	63
PRC	**292**	240
	498	303

7. Other Revenue and Other Income

	2016 HK$'000	2015 HK$'000
Interest income	**226**	127
Sales of scrap materials	**63**	10
Sundry income	**—**	17
	289	154

8. Finance Costs

	2016 HK$'000	2015 HK$'000
Interests on:		
Bank borrowings	**—**	12

9. Profit Before Taxation

The Group's profit before taxation is arrived at after charging:

	2016 HK$'000	2015 HK$'000
Auditors' remuneration	**560**	550
Depreciation of property, plant and equipment*	**125**	130
Cost of inventories recognised as expenses (included in cost of sales)	**27,916**	38,426
Exchange losses, net	**49**	9
Operating lease rentals in respect of properties	**1,451**	1,153
Listing expenses	**—**	18,422
Staff costs (including directors' remuneration)*:		
— Salaries and bonus	**13,857**	13,096
— Pension scheme contributions	**1,484**	1,602
	15,341	14,698
Loss on disposal of items of property, plant and equipment	**11**	—
Impairment loss on trade receivables	**89**	—

* Included in cost of sales for the years ended 30 June 2016 and 2015 were depreciation charge of approximately HK$53,000 and HK$43,000 respectively and staff costs of approximately HK$6,176,000 and HK$6,017,000 respectively.

10. Taxation

Hong Kong Profits Tax is calculated at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the years. The rate of the PRC Corporate Income Tax of the Group's subsidiary operating in the PRC during the year was 25% (2015: 25%) on its assessable profits. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries on jurisdictions in which the Group operates.

	2016 **HK$'000**	2015 HK$'000
Current income tax:		
Hong Kong Profits Tax	**808**	3,444
PRC Corporate Income Tax	**27**	211
	835	3,655
Over-provision in prior years:		
Hong Kong Profits tax	**(490)**	(22)
Deferred tax *(note 15)*	**16**	10
Income tax expenses for the year	**361**	3,643

The income tax expenses for the years can be reconciled to the profit before taxation as set out in the consolidated statement of profit or loss as follows:

	2016 **HK$'000**	2015 HK$'000
Profit before taxation	**4,188**	3,759
Tax calculated at the rates applicable to profit in the respective tax jurisdictions	**664**	675
Tax effect of:		
Expenses not deductible for tax purpose	**226**	2,999
Income not taxable for tax purpose	**(55)**	(19)
Over-provision for prior years	**(490)**	(22)
Tax effect of temporary differences	**16**	10
Income tax expenses for the year	**361**	3,643

11. Directors', Employees' Remuneration and Senior Management's Emoluments

Directors

Directors' remuneration as a Director and/or director of the subsidiaries for the years disclosed pursuant to the GEM Listing Rules are as follows:

Year ended 30 June 2016

Name of Directors	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive Directors				
Ms. Cheung Woon Yiu	—	500	18	518
Ms. Lam Wai Si Grace	—	679	18	697
Mr. Ching Wai Man	—	679	18	697
Non-executive Director				
Ms. Ng Lai Hung	—	130	6	136
Independent non-executive Directors				
Dr. Wong Wai Kong	120	—	—	120
Mr. How Sze Ming	120	—	—	120
Mr. Philip David Thacker	120	—	—	120
	360	1,988	60	2,408

11. Directors', Employees' Remuneration and Senior Management's Emoluments (continued)

Directors (continued)
Year ended 30 June 2015

Name of Directors	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive Directors				
Ms. Cheung Woon Yiu (note i)	—	500	18	518
Ms. Lam Wai Si Grace (notes i, ii)	—	679	18	697
Mr. Ching Wai Man (note i)	—	679	18	697
Non-executive Director				
Ms. Ng Lai Hung (note iii)	—	125	6	131
Independent non-executive Directors				
Dr. Wong Wai Kong (note iv)	50	—	—	50
Mr. How Sze Ming (note iv)	50	—	—	50
Mr. Philip David Thacker (note iv)	50	—	—	50
	150	1,983	60	2,193

Notes:

(i) Ms. Cheung Woon Yiu, Ms. Lam Wai Si Grace and Mr. Ching Wai Man were appointed as Directors on 3 September 2014.

(ii) Ms. Lam Wai Si Grace is also the Chief Executive Officer of the Group and her emoluments disclosed above include those for services rendered by her as the Chief Executive Officer for the years.

(iii) Ms. Ng Lai Hung was appointed as a Director on 3 September 2014.

(iv) Dr. Wong Wai Kong, Mr. How Sze Ming and Mr. Philip David Thacker were appointed as Directors on 28 January 2015.

During the years, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

11. Directors', Employees' Remuneration and Senior Management's Emoluments (continued)

Five Highest Paid Employees and Senior Management

The five highest paid employees of the Group for the year ended 30 June 2016 included three (2015: three) Directors, details of whose remuneration are disclosed above. The remuneration of the remaining two (2015: two) non-director, five highest paid employees for the years ended 30 June 2016 and 2015 are disclosed as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	**842**	895
Pension scheme contributions	**36**	35
	878	930

The remuneration fell within the following band:

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

Senior Management of the Group

The remuneration of the senior management of the Group are within the following band:

	2016 Number of employees	2015 Number of employees
Nil – HK$1,000,000	**5**	5

During the years, no remuneration was paid by the Group to any of the five highest paid employees and senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

12. Dividends

The Directors do not recommend any dividend for the years ended 30 June 2016 and 2015. The Company has not declared any dividends since its incorporation.

Prior to the completion of the Reorganisation in December 2014, Perline, an indirect wholly owned subsidiary of the Company, declared a dividend of HK$3,200,000 to its then shareholders in October 2014. Such dividend was fully paid by way of cash in December 2014. The dividend declared for the years are as follows:

	2016 **HK$'000**	2015 HK$'000
Dividend of Perline to the then shareholders of Perline of nil (2015: HK$16) per Perline's share	—	3,200

13. Earnings Per Share Attributable to Owners of the Company

The calculation of the basic earnings per Share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company of approximately HK$3,827,000 (2015: HK$116,000) and (ii) the number of 400,000,000 Shares (2015: weighted average number of 338,356,164 Shares) in issue during the year.

The diluted earnings per Share is equal to the basic earnings per Share as there were no diluted potential ordinary Shares in issue during the years.

14. Property, Plant and Equipment

	Motor vehicles HK$'000	Furniture, fixtures and office equipment HK$'000	Machinery and equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
Cost					
As at 1 July 2014	241	948	396	308	1,893
Additions	—	59	92	—	151
Exchange alignments	—	(2)	—	—	(2)
As at 30 June 2015 and 1 July 2015	241	1,005	488	308	2,042
Additions	93	203	40	—	336
Disposals	(109)	—	—	—	(109)
Exchange alignments	(9)	(16)	(20)	—	(45)
As at 30 June 2016	**216**	**1,192**	**508**	**308**	**2,224**
Accumulated depreciation					
As at 1 July 2014	190	888	246	286	1,610
Charge for the year	36	36	43	15	130
Exchange alignments	—	(1)	—	—	(1)
As at 30 June 2015 and 1 July 2015	226	923	289	301	1,739
Charge for the year	9	56	53	7	125
Disposals	(98)	—	—	—	(98)
Exchange alignments	(8)	(15)	(17)	—	(40)
As at 30 June 2016	**129**	**964**	**325**	**308**	**1,726**
Carrying amounts					
As at 30 June 2016	**87**	**228**	**183**	**—**	**498**
As at 30 June 2015	15	82	199	7	303

15. Deferred Tax

The table sets out the major components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and their movements during the years.

	Decelerated depreciation allowances HK$'000	Accelerated depreciation allowances HK$'000	Total HK$'000
As at 1 July 2014	22	(18)	4
Recognised in the consolidated statement of profit or loss (note 10)	(10)	—	(10)
As at 30 June 2015 and 1 July 2015	12	(18)	(6)
Recognised in the consolidated statement of profit or loss (note 10)	9	(25)	(16)
As at 30 June 2016	**21**	**(43)**	**(22)**

The above deferred tax assets and liabilities have been offset for presentation purpose in the consolidated statement of financial position.

16. Inventories

	2016 HK$'000	2015 HK$'000
Raw materials	**4,143**	1,609
Work in progress	**664**	403
Finished goods	**1,395**	231
	6,202	2,243

17. Trade Receivables

	2016 HK$'000	2015 HK$'000
Trade receivables	**9,476**	26,848

Majority of the Group's sales are based on letters of credit and advances before delivery, and the remaining sales are made with credit terms mainly ranging from 10 to 45 days (2015: 10 to 45 days). The Group does not hold any collateral over these balances.

Aging analysis

The following table sets out an aging analysis of trade receivables of the Group, presented based on the invoice date:

	2016 HK$'000	2015 HK$'000
Within 30 days	**8,437**	17,890
31 to 60 days	**543**	884
61 to 90 days	**141**	124
Over 90 days	**355**	7,950
	9,476	26,848

Aging analysis of trade receivables which are past due but not impaired

The following table sets out an aging analysis of trade receivables of the Group which are past due but not impaired. These related to a number of independent customers for whom there is no recent history of default.

	2016 HK$'000	2015 HK$'000
Within 30 days	**1,695**	1,836
31 to 60 days	**59**	740
61 to 90 days	**141**	1,158
Over 90 days	**355**	885
	2,250	4,619

During the year ended 30 June 2016, the trade receivables of HK$89,000 (2015: nil) was considered uncollectible. The amount was written off and charged to profit or loss.

18. Deposits, Prepayments and Other Receivables

	2016 HK$'000	2015 HK$'000
Deposits	**630**	2,376
Prepayments	**386**	389
Other receivables	**555**	13
	1,571	2,778

Deposits and other receivables from independent third parties for whom there are no recent history of default.

19. Cash and Cash Equivalents and Pledged Bank Deposits

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**52,019**	39,736
Less: Pledged deposits for banking facilities	**(3,031)**	(3,348)
Cash and cash equivalents	**48,988**	36,388

Cash and cash equivalents are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
United States dollars ("USD")	**20,683**	3,582
Hong Kong dollars	**27,563**	30,871
Renminbi ("RMB")	**706**	1,888
Australian dollars	**35**	46
Euro	**1**	1
	48,988	36,388

19. Cash and Cash Equivalents and Pledged Bank Deposits (continued)

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government. For the Group's cash and cash equivalents denominated in RMB located in Hong Kong, they are not subject to the foreign exchange control. Approximately HK$101,000 (2015: HK$1,213,000) of cash and bank balances denominated in RMB and located in the PRC were subject to the foreign exchange control.

Pledged bank deposits represent deposits pledged to a bank to secure bank facilities granted to the Group. The pledged bank deposits carry fixed interest rate of 0.35% (2015: 0.35%) per annum. Bank balances earn interests at floating rate based on daily bank deposit rates and is placed with creditworthy banks with no recent history of default. As at 30 June 2016 and 2015, all pledged bank deposits were denominated in USD.

20. Trade Payables

	2016 HK$'000	2015 HK$'000
Trade payables	**1,496**	1,328

The following table sets out an aging analysis of the trade payables of the Group, presented based on invoice date:

	2016 HK$'000	2015 HK$'000
Within 30 days	**94**	672
31 to 60 days	**1,202**	308
61 to 90 days	**21**	105
Over 90 days	**179**	243
	1,496	1,328

21. Accruals, Other Payables and Trade Deposits Received

	2016 **HK$'000**	2015 HK$'000
Accruals	**3,548**	4,415
Other payables	**112**	126
Trade deposits received	**1,519**	3,360
	5,179	7,901

As at 30 June 2015, included in trade deposits received was refundable deposit approximately HK$1,798,000. There was no such refundable deposit as at 30 June 2016. All trade deposits received are non-interest bearing.

22. Share Capital

Movements of the Company's share capital since the date of incorporation on 3 September 2014 are as follows:

	Number of shares '000	**Share capital** HK$'000
Authorised:		
Ordinary Shares of HK$0.01 each as at 3 September 2014 (date of incorporation) (note i)	100,000	1,000
Increase in authorised share capital (note ii)	3,900,000	39,000
Ordinary Shares of HK$0.01 each as at 30 June 2015, 1 July 2015 and 30 June 2016	**4,000,000**	**40,000**

22. Share Capital (continued)

	Number of shares '000	Share capital HK$'000
Issued and fully paid:		
Ordinary Shares of HK$0.01 as at 3 September 2014 (date of incorporation) (note i)	1,000	—
Issuance of ordinary Shares of HK$0.01 pursuant to the Reorganisation (note iii)	9,000	90
Nil paid Shares credited as fully paid (note iii)	—	10
Capitalisation Issue (note iv)	290,000	2,900
Issuance of Shares upon Placing (note v)	100,000	1,000
Ordinary Shares of HK$0.01 each as at 30 June 2015, 1 July 2015 and 30 June 2016	**400,000**	**4,000**

Notes:

(i) On 3 September 2014, the Company was incorporated in the Cayman Islands with one subscriber Share issued at nil paid. On the same date, the subscriber Share was transferred to QCL and 999,999 Shares were further allotted at nil paid to QCL, DVL and OGL, companies solely owned by each of the then shareholders of Perline.

(ii) On 28 January 2015, the authorised share capital of the Company was increased from HK$1,000,000 to HK$40,000,000 by the creation of additional 3,900,000,000 Shares of HK$0.01 each.

(iii) On 4 December 2014, Odella BVI, a wholly owned subsidiary of the Company, (as a purchaser) acquired from the then shareholders of Perline (as the vendors) the entire share capital of Perline. In consideration, the Company credited as fully paid the 1,000,000 nil-paid Shares issued on 3 September 2014, and issued to QCL, DVL and OGL (as nominated by the vendors) 9,000,000 new Shares, all credited as fully paid. On completion, Odella BVI became the sole shareholder of Perline, and the number of issued shares in the Company was increased to 10,000,000.

(iv) On 11 February 2015, the Company issued and allotted a total of 290,000,000 Shares of HK$0.01 each to the Shareholders whose names appeared on the Company's register of members on 28 January 2015 by capitalising an amount of HK$2,900,000 standing to the credit of the Company's share premium account which was created pursuant to the Placing.

(v) On 11 February 2015, the Company issued a total of 100,000,000 new Shares of HK$0.01 each at a placing price of HK$0.55 per Share. The gross Listing proceeds were HK$55,000,000.

23. Financial Risk Management

	2016 HK$'000	2015 HK$'000
Financial assets		
Loans and receivables	**62,680**	68,973
Financial liabilities		
Amortised cost	**5,156**	7,667

The Group's financial assets comprise trade receivables, other receivables, cash and cash equivalents and pledged bank deposits; and the Group's financial liabilities comprise trade payables, accruals, other payables and refundable trade deposits received.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign currency risk

The Group is mainly exposed to foreign exchange risk arising from future commercial transactions, and from recognised assets and liabilities. The Group is mainly exposed to foreign exchange risk in respect of exchange rate fluctuation of HK$ against USD and RMB. The Group does not hedge its foreign exchange risk during the year.

As HK$ is pegged to USD, it is assumed that there would be no material foreign exchange risk exposure between USD and HK$ and therefore USD is excluded from the analysis below.

As at 30 June 2016 and 2015, if HK$ had reasonably strengthened/weakened by 5% against RMB with all other variables held constant, the profit before taxation for each of the years then ended would have changed mainly as a result of exchange gains/losses on translation to HK$ against the relevant foreign currencies.

Details of the changes are as follows:

	2016 HK$'000	2015 HK$'000
Profit before taxation increase/(decrease):		
— HK$ strengthened 5% against RMB	**(30)**	(36)
— HK$ weakened 5% against RMB	**30**	36

23. Financial Risk Management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Except for cash and cash equivalents deposited at banks and pledged bank deposits, the Group has no other significant interest-bearing assets or liabilities. Management does not anticipate significant impact on interest-bearing assets or liabilities resulted from the changes in interest rates because the interest rates of these interest-bearing financial assets are not expected to change significantly.

(b) Credit risk

Credit risk mainly arises from deposits at banks, trade receivables, deposits and other receivables. The carrying amounts of bank balances, trade receivables, deposits and other receivables included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 30 June 2016, all bank deposits were deposited into highly reputable and sizable banks without significant credit risk. Majority of the Group's sales are based on letters of credit and advances before delivery, and the remaining sales are made with credit term. Credit will only be granted to selected customers with long-term relationship and good credit history. Deposits and other receivables are made with counterparties with no recent history of default. The Group performs ongoing credit evaluations of its counterparties' financial conditions and has policies in place to ensure that receivables are followed up on a timely basis. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the consolidated financial statements. Save as those disclosed in note 17 to the consolidated financial statements, there are no other financial assets that are past due but not impaired. The financial assets included thereof relate to receivables for which there was no recent history of default.

(c) Liquidity risk

Cash flow is managed at group level by the Management. The Management monitors the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs at all times and does not breach borrowing limits or covenants on any of its borrowing facilities. The Management usually takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal ratio targets.

23. Financial Risk Management (continued)

(c) Liquidity risk (continued)

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period according to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	2016		
	On demand or within one year HK$'000	**Total undiscounted cash flows HK$'000**	**Total carrying amount HK$'000**
Non-derivative financial liabilities			
Trade payables	**1,496**	**1,496**	**1,496**
Accruals, other payables and trade deposits received	**3,660**	**3,660**	**3,660**
	5,156	**5,156**	**5,156**

	2015		
	On demand or within one year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities			
Trade payables	1,328	1,328	1,328
Accruals, other payables and trade deposits received	6,339	6,339	6,339
	7,667	7,667	7,667

24. Fair Value Estimation

The fair values of the Group's financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions. The Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements are not materially different from their fair values as at 30 June 2016 and 2015.

The Group does not have any financial instrument that is measured subsequent to initial recognition at fair value.

25. Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holder, return capital to equity holder or sell assets to reduce debt.

Consistent with other companies in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. As at 30 June 2016 and 2015, the Group did not have any debt and thus no gearing ratio is presented.

The Group is not subject to externally imposed capital requirements.

26. Operating Lease Commitments

The Group as lessee

As at the end of the reporting periods, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	966	1,268
In the second to fifth years, inclusive	765	1,539
	1,731	2,807

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated at terms which ranged from one to five years. The Group does not have an option to purchase the leased premises at the expiry of the lease periods.

27. Share Option Scheme

The Company administers a share option scheme (the "Share Option Scheme") which was adopted on 28 January 2015 by a Shareholders' written resolution. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives and rewards for their contribution to the Group. It became effective for a period of 10 years commencing on the date on which the Share Option Scheme was adopted. Eligible participants of the Share Option Scheme include employees, directors, suppliers, customers, shareholders, advisers or consultants, research, development or other technological support personnel or entities of the Company, its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest and other selected participants (the "Eligible Participants").

The total number of shares which may be issued and allotted upon the exercise of all options to be granted under the Share Option Scheme is 40,000,000 shares, representing 10% of the total number of issued shares as at the date of this annual report.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The total number of the shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the date of Listing, subject to refreshment of such limit as approved by shareholders.

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of such limit must be separately approved by the shareholders in general meeting. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective close associates would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% of the shares in issue; and (ii) having an aggregate value, based on the closing price of the shares at the date of each offer for the grant, in excess of HK$5 million, such further grant of options must be approved by Shareholders in general meeting.

Under the Share Option Scheme, the Directors may, at their discretion, grant to any Eligible Participants options to subscribe for shares at an subscription price per share being not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

27. Share Option Scheme (continued)

An option may be accepted by a participant within 21 days from the date of the offer for the grant of option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

During the period from the effective date of the Share Option Scheme to 30 June 2016, no share option has been granted, expired, lapsed, exercised or cancelled.

28. Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2016 (2015: nil).

29. Material Related Party Transactions

Save as disclosed elsewhere in the consolidated financial statements and the steps carried out in the Reorganisation and Placing, the Group has entered into the following transactions with related parties:

The remuneration of Directors during the years are disclosed as follows:

	2016 **HK$'000**	2015 HK$'000
— Salaries, allowances and benefits in kind	**2,348**	2,133
— Pension scheme contributions	**60**	60

30. Events after the Reporting Period

The Group did not have any material subsequent event after the reporting period.

31. Statement of Financial Position and Reserves Movements of the Company

(a) Statement of Financial Position of the Company

	2016 HK$'000	2015 HK$'000
Non-current asset		
Investment in a subsidiary	**1**	1
Current assets		
Prepayments	**90**	50
Amounts due from subsidiaries	**47,575**	48,346
Cash and cash equivalents	**2**	2
Total current assets	**47,667**	48,398
Current liability		
Accruals	**100**	100
Net current assets	**47,567**	48,298
Total assets less current liability	**47,568**	48,299
Net assets	**47,568**	48,299
Equity		
Share capital	**4,000**	4,000
Reserves	**43,568**	44,299
Total equity	**47,568**	48,299

Approved and authorised for issue by the board of directors on 21 September 2016 and are signed on its behalf by:

Cheung Woon Yiu	**Lam Wai Si Grace**
Director	Director

31. Statement of Financial Position and Reserves Movements of the Company (continued)

(b) Reserves Movements of the Company

	Share premium HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 3 September 2014 (date of incorporation)	—	—	—	—
Issuance of Shares pursuant to the Reorganisation (note 22 (iii))	—	19,570	—	19,570
Shares issued pursuant to the Capitalisation Issue	(2,900)	—	—	(2,900)
Placing of Shares	54,000	—	—	54,000
Transaction cost attributable to issuance of Shares	(11,318)	—	—	(11,318)
Loss for the period	—	—	(15,053)	(15,053)
As at 30 June 2015 and 1 July 2015	39,782	19,570	(15,053)	44,299
Loss for the year	—	—	(731)	(731)
As at 30 June 2016	**39,782**	**19,570**	**(15,784)**	**43,568**

Note: Other reserve represents the different between the fair value of the shares of Perline acquired pursuant to the Reorganisation over the nominal value of the Company's Shares issued in exchange therefore.

32. Principal Subsidiaries

As at 30 June 2015 and 2016, the Company had direct and indirect interests in the following subsidiaries:

Name of company (Note b)	**Place of incorporation/ operation**	**Share capital/ registered capital**	**Proportion of ownership interest and voting rights held by the Company** (Note a)	**Principal activities**
Odella BVI	BVI	USD100 (Ordinary share capital)	100	Investment holdings
Perline	Hong Kong	HK$200,000 (Ordinary share capital)	100	Sales, marketing and development of leather products
佛山市南海盛麗皮衣有限公司 (Foshan Nanhai Shengli Leather Garment Co. Ltd.) (Note c)	PRC	HK$1,500,000 (Registered capital)	100	Manufacture of various leathers products, domestic and foreign trading (restricted items being subject to relevant approval)

Notes:

(a) Other than Odella BVI which is directly held by the Company, all subsidiaries are indirectly held by the Company.

(b) Except for Foshan Nanhai Shengli Leather Garment Co. Ltd. which is a wholly foreign-owned enterprise, all other subsidiaries are companies incorporated with limited liability.

(c) The English translation of the name is for identification purpose only.

33. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved and authorised for issue by the Board on 21 September 2016.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the four years ended 30 June 2016, as extracted from the audited consolidated financial statements in this annual report, the annual report for the year ended 30 June 2015 and the Prospectus is set out below:

	Year ended 30 June			
	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Results				
Revenue	**55,847**	81,947	80,586	53,607
Net profit for the year (before listing expenses)	**3,827**	18,538	12,896	7,128
Listing expenses	**—**	(18,422)	—	—
Net profit for the year attributable to owners of the Company	**3,827**	116	12,896	7,128

	As at 30 June			
	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities				
Total assets	**69,766**	71,908	33,893	27,911
Total liabilities	**(7,894)**	(13,955)	(16,543)	(23,465)
Total equity	**61,872**	57,953	17,350	4,446