

Koradior Holdings Limited

珂萊蒂爾控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3709



GLOBAL OFFERING

Joint Sponsors



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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GLOBAL OFFERING

Total number of Offer Shares	: 125,000,000 Shares (subject to the
under the Global Offering	Over-allotment Option)
Number of Hong Kong Public Offer Shares	: 12,500,000 Shares (subject to adjustment)
Number of International Offer Shares	: 112,500,000 Shares (subject to adjustment
	and the Over-allotment Option)
Offer Price	: Not more than HK\$4.51 per Share and
	expected to be not less than HK3.05
	per Share, plus brokerage of 1%,
	SFC transaction levy 0.003% and
	Stock Exchange trading fee of 0.005%
	(payable in full on application in Hong Kong
	dollars and subject to refund on final
	pricing)
Nominal value	: HK\$0.01 per Share
Stock code	: 3709

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V of this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters), and our Company on or before Friday, 20 June 2014 or such later time as may be agreed between the parties, but in any event, no later than Wednesday, 25 June 2014. If, for any reason, the Joint Global Coordinators (on behalf of the Underwriters), and our Company are unable to reach an agreement on the Offer Price by Wednesday, 25 June 2014, the Global Offering will not become unconditional and will lapse immediately. The Offer Price will be not more than HK\$4.51 per Share and is expected to be not less than HK\$3.05 per Share although the Joint Global Coordinators (on behalf of the Underwriters), and our Company may agree to a lower price. The Joint Global Coordinators (on behalf of the Underwriters), may, with the consent of our Company, reduce the number of Offer Shares being offered under Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Public Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.koradior.com as soon as practicable but in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. More details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, in particular, the risk factors set out in the section headed "Risk Factors".

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Hong Kong Public Offer Shares, the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in their absolute discretion, to terminate the obligation of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the paragraph headed "Underwriting — Grounds for Termination". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be offered or sold, pledged or transferred within the United States, or to, or for the account or benefit of, US persons, except that the Offer Shares may be offered, sold or delivered in offshore transactions outside the United States in reliance on Regulation S under the US Securities Act.

17 June 2014

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete electronic applications under the HK eIPO White Form service through the designated website at www.hkeipo.hk ^(note 3)	11:30 a.m. on Friday, 20 June 2014 ^(note 1)
Application lists for the Hong Kong Public Offering open ^(note 2)	11:45 a.m. on Friday, 20 June 2014
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC ^(note 7)	12:00 noon on Friday, 20 June 2014
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 20 June 2014
Application lists close ^(note 2)	12:00 noon on Friday, 20 June 2014
Expected Price Determination Date ^(note 4)	Friday, 20 June 2014
Announcement of the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Public Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.koradior.com on or before	Thursday, 26 June 2014
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels. (See the paragraph headed "How to Apply for Hong Kong Public Offer Shares — Publication of Results") from	Thursday, 26 June 2014
Results of allocations for the Hong Kong Public Offering will be available at www.tricor.com.hk/ipo/result with a "search by ID" function	Thursday, 26 June 2014
Share certificates (if applicable) in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering to be despatched on ^(note 6)	Thursday, 26 June 2014
HK eIPO White Form e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications to be despatched on or before ^(notes 5 and 6)	Thursday, 26 June 2014
Dealings in Shares on the Stock Exchange to commence on	Friday, 27 June 2014

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering”.
- (2) If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 20 June 2014 the application lists will not open on that day. Further information is set out in the paragraph headed “How to Apply for Hong Kong Public Offer Shares — Effect of bad weather on the opening of the application lists”. If the application lists do not open and close on Friday, 20 June 2014, the dates mentioned in this section headed “Expected Timetable” may be affected. A press announcement will be made by us in such event.
- (3) You will not be permitted to submit your application under the **HK eIPO White Form** service through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (4) The Offer Price is expected to be determined by Friday, 20 June 2014 but in any event, the expected time for determination of the Offer Price will not be later than Wednesday, 25 June 2014. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and our Company by Wednesday, 25 June 2014, the Global Offering will not proceed and will lapse.
- (5) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications in the event the final Offer Price is determined at less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheques, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.
- (6) Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more under the Hong Kong Public Offering and have provided all required information may collect any refund cheque(s) (if applicable) and/or Share certificate(s) (if applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 26 June 2014.

Applicants being individuals who are applying for 1,000,000 Hong Kong Public Offer Shares or more for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Hong Kong Public Offer Shares or more for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations’ chop. Identification and (if applicable) authorisation documents acceptable to our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, must be produced at the time of collection.

Uncollected Share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants’ own risk to the addresses specified on the relevant Application Forms. Further details are set out in the section headed “How to Apply for Hong Kong Public Offer Shares” in this prospectus.

- (7) Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to Apply for Hong Kong Public Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus for details.

For details of the structure of the Global Offering, including the conditions thereof, and the procedures for application for the Hong Kong Public Offer Shares, please refer to the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Public Offer Shares” in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares offered by this prospectus pursuant to the Hong Kong Public offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in any other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of any such jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus or the Application Forms must not be relied on by you as having been authorised by our Company, any of the Joint Sponsors, any of the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, representatives, or affiliates, or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set forth in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are one of the leading and fast growing high-end ladies-wear companies in the PRC based on retail revenue for 2013 according to Frost & Sullivan, an independent market research firm. Our *Koradior* brand was ranked sixth in terms of retail revenue for 2013 within the high-end ladies-wear market in the PRC with a corresponding market share of 0.72% in 2011, 0.87% in 2012 and 0.98% in 2013. We engage in the design, promotion, marketing and sales of our self-owned branded products, *Koradior* and *La Koradior*, that target affluent ladies between the age of 30 and 45. As at 31 December 2013, we have built a nationwide network of 254 retail stores, strategically covering major cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Xi'an and Chongqing, of which 237 were operated by us.

Our business was established in 2007 by Mr. Jin, our chief executive officer, chairman and executive Director together with Ms. He Hongmei, our general manager and executive Director. In April 2007, we launched our *Koradior* brand and opened our first self-operated retail store in Chengdu. In February 2010, we engaged our first distributor in Zhejiang province. We extended our sales network to third party e-commerce platforms in April 2011 and opened our one hundredth self-operated retail store in the same year. In September 2012, we launched our *La Koradior* brand and opened our first self-operated retail store under *La Koradior* brand. In July 2013, we opened our two hundredth self-operated retail store.

Our *Koradior* brand, which targets the high-end stylish and smart-casual ladies-wear market, is positioned to offer our customers feminine, stylish, chic and young-looking designs for all seasons. In response to our customers' demand for high-end formal ladies-wear, we launched our *La Koradior* brand in September 2012 which is positioned to offer luxurious and elegant designs for all seasons and has a brand theme of "glamorous, distinctive and vibrant". Our products include dresses, skirts, trousers, shirts, knitwear, vests, jackets, overcoats, scarves and accessories. Recognising our customers' demand for designs of ladies-wear which are simple and relaxed yet feminine and stylish, we plan to launch a new brand *Koradior elsewhere* in the second half of 2014.

We offer our products through retail stores and third party e-commerce platforms. Our products are sold across a nationwide sales network, majority of which consisted of self-operated retail stores, covering 24 provinces, autonomous regions and municipalities in the PRC as at 31 December 2013. As at 31 December 2013, our network of retail stores comprised a total of 237 self-operated retail stores and 17 distributor-operated retail stores.

Currently, most of our retail stores are located in well-known department stores and shopping malls in various cities in the PRC. As at 31 December 2013, our network of self-operated retail stores consisted of 205 retail stores in department stores with cooperation agreements and 32 retail stores in shopping malls with either cooperation agreements or lease agreements of which 6 were outlets. Out of the 254 retail stores operated by us and our distributors, 213 retail stores were under our *Koradior* brand, 9 were under our *La Koradior* brand and 32 stores were dual-branded which offer both our *Koradior* and *La Koradior* branded products. The average space of the dual-branded retail stores is generally larger than our other single branded retail stores. During the Track Record Period, we have increased our self-operated retail stores from 109 as at 31 December 2011 to 237 as at 31 December 2013 and retail stores operated by our distributors have increased from 10 as at 31 December 2011 to 17 as at 31 December 2013.

SUMMARY

Our Directors are of the view that our Group's positioning as a high-end ladies-wear brand in the PRC can be substantiated on the following basis: (i) *Koradior* brand is being categorised as a high-end ladies-wear brand and was ranked sixth in terms of annual retail revenue in the PRC high-end ladies-wear market in 2013 according to Frost & Sullivan; (ii) the average selling price per product sold via our self-operated retail stores during the Track Record Period after adjusting for the VAT of 17% and the relevant discount offered to the customers is within the market range of average tag price for high-end ladies-wear brands advised by Frost & Sullivan; (iii) the respective tag price for the main products of our Group is also consistent with the market range of average tag price for high-end ladies-wear brands advised by Frost & Sullivan; and (iv) the tag price of products of *La Koradior* brand is on average higher than the tag price of the products of *Koradior* brand.

COMPETITIVE STRENGTHS

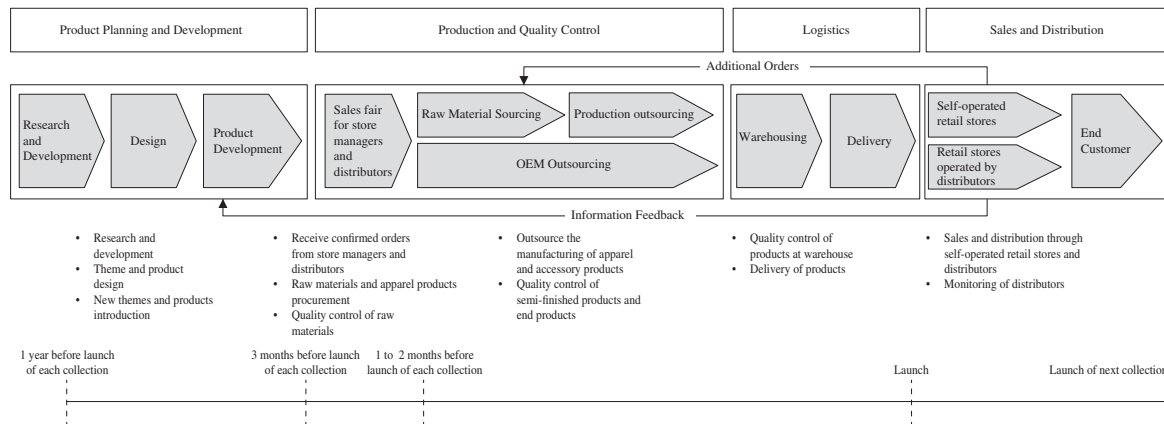
We believe the following key strengths of our Company distinguish us from our competitors and will enable us to compete effectively in the future, namely, (a) being one of the leading brands, we have established a strong position to capture further market share in the fast-growing but highly fragmented high-end ladies-wear fashion market in the PRC; (b) predominantly self-operated retail stores strategy leading to high growth momentum; (c) nationwide retail presence built from a network of retail stores occupying prime locations at strategically selected cities; (d) strong design and product development capability; (e) well-implemented retail management system; (f) effective branding and marketing strategy; and (g) leadership under our visionary and experienced founder complemented by a professional and experienced management team.

BUSINESS STRATEGIES

We intend to further strengthen our leading position in the high-end ladies-wear market in the PRC. In the long run, we aim to be the top player of the high-end ladies-wear industry in the PRC. We plan to achieve our goals by pursuing the following principal strategies: (a) expanding sales network and channels; (b) improving same store sales growth via expanding design capabilities and product offerings and improving quality of our sales service; (c) adopting a multi-brand strategy aiming to provide diversified brands to the same targeted customer group; (d) continuing to promote our brands and enhance our brand recognition in the PRC; and (e) enhancing our ERP system and administrative support.

BUSINESS MODEL

The following diagram illustrates our business model:



Product planning and development

We design all of our products under our *Koradior* and *La Koradior* brands in-house in which Mr. Jin and Ms. He Hongmei, our executive Director and general manager, are responsible for leading our research and development team to determine the seasonal themes, main colours and materials to be used and identify new fashion trends. Ms. He and our design director, Mr. Hu Qi, are responsible for leading the design of our products. As at 31 December 2013, our research and design team had 61 members who generally have an

SUMMARY

average of 6 years of experience in the ladies-wear industry and our technical team had 27 key members who generally have an average of 7 years of experience in the ladies-wear industry. We have cooperated with a Korean design house, I.S. Planning on the design of our products under *Koradior elsewhere* brand which are expected to be launched in the second half of 2014. Furthermore, we have engaged Mr. Luigi Fabio Piras and Ms. Fang Ying as design consultants to advise us on matters such as latest fashion trends and themes. We have also independently developed the technical know-how to create our product samples, based on our researches on postures of women of 30 to 45 years old, and is essential to the feminine design of our apparel products.

Design process for each seasonal collection typically begins a year before release. Once the seasonal themes, main colours and materials to be used are determined by our research team, alongside with our design consultants, our design team commences design of the collections. We conduct several internal style evaluation meetings before finalising the styles and products to be launched. We finalise prototypes one to two months before placing production orders with our OEM contractors. A total of 1,122, 1,456 and 2,060 SKUs for our *Koradior* and *La Koradior* brands were successfully launched during each year of the Track Record Period respectively.

Production outsourcing and procurement

We have been outsourcing the production of all our products to domestic OEM contractors since the commencement of our business in 2007. We believe this asset-light strategy allows our management to devote our resources to higher value-added activities, namely brand promotion, design, marketing, quality control and customer services.

For better control over cost and quality, we usually purchase materials and accessories ourselves for further processing by our OEM contractors. For raw materials, the quantity purchased of which is not large enough for us to enjoy bulk purchase discounts, we will ask our OEM contractors to source the relevant raw materials based on our specifications. We work with our OEM contractors in creating our samples, finalising production specifications, determining production schedules and setting up cost control plans. Our OEM contractors will perform the packaging and post-finished processing for all of the end products and our quality control team will monitor the process.

Sales and distribution

The following table sets out our sales by sales channels during the Track Record Period:

	Year ended 31 December					
	2011		2012		2013	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Self-operated retail stores	317,310	97.01	433,460	89.38	648,697	92.42
E-commerce	2,852	0.87	9,639	1.99	31,376	4.47
Wholesales to distributors	5,577	1.71	15,170	3.13	16,256	2.32
Others	1,339	0.41	26,670	5.50	5,551	0.79
Total	<u>327,078</u>	<u>100.00</u>	<u>484,939</u>	<u>100.00</u>	<u>701,880</u>	<u>100.00</u>

It is our strategy to establish presence in Tier 1 and Tier 2 cities by locating our self-operated stores at prime retail locations, followed by penetration into other strategic locations when substantial demand and growth potential are identified. The use of distributors is to allow us to expand our sales network to remote regions such as Harbin, Urumqi, Ankang, Panjin and Zhangjiakou more cost effectively. As at 31 December 2013, our distributors own and operate those 17 retail stores and we do not have any ownership in retail stores operated by them. We sell our products on a wholesale basis to our distributors, who in turn sell our products through retail stores they operate. We recognise revenue upon delivery of our products to our distributors.

SUMMARY

For the breakdown of retail stores by region of our brands in the PRC, please refer to the paragraph headed “Business — Our sales network — Retail store breakdown by geographical region” on pages 119 to 121 of this prospectus.

	As at 31 December		
	2011	2012	2013
	<i>Number of retail stores</i>		
<i>Self-operated retail stores</i>			
Department store retail stores	102	150	205
Shopping mall retail stores (excluding outlets)	7	11	26
Outlets	—	1	6
<i>Retail stores operated by our distributors</i>	10	15	17
Total	119	177	254

During our Track Record Period, our sales of *Koradior* products through third party e-commerce platforms increased from RMB2.85 million for the year ended 31 December 2011 to RMB31.38 million for the year ended 31 December 2013, with a strong growth at a CAGR of 231.68%. Our online products are sold through various platforms including Tmall, Dangdang, VIP.com and Wangfujing and our *Koradior* brand has been an authorised merchant of Tmall since 2011. Recognising its huge potential, we plan to further expand our e-commerce business and establish a design team to develop products exclusively for sale via third party e-commerce platforms.

Sales network expansion plan

We intend to further expand our sales network by establishing 37 and 75 self-operated retail stores in the second half of 2014 and for the year ending 31 December 2015, respectively. For details of our expansion plan, please refer to the paragraph headed “Business — Sales and distribution — Sales network expansion plan” on pages 131 to 134 of this prospectus. The successful implementation of our expansion plan depends on a series of factors, including, among others, capacities and potential growth of local markets, preferences and purchasing power of targeted customers and their demand for our products, our funds available and our ability to secure prime locations for retail stores in department stores or shopping malls.

Pricing

Retail price of our products is typically determined by our product management team based on factors such as current demand and customers’ perceived value of our products, expected profit margin of each individual product and price of our competitors’ products.

Our products in our self-operated retail stores are sold at the suggested retail price while we offer our products to our distributors at pre-determined discount to our suggested retail prices.

Inventory management

We have inventory control measures in place to help us maintain an adequate inventory level. We review our inventories on hand every day through our ERP system and conduct regular stock counts at our self-operated retail stores every month to identify obsolete and slow-moving items. Inventories are carried at the lower of cost and net realisable value. Our management, based on their understanding of the products and the overall market environment, assesses the potential decline of selling prices of inventories over their ages in formulating the inventory provisioning policy. Provision is made for our finished goods with reference to inventory aging: 20% for finished goods aged between one year and two years, 50% for those aged between two and three years, and 80% for those aged between three and five years and 100% for those over five years. Carrying amount of off-season products is adjusted downward accordingly. Full provision will also be made for inventory items which are damaged. Inventory provision made for each of the years ended 31 December 2011, 2012 and 2013 amounted to RMB0.32 million, RMB0.78 million and RMB0.30 million, respectively. Finished goods aged over 1 year accounted for 16.78%, 12.60% and 8.90% of total finished goods as at 31 December 2011, 2012 and 2013, respectively.

SUMMARY

MAJOR STAKEHOLDERS

Customers

Our customers consist of end customers and distributor customers that purchase products from us and sold to end customers. All of our distributors are self-employed with relevant retail and management experience in the PRC. During the Track Record Period, our top five customers were all our distributors that are Independent Third Parties, which accounted for 1.21%, 1.98% and 1.15% of our total revenue, respectively. Our single largest customer accounted for 0.39%, 0.70% and 0.31% of our total revenue for the years ended 31 December 2011, 2012 and 2013 respectively.

Suppliers

Our suppliers consist of OEM contractors and raw material suppliers. Our top five suppliers accounted for 34.13%, 37.04% and 34.44% of our total purchases for the years ended 31 December 2011, 2012 and 2013 respectively. Our single largest supplier accounted for 9.02%, 11.07% and 13.08% of our total purchases for the years ended 31 December 2011, 2012 and 2013 respectively.

OEM contractors

As at 31 December 2013, we engaged 95 OEM contractors. Our major OEM contractors are enterprises with extensive experience in the production of ladies apparel and accessories with advanced manufacturing facility and technologies. Our top five OEM contractors accounted for approximately 53.85%, 52.77% and 51.80% of our total purchase of outsourced products and sub-contracting fees for the years ended 31 December 2011, 2012 and 2013 respectively. During the Track Record Period, except for our largest OEM contractor, Yingjia Fashion, which is a connected person, all other OEM contractors are Independent Third Parties. The VAT-inclusive processing fees incurred to Yingjia Fashion for the three years ended 31 December 2011, 2012 and 2013 amounted to RMB12.72 million, RMB27.75 million and RMB40.94 million, respectively, representing 15.50%, 21.41% and 23.97% of total purchase of outsourced products and sub-contracting fees during the same periods, respectively.

Raw material suppliers

For the three years ended 31 December 2011, 2012 and 2013, our top five raw material suppliers collectively accounted for about 43.43%, 44.26% and 38.51% of our total purchase of raw materials respectively. All our raw materials suppliers are Independent Third Parties.

RISK FACTORS

We believe that there are certain risks involved in our operations, any of which are beyond our control. Set forth below are some of the major risks that may materially and adversely affect our business, financial condition and results of operation: (a) our limited operating history makes it difficult to evaluate our business and growth prospects; (b) we rely heavily on our *Koradior* brand and may not be able to effectively promote and maintain our brand image and position; (c) our *La Koradior* brand is a newly developed brand and it may not be able to meet and maintain the target growth rate in market share and profit in the future. Any of our future plans to launch other new brands or new product lines may not be successful; (d) we may not be able to respond in a timely manner to rapid changes in fashion trends and consumer taste in the PRC; (e) we rely on our outsourced OEM contractors for the production of all of our products and any material disruption to the supply of products from our outsourced manufacturers would materially and adversely affect our results of operations; (f) we may not be able to manage our rapid growth and expansion of our self-operated retail stores and distribution network effectively; (g) our inventory may become obsolete; and (h) we may be affected by oppositions against our intellectual property rights application and may face legal proceedings against us for intellectual property rights infringement. For a detailed discussion of the risk factors, please refer to the section headed "Risk Factors" on pages 24 to 45 of this prospectus.

SUMMARY

SHAREHOLDERS INFORMATION

Mr. Jin set up Fiona Trust with his spouse, his children and himself as the beneficiaries and Standard Chartered Trust as the trustee. As a result, Fiona Trust holds the entire issued share capital of Kingstun Holdings, which in turn holds the entire issued share capital of Koradior Investments which is expected to hold approximately 65.25% of the issued share capital of our Company upon the completion of the Global Offering. Immediately after the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and none of the options to be granted under the Share Option Scheme are exercised), our Controlling Shareholders, Mr. Jin, Kingstun Holdings and Koradior Investments, will control the exercise of approximately 65.25% voting rights in the general meeting of our Company. For further details, please refer to the paragraph headed “Relationship with Controlling Shareholders — Controlling Shareholders” on page 202 of this prospectus. In addition, our Controlling Shareholders have entered into the Deed of Non-Competition in favour of our Company in relation to undertakings on potential competition. For further details, please refer to the paragraph headed “Relationship with Controlling Shareholders — Deed of Non-Competition” on pages 204 to 207 of this prospectus.

Immediately prior to the Global Offering, Ms. Jinny Chui through Sisu Holdings Limited and Ms. Ivy Connie Sun through Wealth Depot Limited will hold approximately 11.00% and 2.00% of the issued share capital of our Company respectively. Upon completion of the Global Offering, Sisu Holdings Limited and Wealth Depot Limited will hold approximately 8.25% and 1.50% of the issued share capital of our Company (assuming the Over-allotment Option is not exercised). For further details, please refer to the paragraph headed “History and Reorganisation — Pre-IPO Investment” on pages 91 to 94 of this prospectus.

Our largest OEM contractor during the Track Record Period, Yingjia Fashion, is 53.00%, 29.00% and 18.00% owned respectively by Ms. Chen Lingmei, Mr. Jin Jingquan and Mr. Jin Rui who are the mother, father and brother of Mr. Jin respectively. Accordingly, Yingjia Fashion is a connected person of our Company. Except for Ms. Chen Lingmei, Mr. Jin Jingquan and Mr. Jin Rui, each being a shareholder and director of Yingjia Fashion and the leasing of a warehouse and the provision of processing and manufacturing services to us by Yingjia Fashion, details of which are set out in the section headed “Connected Transaction” on pages 215 to 221 of this prospectus, Yingjia Fashion has no business or other relationship with our Group or any of our Controlling Shareholders and Directors. For further details, please refer to the paragraph headed “Relationship with Controlling Shareholders — Potential competition with Yingjia Fashion” on pages 208 to 214 of this prospectus.

SUMMARY OF FINANCIAL INFORMATION

The following summary of our consolidated financial information was extracted from, and should be read in conjunction with the information set forth in “Financial Information” on pages 158 to 201 of this prospectus and the financial information set forth in the accountants’ report in Appendix I of this prospectus. The following table sets forth summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated.

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	327,078	484,939	701,880
Cost of sales	<u>(119,266)</u>	<u>(180,457)</u>	<u>(215,495)</u>
Gross profit	207,812	304,482	486,385
Other revenue	81	852	1,935
Other net loss	(2)	(48)	(77)
Selling and distribution expenses			
— Fees paid to department stores and shopping malls	(93,555)	(134,285)	(200,740)
— Other selling and distribution expenses	(69,033)	(105,381)	(138,560)
Administrative and other operating expenses	<u>(18,255)</u>	<u>(26,394)</u>	<u>(38,095)</u>

SUMMARY

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit from operations	27,048	39,226	110,848
Finance costs	(1,418)	(2,081)	(2,408)
Profit before taxation	25,630	37,145	108,440
Income tax expense	(6,188)	(9,333)	(28,328)
Profit for the year	<u>19,442</u>	<u>27,812</u>	<u>80,112</u>
Gross profit margin	63.54%	62.79%	69.30%
Net profit margin	<u>5.94%</u>	<u>5.74%</u>	<u>11.41%</u>

Revenue

Revenue analysis by sales channel

	Year ended 31 December					
	2011		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%
<i>Self-operated retail stores</i>						
— Department store retail stores	306,400	93.68	409,256	84.39	586,722	83.59
— Shopping mall retail stores	10,910	3.33	23,047	4.75	48,137	6.86
— Outlets	—	—	1,157	0.24	13,838	1.97
Sub-total	<u>317,310</u>	<u>97.01</u>	<u>433,460</u>	<u>89.38</u>	<u>648,697</u>	<u>92.42</u>
E-commerce	2,852	0.87	9,639	1.99	31,376	4.47
Wholesales to distributors	5,577	1.71	15,170	3.13	16,256	2.32
Others	1,339	0.41	26,670	5.50	5,551	0.79
Total	<u>327,078</u>	<u>100.00</u>	<u>484,939</u>	<u>100.00</u>	<u>701,880</u>	<u>100.00</u>

Sales volume and average selling price

	Year ended 31 December		
	2011	2012	2013
Self-operated retail stores			
Sales volume ('000)	264	320	438
<i>Overall</i>			
Average selling price (RMB) ¹	1,201	1,354	1,480
Average tag price (RMB) ²	1,801	2,071	2,309
<i>Winter clothes</i>			
Average selling price (RMB) ¹	2,016	2,109	2,295
Average tag price (RMB) ²	3,024	3,226	3,579
<i>Summer clothes</i>			
Average selling price (RMB) ¹	949	1,047	1,095
Average tag price (RMB) ²	<u>1,424</u>	<u>1,601</u>	<u>1,708</u>
Third party e-commerce platforms			
Sales volume ('000)	7	22	62
Average selling price (RMB) ¹	<u>398</u>	<u>445</u>	<u>504</u>
Wholesales to distributors			
Sales volume ('000)	11	24	23
Average selling price (RMB) ¹	<u>499</u>	<u>628</u>	<u>712</u>

Note:

1. Average selling price represents average price to end-customers or distributors (i) excluding value-added tax from tag price and (ii) after relevant discount offered to end-customers and distributors.
2. Average tag price includes VAT and before any discount offered to end-customers and distributors.

SUMMARY

Increase in revenue generated by our self-operated retail stores during the Track Record Period was primarily due to (a) growth of our comparable self-operated retail stores sales, which was in turn driven by rise in both average selling price and sales volume of our products; and (b) continuing expansion of our retail store network.

In general, such growth in comparable self-operated retail stores sales was attributable to (i) higher brand recognition as a result of our promotion campaigns; (ii) enhanced customer services through training provided to our store staff; and (iii) the broadening of our product portfolio, which in turn contributed to the increase in sales volume and average selling price.

Increase in revenue from e-commerce was primarily due to an increase in sales of our products through online retail stores, which was driven by an increase in expenditure on advertising and promotion through e-commerce platforms and search engines in the PRC as well as our effort in developing our online retail stores through expanding our e-commerce team and establishing a business division dedicated to the e-commerce business.

In 2013, business with 6 distributors were terminated while 8 new distributors were added, resulting in a net increase of 2 distributors. As it takes time for the newly joined distributors to reach the level of sales volume achieved by existing distributors, wholesales to distributors increased slightly in 2013.

The slight decrease in overall gross margin in 2012 was resulted from increase in (i) direct sales of products through promotional activities during which our products were sold at lower prices, as compared to those at self-operated retail stores, with an aim to promote our brand; and (ii) wholesales to distributors, the gross margin of which was lower as products were sold to our distributors at a discount to our retail prices.

The rise in gross margin in 2013 was primarily resulted from (i) the rise in average selling price of our products, (ii) cost of outsourced products remained relatively stable, and (iii) the shift in product mix towards those of higher margin such as dresses, skirts and blouses and placing less emphasis on products of lower margin such as sweaters and leather and fur apparel.

Key balance sheet information

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	31,373	34,106	43,939
Current assets	110,531	175,087	323,993
Current liabilities	59,952	165,900	209,929
Net current assets	50,579	9,187	114,064
Non-current liabilities	30,000	—	—
Net assets	<u>51,952</u>	<u>43,293</u>	<u>158,003</u>
Total equity	<u>51,952</u>	<u>43,293</u>	<u>158,003</u>

Key cash flow statement information

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows (used in)/generated from operating activities	(19,261)	11,518	49,947
Net cash flows used in investing activities	(14,375)	(16,478)	(21,898)
Net cash flows generated from financing activities	36,912	13,427	34,782
Net increase in cash and cash equivalents	3,276	8,467	62,831
Cash and cash equivalents at beginning of year	2,567	5,843	14,284
Effect of foreign exchange rate changes	—	(26)	(10)
Cash and cash equivalents at end of the year	<u>5,843</u>	<u>14,284</u>	<u>77,105</u>

SUMMARY

Key financial ratios

	Year ended 31 December		
	2011	2012	2013
Current ratio	1.84	1.06	1.54
Quick ratio	1.22	0.61	0.92
Inventory turnover days	94.57	112.21	172.39
Receivable turnover days	48.03	49.34	47.03
Payable turnover days	27.86	40.72	57.02
Return on assets	16.73%	15.84%	27.76%
Return on equity	46.04%	58.40%	79.60%
Interest coverage ratio	19.07	18.85	46.03
Net debt to equity ratio	46.50%	36.30%	net cash
Gearing ratio	57.75%	69.30%	34.81%

Increase in inventory turnover days during the Track Record Period was primarily because of (i) the continuing expansion of our retail store network and (ii) extra finished goods manufactured to prepare for the planned launch of new brand *Koradior elsewhere* in the second half of 2014.

RECENT DEVELOPMENT

Subsequent to the Track Record Period, we have continued to monitor our development and expand our sales network. For the three months ended 31 March 2014, we established 19 new self-operated retail stores and 3 retail stores operated by distributors. We closed 2 self-operated retail stores during the same period. As at 31 March 2014, we had 254 self-operated retail stores and 20 retail stores operated by distributors. We are in the process of further expanding our sales network. Number of members in our VIP membership program has increased to 34,021 as at 31 March 2014. We have also introduced 1,118 SKUs during the same period.

As at 31 December 2013, 209 cooperation agreements with department stores and shopping malls would be expired within 1 year. As at 30 April 2014, 85 out of the above 209 cooperation agreements with department stores and shopping malls were expired, of which 83 were renewed and the remaining two were not due to (i) the non-alignment of the positioning of our brands as a result of a change in the image of the department stores or shopping malls; (ii) changes to the location of the retail stores; or (iii) performance of such retail stores does not meet the standard set by our Group's internal evaluation.

As at 31 December 2013, 3 lease agreements with shopping malls would be expired within 1 year. As at 30 April 2014, none of the 3 lease agreements with shopping malls were expired.

Based on our unaudited financial information for the three months ended 31 March 2014, our revenue amounted to RMB223.43 million, representing 53.55% growth compared to revenue recognised during same period last year. The increase in revenue was attributable to the rise in both the average selling price and sales volume of our products which was in turn driven by higher recognition of our brand, our wider product offering as well as enhanced customer services through training provided to our store staff. Our gross profit margin for the three months ended 31 March 2014 was approximately 72.79%, which was slightly higher than gross profit margin of 71.67% achieved in the same period last year. The financial information disclosed above is derived from the Company's unaudited interim financial statements for the three months ended 31 March 2014, which has been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Our Directors confirm that there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this prospectus. As far as we are aware, there was no material change in the general market conditions in the PRC high-end ladies-wear industry that had affected or would affect our business operations or financial conditions materially and adversely.

SUMMARY

LISTING EXPENSES

Approximately RMB4.71 million of our listing expenses have been charged to our administrative and other operating expenses and reflected in our financial information for the Track Record Period. We expect to incur an additional RMB32.70 million in listing expenses in connection with the Global Offering and the Listing after the Track Record Period, of which RMB14.70 million is expected to be charged to our administrative and other operating expenses for the year ending 31 December 2014 and RMB18.00 million is expected to be charged to share premium. We do not expect such listing expenses to have a material impact on our results of operations for the year ending 31 December 2014.

KEY OFFER STATISTICS

	Based on an Offer Price of HK\$4.51 per Share	Based on an Offer Price of HK\$3.05 per Share
Market capitalisation of the Shares ⁽¹⁾	HK\$2,255.00 million	HK\$1,525.00 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽²⁾	HK\$1.44	HK\$1.09

Note:

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised. The calculation of market capitalisation is based on 500,000,000 Shares expected to be issued and outstanding following the completion of the Global Offering and the Capitalisation Issue.
- (2) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II and based on 500,000,000 Shares expected to be issued and outstanding following the completion of the Global Offering and the Capitalisation Issue.

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds of the Global Offering are estimated to be approximately HK\$425.26 million, before exercise of the Over-allotment Option, after deducting underwriting commission and other estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$3.78 per Share, being the mid-point of the stated range of the Offer Price. We intend to use such net proceeds as follows:

Purpose	Amount <i>(HK\$ million)</i>	%
Establishing new self-operated retail stores	212.63	50.00
Establishing new brands	85.05	20.00
Further developing e-commerce business	42.53	10.00
<i>Koradior</i> brand promotion and marketing	42.53	10.00
Upgrading ERP system	21.26	5.00
Working capital and general corporate purposes	21.26	5.00
Total	425.26	100.00

For details on how we plan to apply the net proceeds from the Global Offering, please refer to the section headed “Future Plans and Use of Proceeds” on pages 236 to 237 of this prospectus.

DIVIDEND POLICY

During the Track Record Period, we have not declared any dividends. Subject to the policies set out in the paragraph headed “Financial Information — Dividend Policy” of this prospectus, our Directors currently intend to declare in 2015 a dividend of about 30.00% of our annual net profit after tax attributable to owners of our Company in respect of the year ending 31 December 2014. Such intention does not amount to any guarantee, representation or indication that our Company must or will declare and pay dividends in such manner or at all.

DEFINITIONS AND GLOSSARY

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus.

“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), individually or collectively, as the context may require
“Articles of Association” or “Articles”	our articles of association, as adopted on 6 June 2014, with effect from Listing and as amended from time to time, a summary of which is contained in Appendix III of this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Jinyueran”	Beijing Jinyueran Culture Co., Ltd* (北京金悅然服飾文化有限公司), a company established under the laws of the PRC on 23 December 2011 which is currently 100.00% owned by Shenzhen Jinhxin and was a member of our Group prior to Reorganisation. It is an Independent Third Party as at the Latest Practicable Date
“Board” or “Board of Directors”	our board of Directors
“Business Day”	a day (other than a Saturday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issuance of 298,793,220 Shares to be made upon the capitalisation of sums standing to the credit of the share premium account of our Company referred to in Appendix IV “Statutory and General Information — Further Information about our Company — Written Resolutions of our Shareholders passed on 6 June 2014” of this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS AND GLOSSARY

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only (unless otherwise indicated) excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Koradior Holdings Limited (珂萊蒂爾控股有限公司), formerly known as Koradior Investments Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands on 23 March 2012, which is currently owned by Koradior Investments, Sisu Holdings Limited and Wealth Depot Limited as to 87.00%, 11.00% and 2.00%, respectively
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of our Company for the purpose of this prospectus and the Listing refers to Mr. Jin, Kingstun Holdings and Koradior Investments
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the securities market in the PRC
“Dangdang”	Dangdang.com (當當網), a Chinese electronic commerce company founded in 1999 and listed on the New York Stock Exchange in December 2010, which main product categories include household appliances, clothing, cosmetics, digital, home appliances, books, audio, maternity and child products

DEFINITIONS AND GLOSSARY

“Deed of Indemnity”	a deed of indemnity dated 16 June 2014 entered into between our Controlling Shareholders and our Company referred to in Appendix IV of this prospectus
“Deed of Non-competition”	a deed of non-competition dated 16 June 2014 entered into by our Controlling Shareholders in favour of our Company, details of which are set out in the section headed “Relationship with Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“ERP”	enterprise resource planning
“Fiona Kim Investments”	Fiona Kim Investments Limited, a company with limited liability incorporated in the BVI on 10 April 2012 and a direct wholly-owned subsidiary of our Company
“Fiona Trust”	Fiona Trust, a discretionary trust set up by Mr. Jin for which Standard Chartered Trust acts as the trustee and Mr. Jin, his spouse and his children are the beneficiaries
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party engaged by our Company as their industry consultant
“Frost & Sullivan Report”	a customised report titled “China Lady-wear Market Study, 2014” prepared by Frost & Sullivan and commissioned by our Company for the purpose of the Global Offering
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider, designated by the Company
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries or, where the context so requires, with respect to the period before which our Company became the holding company of its current subsidiaries, our Company’s current subsidiaries or the businesses operated by such subsidiaries or their predecessors (as the case may be)
“HK\$” or “Hong Kong dollars” or “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HK eIPO White Form”	applying for Hong Kong Public Offer Shares to be issued in your own name by submitting applications online through the designated website at www.hkeipo.hk

DEFINITIONS AND GLOSSARY

“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by the Company, as specified on the designated website of HK eIPO White Form at www.hkeipo.hk
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Public Offer Shares”	the 12,500,000 new Shares initially being offered for subscription by our Company at the Offer Price under the Hong Kong Public Offering (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer by our Company of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong as described in the section headed “Structure of the Global Offering” in this prospectus at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% of the Offer Price) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering named in the paragraph headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the conditional Hong Kong underwriting agreement dated 16 June 2014 relating to the Hong Kong Public Offering entered into by, among others, our Company, the Joint Global Coordinators and the Hong Kong Underwriters
“IFRS”	International Financial Reporting Standards
“Independent Third Party(ies)”	a party that is independent of and not connected (as defined under the Listing Rules) with any directors, chief executive, or substantial shareholders (within the meaning of the Listing Rules) of our Company or any of its subsidiaries or any of their respective associates

DEFINITIONS AND GLOSSARY

“International Offering”	the conditional placing by the International Underwriters of the International Offer Shares for cash at the Offer Price plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% of the Offer Price, details of which are described in the section headed “Structure of the Global Offering” in this prospectus on and subject to the terms and conditions stated herein and in the International Underwriting Agreement
“International Offer Shares”	the 112,500,000 Shares being initially offered by our Company for subscription at the Offer Price under the International Offering together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of underwriters who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the conditional placing and underwriting agreement relating to the International Offering and to be entered into by, among others, our Company and the Joint Global Coordinators on behalf of the International Underwriters on or about the Price Determination Date
“Joint Bookrunners”	CIMB Securities Limited and Haitong International Securities Company Limited
“Joint Global Coordinators”	CIMB Securities Limited and Haitong International Securities Company Limited
“Joint Lead Managers”	CIMB Securities Limited and Haitong International Securities Company Limited
“Joint Sponsors”	Haitong International Capital Limited and CIMB Securities Limited
“Kingstun Holdings”	Kingstun Holdings Limited, a company incorporated in the BVI with limited liability on 12 March 2014, the entire issued share capital of which is indirectly held by Standard Chartered Trust (through its nominee SCTS Capital Pte Ltd) acting as the trustee of Fiona Trust, and is one of our Controlling Shareholders

DEFINITIONS AND GLOSSARY

“Koradior Investments”	Koradior Investments Limited, formerly known as Koradior Holdings Limited and EEKA Holdings Limited, a company with limited liability established in the BVI on 18 January 2012, which entire issued share capital is indirectly held by Standard Chartered Trust (through its nominee SCTS Capital Pte Ltd) acting as the trustee of Fiona Trust and is one of our Controlling Shareholders
“La Kora International”	La Kora International Limited, a company with limited liability incorporated in Hong Kong on 17 April 2012 and an indirect wholly-owned subsidiary of our Company
“La Kordi Fashion”	La Kordi Fashion (Shenzhen) Co., Ltd.* (拉珂帝服飾(深圳)有限公司), a company with limited liability established under the laws of the PRC on 8 August 2012 and an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	9 June 2014, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date expected to be on or about 27 June 2014 on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Lock-up period”	the period commencing from the Latest Practicable Date up to and including the date falling six months after the Listing Date
“Main Board”	the stock market (excluding the option market operated by the Stock Exchange) which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company as amended from time to time
“Ministry of Commerce” or “MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Jin”	Jin Ming (金明), our chief executive officer, chairman and executive Director of our Company

DEFINITIONS AND GLOSSARY

“OEM”	original equipment manufacturer, a business that manufactures products or equipment for branding and resale by others
“Offer Price”	the final Hong Kong dollar price per Offer Share (before brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which Shares are to be subscribed pursuant to the Global Offering, which will be not more than HK\$4.51 and is expected to be not less than HK\$3.05, to be determined as described in the paragraph headed “Structure of the Global Offering — Pricing and Allocation”
“Offer Shares”	the Hong Kong Public Offer Shares and the International Offer Shares
“Over-allotment Option”	the option to be granted by our Company to the International Underwriters under the International Underwriting Agreement pursuant to which our Company may be required by the Joint Global Coordinators (on behalf of the International Underwriters), to allot and issue up to 18,750,000 additional new Shares, representing approximately 15.00% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Offering
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC”	the People’s Republic of China (中華人民共和國)
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context requires, any of them
“Price Determination Date”	the date, expected to be on or about 20 June 2014 or such later date as may be agreed by our Company and the Joint Global Coordinators (on behalf of the Underwriters), when the Offer Price is determined for the purpose of the Global Offering and, in any event, no later than 25 June 2014
“Province(s)” or “province(s)”	each being a province or, where the context requires, a provincial level autonomous region or a provincial-level city under the direct supervision of the PRC Government
“Regulation S”	Regulation S under the US Securities Act
“related parties”	has the meaning as set out in the paragraph headed “Related parties” under section B note 1(s) to the Accountants’ Report set out in Appendix I of this prospectus

DEFINITIONS AND GLOSSARY

“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the paragraph headed “Corporate Reorganisation” under the section headed “History and Reorganisation” in this prospectus
“retail store”	the venue or location operated by us or our distributors exclusively dedicated to the sale of products under our proprietary brands, including, without limitation, stores, shops, whether stand-alone or located in a department store, a shopping mall or a shopping area in a mixed-use or multi-purpose complex or building
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 6 June 2014, the principal terms of which are summarised in Appendix IV of this prospectus
“Shenzhen Jinhexin”	Shenzhen Jinhexin Investment Development Co., Ltd* (深圳市金和鑫投資發展有限公司), a company with limited liability established under the laws of the PRC on 24 October 2011 and a holding company of Shenzhen Koradior prior to the Reorganisation. It is owned as to 80%, 10% and 10% by an Independent Third Party, Mr. Jin Jingquan (father of Mr. Jin) and Mr. Jin Rui (brother of Mr. Jin) respectively as at the Latest Practicable Date
“Shenzhen Koradior”	Shenzhen Koradior Fashion Co., Ltd.* (深圳市珂萊蒂爾服飾有限公司), formerly known as Shenzhen Na Er Si Fashion Co., Ltd.* (深圳市娜爾思服飾有限公司), a company with limited liability established under the laws of the PRC on 24 March 2006 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS AND GLOSSARY

“SKU”	stock keeping unit, with products that are exactly the same except for their different colours deemed as different stock-keeping units, and products that are exactly the same except for their different sizes deemed as one stock keeping unit
“sq.m.”	square metre
“Stabilising Manager”	Haitong International Securities Company Limited
“Standard Chartered Trust”	Standard Chartered Trust (Singapore) Limited, a company incorporated in Singapore and a trustee of Fiona Trust which is an Independent Third Party
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Korador Investments and the Stabilising Manager on the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Taobao”	Taobao.com (淘寶網), an online shopping website originated from the PRC, which facilitates consumer to consumer retail by providing a platform for small businesses and individual entrepreneurs
“Tier 1 cities”	Beijing, Shanghai, Guangzhou and Shenzhen, according to Frost & Sullivan
“Tier 2 cities”	the capitals of provinces in the PRC excluding Guangzhou, municipalities under the direct administration of the PRC central government excluding Shanghai and Beijing, and the capitals of the autonomous regions in the PRC, according to Frost & Sullivan
“Tier 3 cities”	prefecture-level cities excluding any Tier 1 cities and Tier 2 cities in the PRC, according to Frost & Sullivan
“Tier 4 cities”	county level and other township-level cities in the PRC, according to Frost & Sullivan
“Tmall”	Tmall.com (天貓商城), formerly known as Taobao Mall, a Chinese dedicated business-to-consumer platform within its consumer e-commerce website
“Track Record Period”	the period consisting of the three years ended 31 December 2013

DEFINITIONS AND GLOSSARY

“Underwriter(s)”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreement(s)”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “US”	the United States of America
“US Person”	has the meaning given to it in Regulation S
“US Securities Act”	the United States Securities Act of 1933, as amended from time to time
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“VAT”	Value-Added Tax
“VIP.com”	VIP.com (唯品會), a Chinese e-commerce website which features selling brands at low discounts with product categories including fashion clothing, accessories, shoes, cosmetics, household merchandise
“Wangfujing”	Wangfujing (王府井網上商城) at www.wangfujing.com , the official online shopping website of Beijing Wangfujing Department Store Group Co., Ltd* (北京王府井百貨(集團)股份有限公司) in the PRC, which operates fashion, beauty makeup, ladies-wear, mens-wear, hats, shoes, jewelleryes and home decorations
“WFOE”	wholly foreign-owned enterprise
“WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s own name
“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“Yingjia Fashion”	Shenzhen Yingjia Fashion Co., Ltd.* (深圳市贏家服飾有限公司), a company established under the laws of the PRC on 16 April 2001, which 53.00% is owned by Ms. Chen Lingmei, the mother of Mr. Jin and therefore a connected person of our Company
“%”	per cent

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Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-Allotment Option.

All times refer to Hong Kong time.

In this prospectus, the terms “associate,” “connected person,” “connected transaction,” “controlling shareholder,” “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi or US dollars have been translated into Hong Kong dollars at an exchange rate of RMB1.00 = HK\$1.2626 and US\$1.00 = HK\$7.80, respectively, and certain amounts denominated in HK\$ have been translated into Renminbi or US dollars at an exchange rate of HK\$1.00 = RMB0.7920 and HK\$1.00 = US\$0.13, respectively, in each case for illustrative purposes only. Such conversions shall not be construed as representations that amounts in HK or US dollars were or could have been or could be converted into Hong Kong dollars or US dollars (as the case may be) at such rates or any other exchange rates on such date or any other date.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-Allotment Option is not exercised.

The English names of companies incorporated in the PRC marked with “” are translations of their Chinese names and are included for identification purposes only.*

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain statements that are, or may be deemed to be, “forward-looking statements.” These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believe(s)”, “aim(s)”, “estimate(s)”, “plan(s)”, “project(s)”, “anticipate(s)”, “expect(s)”, “intend(s)”, “may”, “seek(s)”, “can”, “could”, “ought to”, “potential”, “will” or “should” or similar expressions, or, in each case, their negative or other variations, or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. In particular, references to “*estimate(s)*” only refer to the situations whereby best estimation was adopted by the management. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this prospectus and include, but are not limited to, statements regarding our intentions, beliefs or current expectations concerning, among other things, our business, results of operations, financial position, liquidity, prospects, growth, strategies and the industries and markets in which we operate or may operate in the future.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance or the actual results of our operations, financial position and liquidity. The development of the markets and the industries in which we operate may differ materially from the description or implication suggested by the forward-looking statements contained in this prospectus. In addition, even if our results of operations, financial position and liquidity as well as the development of the markets and the industries in which we operate are consistent with the forward-looking statements contained in this prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- our business strategies and plan of operations;
- our capital expenditure plans;
- our dividend policy;
- our ability to stay abreast of market trends and maintain commercially reasonable relationships with our customers and suppliers;
- our ability to retain core team members and recruit qualified and experienced new team members;
- our ability to obtain adequate financing on terms acceptable to us;
- changes in laws and PRC governmental regulations, policies and procedures in the regions where our projects are located;
- future developments, trends and conditions in our industry;
- our profit forecast and other prospective financial information; and
- the other factors that are described in the section headed “Risk Factors” in this prospectus.

FORWARD-LOOKING STATEMENTS

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this prospectus reflect our management's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions. Investors should specifically consider the factors identified in this prospectus, which could cause actual results to differ, before making any investment decision. Subject to the requirements of the Listing Rules and except as may be required by applicable law, we undertake no obligation to revise any forward-looking statements that appear in this prospectus to reflect any change in our expectations, or any events or circumstances, that may occur or arise after the date of this prospectus. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

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You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Shares. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our limited operating history makes it difficult to evaluate our business and growth prospects

Our operations commenced in March 2007 when Mr. Jin started to operate Shenzhen Koradior to engage in the design and retail business of our *Koradior* branded apparel. We have experienced rapid growth in the number of retail stores and revenue during the Track Record Period. However, our historical growth may not be indicative of our future performance. Our growth prospects should be considered in light of the risks and uncertainties that fast-growing companies with limited operating history may encounter, including, among others, risks and uncertainties regarding our ability to:

- Retain existing customers and attract new customers;
- Develop new products that are appealing to customers and commercially successful;
- Anticipate and adapt to changing consumer preference, industry trends and increasing competition;
- Manage our increasing size, including controlling our costs, establish sufficient internal controls, attract and retain talent, as well as maintain and upgrade our retail store network and information technology system; and
- Effectively maintain our net profit margin, which is affected by factors including revenue growth, fees paid to department stores and shopping malls and labor costs.

If we are unable to effectively manage these risks and uncertainties, our business operations and growth prospects may be materially and adversely affected.

We rely heavily on our *Koradior* brand and may not be able to effectively promote and maintain our brand image and position

Most of our revenue during the Track Record Period was generated through sales of our *Koradior* branded products. Our revenue from sales of *Koradior* branded products were approximately RMB327.08 million, RMB477.74 million and RMB670.40 million, representing approximately 100.00%, 98.52% and 95.51% of our total revenue, for the three years ended 31 December 2011, 2012 and 2013 respectively. We rely on our *Koradior* brand to market our products to our target female customers aged between 30 to 45. Therefore, our *Koradior* brand is critical to our success. We believe that brand recognition is a determining factor that affects consumers' purchasing decisions for ladies-wear products. Our ability to maintain and further develop our brand in the PRC depends, in part, on

RISK FACTORS

our ability to meet changing consumer tastes and preferences and the effectiveness of our advertising campaigns. We may misjudge changes in fashion trends or fail to respond to such changes in a timely manner. In addition, we may embark on unsuccessful advertising campaigns that do not achieve their intended results. If we are unsuccessful in promoting our brand image or fail to maintain our brand position among our target consumer groups, market perception and consumer acceptance of our brands may be eroded and our business, financial condition and results of operations may be adversely affected. Any negative publicity, whether in the PRC or abroad, regarding any of our brands and images could have a material adverse effect on the public's perception of our brands. There is no assurance that we will be able to effectively promote and maintain our brands and if we fail to do so, the goodwill of such brands may be undermined, and accordingly our business, as well as our financial results, may be materially and adversely affected.

Our *La Koradior* brand is a newly developed brand and it may not be able to meet and maintain the target growth rate in market share and profit in the future. Any of our future plans to launch other new brands or new product lines may not be successful

Our *La Koradior* brand was launched in September 2012. There can be no assurance that our *La Koradior* brand will grow as our Directors have expected. *La Koradior* is a brand for high-end formal ladies-wear, which is different from *Koradior* which focuses on stylish and smart-casual ladies-wear. We have not previously had any experience in designing and marketing high-end formal ladies-wear. For this new brand, we need to identify and respond to the different competitive conditions, consumer preferences and discretionary spending patterns in the high-end formal ladies-wear segment. We believe our success depends on our ability to anticipate, identify and interpret the habits, tastes of and trends among our targeted customers and to offer our products that adjust to their preferences. In addition, we may need to make significant investments to build brand awareness among the targeted customers. We may not be able to attract enough demand for our *La Koradior* products. If our *La Koradior* products fail to effectively meet the market demand and thus fail to generate our target growth in market share and profit in a timely manner, our Group's business and results of operations may be adversely affected.

Further, we are developing a new brand *Koradior elsewhere* which targets to bring a collection that is simple yet feminine, creating a form of relaxed, modern and elegant style ladies-wear and will start to launch line of products under this new brand name in the second half of 2014 by opening new self-operated retail stores for such brand. There is no assurance that products to be launched under *Koradior elsewhere* brand will become popular in the market.

We have adopted a multi-brand strategy aiming to provide diversified brands to the same targeted customer group, by using our existing *Koradior* and *La Koradior* brands and our new *Koradior elsewhere* brand mentioned above, to cater for the need of ladies in the same age group in different occasions. Our market positioning of the brands may not be accurate and may result in marketing overlaps, cannibalisation or even competition among the brands. We cannot assure you of the success of our multi-brand strategy or that any of the existing brands and new brand will continue to be successful. In addition, we may introduce and promote additional brands to expand our brand portfolio in the future. Our ability to achieve such expansion depends on our ability to identify the appropriate brands and integrate the brands into our existing business model.

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We plan to further leverage our competitive strengths and enhance our product design capability in order to expand our product portfolio and launch new product lines. The launch and development of a new brand or a new product line involves considerable time and financial commitment that may impose a substantial strain on our ability to manage our existing business and operation. We cannot assure you that we possess, or may acquire, sufficient capabilities in designing and development of the new product lines. We may face inherent risks and uncertainties such as misjudgement of levels of consumers' demand as well as selling prices for the new products. We may also lack sufficient experience in management of the new product lines with respect to which we may face different market challenges, such as those relating to marketing, sales and competition. In addition, we may receive less than expected demand from our customers for the newly developed products. In that regard, we cannot guarantee any of the new brands we may introduce and promote will generate income as expected. Failure of our multi-brand strategy or any of our new products could lead to waste of our resources and damage to our reputation and could materially and adversely affect our business, financial condition, results of operations and prospects.

We may not be able to respond in a timely manner to rapid changes in fashion trends and consumer tastes in the PRC

The fashion industry is highly susceptible to changes in fashion trends and fluctuations in consumer tastes and preferences. In order to achieve continued and sustainable success in our business, we must be able to anticipate, identify and respond promptly to such changes. We believe that our success depends on our ability to anticipate, identify and interpret the habits and tastes of, and trends among, our targeted customers and to offer products that appeal to their preferences. If we fail to anticipate accurately and respond to the shifts in consumer preferences, or fail to introduce new and improved products to satisfy those preferences in a timely manner or adjust our product mix accordingly, we may experience lower sales volumes, lower selling prices and lower profit margins. As such, our financial results may be adversely affected. On the other hand, if we fail to anticipate the increase in consumer demand for our ladies-wear products, we may experience inventory shortages and loss of sales opportunities, which may also materially and adversely affect our image.

We may not be able to manage our rapid growth and expansion of our self-operated retail stores and distribution network effectively

We have a broad ladies-wear retail network in the PRC. We have grown rapidly over the past few years and our revenue increased by 48.26% from RMB327.08 million in 2011 to RMB484.94 million in 2012 and by 44.74% from RMB484.94 million in 2012 to RMB701.88 million in 2013. The number of *Koradior* and *La Koradior* retail stores in our sales network aggregately increased from 119 as at 31 December 2011 to 177 as at 31 December 2012 and to 254 as at 31 December 2013 of which 109, 162 and 237 were self-operated. As we continue to expand our retail network, this expansion plan may place significant strain on our managerial, operational and financial resources. We may not be able to successfully manage the rapid growth of our retail network despite adopting various measures and strategies to do so, including the need to raise working capital, to identify, recruit, train and integrate additional employees, to oversee the coordination and cooperation with our OEM contractors and distributors. In addition, rapid and significant growth may place a strain on our administrative and operational infrastructure, in particular on our internal controls and financial reporting processes and systems. As our operations expand, we expect that additional resources will be required to manage new relationships with additional department store chains and distributors, as well as with other third parties,

RISK FACTORS

including OEM contractors, raw material suppliers and others. Therefore, there is no assurance that the intended growth of our retail network can be achieved or will become profitable. In addition, an economic downturn, which may materially and adversely affect the profitability of our retail stores, could result in longer lead-time for new retail stores to reach optimal operating levels.

If the expansion of retail network is not successfully managed, our operating costs may increase and our sales and financial results may be materially and adversely affected. We may not meet our retail expansion target if our business or financial conditions change from what we anticipated or there is a change in the overall economic conditions of the PRC or the regions in which we plan to locate our retail stores or we are unable to secure suitable locations for new retail stores. We may also be unable to agree on acceptable financial and operational terms with potential distributors to be able to expand our sales network or landlords to be able to expand our self-operated retail stores. In addition, we may not be able to hire employees and identify distributors to operate our retail stores appropriately and in a manner consistent with the image of our brands.

Furthermore, the rapid growth and expansion of our sales network and our results of operations during the Track Record Period may not be indicative of our future growth and financial performance and we cannot assure you that the growth we experienced during the Track Record Period, will be sustainable or achievable at all in the future. If we are unable to successfully handle these risks and difficulties, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our inventory may become obsolete

We need to maintain certain inventory level to meet the market demand for our products as well as the requirements for our business expansion. The balance of our inventory as at 31 December 2011, 2012 and 2013 amounted to RMB37.50 million, RMB73.45 million and RMB130.11 million respectively, accounted for approximately 33.93%, 41.95% and 40.16% respectively of our total current assets. Our average inventory turnover was about 94.57 days, 112.21 days and 172.39 days for the three years ended 31 December 2011, 2012 and 2013 respectively. The increase in our average inventory turnover days during the Track Record Period was primarily due to (i) the continuing expansion of our retail store network and (ii) planned launch of new brand *Koradior elsewhere* in the second half of 2014.

We have inventory control measures in place to help us maintain an appropriate inventory level. We review our inventories on hand every day through our ERP system and conduct regular stock counts at our self-operated retail stores every month to identify obsolete and slow-moving items. Provision is made for our finished goods with reference to inventory aging: 20% for finished goods aged between one year and two years, 50% for those aged between two and three years, and 80% for those aged between three and five years and 100% for those over five years. Full provision will also be made for inventory items which are damaged. Inventory provision made for each of the years ended 31 December 2011, 2012 and 2013 amounted to RMB0.32 million, RMB0.78 million and RMB0.30 million, respectively. Finished goods aged over 1 year accounted for 16.78%, 12.60% and 8.90% of total finished goods as at 31 December 2011, 2012 and 2013, respectively. We cannot assure you that our inventory control policy and measures will be implemented effectively, nor can we assure you that we

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will not experience any slow movement of inventory at our self-operated retail stores due to various reasons, which may result in reduced sales of our products and pressure on our operating cash flow, and we may subsequently incur significant provision as a result of a high level of obsolete inventories.

We may be affected by oppositions against our intellectual property rights application and may face legal proceedings against us for intellectual property rights infringement

We believe our trademarks and other intellectual property rights are crucial to our success. Our principal intellectual property rights include trademarks for our *Koradior* brand which are crucial to us as we heavily rely on them to market our products to our target lady customers. Although we have successfully applied for “Koradior” trademarks under class 25 in the PRC, we will need to apply for new trademark relevant to our business from time to time. The success of these applications depends upon a number of factors, and we cannot guarantee that we will be successful in registering these trademarks. During the Track Record Period, we have applied for the registration of our *Koradior* trademarks in a number of jurisdictions overseas, most of which have been opposed. For details, please refer to the paragraph headed “Business — Intellectual Property Rights” of this prospectus. Among our registered trademarks in the PRC, Christian Dior Couture had raised challenges when we applied for the registration of *Koradior* trademark under class 25 in the PRC. We are also in the process of applying for trademarks for our *La Koradior* and *Koradior elsewhere* brands in the PRC and there is no guarantee that our trademark applications for “*La Koradior*” and “*Koradior elsewhere*” will be successful. If we fail to register such trademarks or other future brand names, we may be prohibited from selling products which are dependent on the usage of such trademarks and may need to change names for our brands. In addition, we may face claims that our products infringe upon the intellectual property rights of third parties. Defending such claims may be costly. If any legal proceedings against us for infringement of intellectual property rights are successful, we may be ordered to be responsible for the losses incurred by the claiming parties due to our intellectual property rights.

Competitors or other third parties may believe that one or more of our trademarks or products infringe their intellectual property rights and initiate legal proceedings against us. During the Track Record Period, there had been no legal proceeding issued against us for infringement of intellectual property rights. If any legal proceedings against us for infringement of intellectual property rights is, or likely to be, successful in future and we are unable to obtain any substitute usage of such intellectual property rights on suitable terms, or unable to redevelop around such disputed intellectual property rights, we may be prohibited from selling products that are dependent on the use of such intellectual property rights. Such proceedings could have a material adverse effect on our financial situation and results of operations. We may also be subject to other legal and equitable claims, as well as damage to our reputation and image, and such proceedings and consequences could divert management attention from our business, all of which could have a material adverse effect on our financial situation and results of operations.

In the above cases, we may experience a material and adverse effect on our business and reputation, and these types of proceedings and their consequences could divert management’s attention from our business, all of which could have a material and adverse effect on our business and results of operations.

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Our ability to secure prime locations for retail stores inside department stores or shopping malls on commercially acceptable terms may affect our expansion plans

Our performance depends, to a significant extent, on the location of our self-operated retail stores as well as the retail stores operated by our distributors, as we believe prime location is a key to access to our targeted customer groups and brand building. We enter into cooperation agreements and lease agreements in order to obtain retail space for the operation of our self-operated retail stores. There is no assurance that we will be able to obtain retail space for our new self-operated retail stores on fees under the cooperation agreements or lease terms that are acceptable to us, or at all. As the supply of prime locations in a city in the PRC and those in a department store or shopping mall is limited, the competition to secure these properties or locations is intense. Our competitors may secure our desired prime locations before we or our distributors can.

Further, there can be no assurance that our current retail store locations, including those of our distributors, will continue to be attractive. The economic conditions or demographic patterns of the areas where our retail stores are located could decline in the future, thus resulting in reduced sales in these locations. Any change in the tenant mix or a change in the anchor tenant of a department store or shopping mall in which our self-operated retail stores and retail stores operated by our distributors are located may result in fewer customers visiting the shop and consequently lower the customer traffic flow to these retail stores. Additionally, poor maintenance of the complex may also attract less patronage and may adversely affect our business. In addition, the competition to procure locations with large amounts of pedestrian traffic is intense. If these current retail store locations become unattractive and we and our distributors cannot obtain desirable locations at reasonable terms, our ability to implement our growth strategy may be adversely affected.

We are exposed to risks relating to an increase in concessionary fees payable and the real estate rental market, including unpredictable and potentially high occupancy costs

Gross concession fees before any deduction of any fee or charge in our self-operated retail stores amounted to RMB87.29 million, RMB123.28 million and RMB181.36 million for the three years ended 31 December 2011, 2012 and 2013 respectively, representing 26.69%, 25.42% and 25.84% of our revenue during the same period. For the three years ended 31 December 2011, 2012 and 2013, gross concession fees before any deduction of any fee or charge constituted 48.27%, 46.33% and 48.06% of our operating expenses, respectively. Accordingly, any increase in concession fees in the future will cause an increase in our operating expenses and may reduce our profitability.

As at the Latest Practicable Date, we leased one property with an aggregate gross floor area of 3,500.00 sq.m. in the PRC as warehouse and seventeen properties with an aggregate gross floor area of approximately 2,928.31 sq.m. in the PRC which are used as self-operated retail stores. We have also leased two office units with a total gross floor area of approximately 960 sq.m. For the three years ended 31 December 2011, 2012 and 2013, rental costs constituted 0.51%, 1.35% and 2.23% of our operating expenses, respectively. Rental expenses in our self-operated retail stores amounted to RMB0.44 million, RMB2.34 million and RMB6.38 million for the three years ended 31 December 2011, 2012 and 2013 respectively, representing 0.13%, 0.48% and 0.91% of our revenue during the same period. In the past few years, the overall costs for securing leases of self-operated retail stores have increased. The rental costs as a percentage of revenue may further increase in the future as rental costs

RISK FACTORS

in the PRC may continue to increase. As a result, our increased rental obligations may render us vulnerable to adverse economic conditions, limit our ability to obtain additional financing and reduce our cash available for other purposes.

In addition, department store and shopping mall operators may increase the concession fees or rentals charged on the retail stores operated by us and our distributors and as a result, the operations of these retail stores may not be commercially viable to us and our distributors. Additionally, we cannot guarantee that we will be able to renew our existing cooperation agreements or lease agreements upon expiry or on terms and conditions that are acceptable to us. The term of our arrangements generally ranges from 12 months to 24 months for retail stores in department stores and from 12 months to 36 months for retail stores in shopping malls respectively. If such existing cooperation agreements or lease agreements cannot be renewed, we will have to find alternative premises that may not turn out to be located in areas that offer similar business environments. Failure to renew such retail spaces will provide an opportunity for competitors to move into such retail spaces previously occupied by us. Accordingly, failure to secure such retail spaces for our self-operated retail stores on terms that are acceptable to us may increase our cost of operations and materially and adversely affect our turnover and financial performance.

We may be required to seek alternative premises and/or we may be required to pay penalties for some of our leased properties if our landlords do not have title thereto and for non-registration with the relevant PRC governmental authorities

We have leased certain properties in the cities we operate. As at the Latest Practicable Date, our material leased properties included 20 premises with an aggregate GFA of approximately 7,388.10 sq.m., which are used for our offices, warehouse and retail stores. In respect of these leased properties and the leases, there are certain defects as follows:

- (i) six of the leased properties, which are respectively in Wuxi, Shenzhen, Chongqing, Linyi and Jinan with an aggregate GFA of approximately 893.27 sq.m. and for use as retail stores, lack relevant title certificates; and
- (ii) eleven of the leased properties with title certificates with an aggregate GFA of approximately 2,035.04 sq.m. and for use as retail stores, have not been registered with the relevant PRC governmental authorities.

In respect of those leased properties without title certificates, any dispute or claim in relation to the rights to lease and use the properties occupied by us, including any litigation involving allegations of illegal or unauthorised use of these properties, may require us to relocate our retail stores. If any of our leases were terminated as a result of any challenge by third parties or any failure of our lessors to renew the leases or obtain their legal title, we may need to seek alternative premises and incur additional costs for relocation.

In respect of those leases with title certificates but failure of registration with the relevant PRC governmental authorities, we as the lessee may be imposed of a fine between RMB1,000 and RMB10,000 according to the laws and regulations, and in Shenzhen, a fine equal to 10.00% of the total rental cost under the lease agreement may be imposed only under the circumstances that we are proved to be in fault on the failure of leases registration.

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We have been advised by our PRC legal advisers, that the lack of registration of the leased properties will not affect the validity and enforceability of the lease agreements.

We rely on our outsourced OEM contractors for the production of all of our products and any material disruption to the supply of products from our outsourced manufacturers would materially and adversely affect our results of operations

We outsource the production of all products under our *Koradior* and *La Koradior* brands to domestic OEM contractors so as to focus on activities such as design, promotion and marketing, retail store management and customer services. During the Track Record Period, the cost of inventories sold amounted to RMB118.95 million, RMB179.68 million and RMB215.20 million, respectively. A number of factors could cause prolonged interruptions in the operations of these manufacturers, including but not limited to equipment failures or property damages experienced by these manufacturers, changes in laws and regulations that affect their manufacturing processes, or financial difficulties and labour disputes faced by these manufacturers. We may experience material disruptions in the supply of finished goods due to any of the above factors in the future.

We cannot assure you that our existing outsourced OEM contractors will continue to accept our future product orders on the same or similar terms (including prices and quantities) or at all in the future, nor can we assure you that our outsourced OEM contractors' resources will not be used for their other customers, or that they will continuously have sufficient resources to meet our demand. Should these outsourced OEM contractors fail to deliver sufficient finished products to us that meet our standards and the expectations from our customers, it would severely affect our ability to supply our retail stores. We cannot ensure that we will not face material disruptions to the supply of products from our outsourced OEM contractors in the future. In the event of such disruptions, we may not be able to find suitable alternative outsourced OEM contractors on a timely basis to supply the same or similar types and quantities of products. During the Track Record Period, our Group had not experienced any material disruption to the supply of products from the outsourced OEM contractors. In addition, as at the Latest Practicable Date, we did not carry any business interruption insurance to protect us from disruption in the supply of products. Any material disruption in the supply of products from our outsourced OEM contractors may materially and adversely affect our results of operations.

We may not be able to adequately protect our intellectual property rights

We significantly depend on PRC laws to protect our trademarks, patents or other intellectual property rights. We may encounter instances of counterfeit products sold in the PRC. In addition, there are countries, including but not limited to the PRC, where protection of patents, trademarks and other intellectual property rights may not be effective or may be limited. If we are unable to adequately protect or safeguard our intellectual property rights, our business, financial condition and results of operations and prospects may be materially and adversely affected.

In addition, there is no assurance that third parties will not infringe our intellectual property rights or that the actions taken by us will be adequate to prevent such infringement. We have previously encountered instances where companies which names include our brand name "*Koradior*" were registered in the PRC by Independent Third Parties. We have not taken any preventive measures or legal actions against companies unrelated to us registering their names with our brand names and have no control over these companies. We are not in a position to confirm whether these companies are operating businesses competing with us or if at all. We also cannot assure you that third parties will not

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imitate our design and trademarks and make products that are similar or caused confusion with our products. In the event that we are unable to adequately protect or safeguard our intellectual property rights, our reputation, business, financial condition and results of operations and prospects may be materially and adversely affected.

We are heavily dependent on certain key executives and senior management

Our success depends heavily on our ability to attract, retain and motivate our key executives and senior management. In particular, we rely heavily on the continued service of Mr. Jin and Ms. He Hongmei, both executive Directors. Both of them have been with us since the inception of our business. There is no assurance that these key executives and members of senior management will not voluntarily terminate their employment with us. The loss of any key personnel without a timely and suitable replacement could be detrimental to the ongoing success of our operations.

In addition, competition for qualified sales, marketing and design personnel is very intense, and we face competition for such personnel from competitors in our industry. If we are unable to retain or recruit sales, marketing and design personnel, we may not be able to maintain our position as the sixth in terms of retail revenue within the high-end ladies-wear fashion market in the PRC. This may render us incapable of meeting our growth targets, and our business, financial condition, and results of operations will be materially and adversely affected.

We may be required to make additional contributions of housing provident funds under PRC national laws and regulations

Under the relevant PRC laws and regulations, we are required to contribute towards various government sponsored employee benefit plans, including social insurance and housing provident funds, in amounts equal to pre-determined percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government where we operate our businesses.

In respect of housing provident funds, we opened the housing provident funds account since December 2012 and started to pay the relevant housing provident funds since February 2013. Due to the underpaid amount to the housing provident funds account, we have made provisions of RMB0.62 million, RMB1.18 million and RMB0.11 million in 2011, 2012 and 2013 respectively. As advised by our PRC legal advisers, we may be demanded by the relevant authorities to pay the underpaid amount to the housing provident funds within a prescribed time limit, failing which the people's court may order for compulsory execution. At the Latest Practical Date, we had not received any notification from the relevant authorities demanding payment of the housing provident funds.

However, we cannot assure you that we will not be subject to any order to rectify non-compliance in the future. Nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the housing provident funds against us, or that we will not receive any claims in respect of housing provident funds under national laws and regulation. In addition, we may incur additional expenses to comply with such laws and regulations by the PRC government or relevant local authorities.

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Fluctuations in the price, availability and quality of raw materials could cause production delays and increase in costs of goods sold. The cost of products manufactured by outsourced OEM contractors may also expose us to an increase in our total cost of sales

The principal raw materials used in our products are fabrics. During the Track Record Period, we sourced fabrics from various domestic fabric manufacturers and merchants which also provide fabrics sourced from overseas. About 43.43%, 44.26% and 38.51% of our raw material and product parts were sourced from our top five raw materials suppliers for the three years ended 31 December 2011, 2012 and 2013 respectively. Our largest raw material supplier accounted for about 13.22%, 20.78% and 10.87% of our total purchases of raw materials for the same periods, respectively.

The cost of inventories sold amounted to RMB118.95 million, RMB179.68 million and RMB215.20 million for the three years ended 31 December 2011, 2012 and 2013, respectively. Prices that we pay for the outsourced products may also increase due to greater industry demand or a shortage of labour for our outsourced OEM contractors. Labour costs in the PRC have increased and may continue to increase in the future. Depending on the price fluctuations of raw materials and/or cost of production of our outsourced OEM contractors, we may need to adjust the selling price of our products. However, there is no assurance that we can pass increases in costs onto our customers in a timely manner or at all, which could materially and adversely affect our profit margins.

We or our outsourced OEM contractors must obtain sufficient quantities of quality raw materials from suppliers in order to maintain our normal operations. If we or our outsourced OEM contractors are unable to obtain the raw materials from suppliers for any reason, we or our outsourced OEM contractors may have to incur additional costs in order to source the raw materials from alternative suppliers in order to avoid any interruption to our production schedule. We do not have long term supply contracts with our raw material suppliers or our outsourced OEM contractors. There is no assurance that we will be able to contract with suitable alternative suppliers or outsourced OEM contractors in a timely manner and this could result in a delay in our production schedule, which may adversely affect our profitability. If quality raw materials cannot be sourced at acceptable prices and in a timely manner, our OEM contractors' production schedules may be adversely affected and the cost of production may increase, and our sales, business and trading position, as well as our financial results and condition, may be materially and adversely affected.

We may not be able to exercise adequate control over the operations of our outsourced OEM contractors

We may not be able to exercise adequate control over the operations of our outsourced OEM contractors and are therefore not able to ensure their compliance with applicable laws and regulations. The failure on the part of our outsourced OEM contractors to comply with certain laws, such as labour and environmental laws, may result in delay or interruption in their operations or even negative publicity, which could affect our sales or damage our brand and reputation. Additionally, since our control over the operations of outsourced OEM contractors is limited, we need to maintain stringent quality inspection procedures to ensure that the quality of finished goods is up to our standards. If we fail to maintain such procedures and relevant standards, or if our procedures are proven to be insufficient to ensure the quality of our products, our business, financial condition and results of operations may be materially and adversely affected. Further, these outsourced OEM contractors may be subject to national and local government regulations where they operate. Any change to the relevant

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government regulations or policies, whether relating to labour safety, tax treatment, environmental protection or any other aspects, may directly affect the operating costs of these contractors. If we are unable to identify and take other measures to reduce costs of our outsourced production and are unable to pass on such increases in costs to our customers by increasing the selling prices of our products, our profit margin may decrease and our financial results may be materially and adversely affected.

Our limited operating experience with distributors and our failure to effectively handle the risks associated with our distributorship arrangement may materially and adversely affect our business

We sold substantially all our products directly to end-consumers through our self-operated retail stores in shopping malls and department stores. Since 2010, we started to sell our products on a wholesale basis to distributors who subsequently sell our products to end-consumers through retail stores directly operated by themselves. Sales to our distributors accounted for approximately 1.71%, 3.13% and 2.32% of our total revenue for the years ended 31 December 2011, 2012 and 2013 respectively. Our distributorship agreements generally have a term of 12 months to 24 months, and there is no assurance that the agreements will be renewed on the same or similar terms, or at all. There is no assurance that our existing distributors will continue to place orders with us at historical levels, or that we would be able to find sizeable distributors to purchase similar types and quantities of products should we lose any of our existing distributors. As we intend to expand our retail network through distributors and distributorship is relatively new to us, our limited experience operating through distributorship arrangements may make it difficult for us to identify and address all the challenges that we may encounter in the different stages of developing and implementing such arrangements.

We are not in a position to ascertain that all of our distributors have obtained all licenses, permits and approvals necessary for their operations or complied with all applicable laws and regulations. Failure in conducting their business in compliance with our distributorship agreement and therefore failure on the part of our distributors to comply with applicable laws and regulations, such as product or retail-related labour and environmental laws and regulations, may result in negative publicity which may damage our image and reputation, and materially and adversely affect our profitability.

Any significant disruption or damage to our administrative facilities and warehouse could have a material adverse effect on our results of operations

We are heavily reliant on the efficient, proper and uninterrupted operation of our administrative facilities and warehouse in order to grow our business and meet our contractual obligations with our distributors and suppliers. Power failures or disruptions, the improper installation or operation of equipment and the destruction of buildings, equipment and other facilities due to natural disasters such as hurricanes, fire, flooding or earthquakes would severely affect our ability to continue our operations. We currently do not carry any business interruption insurance. No assurance can be given that our insurance coverage would be adequate to compensate us for the actual cost of replacing our buildings, equipment and infrastructure nor can we assure you that such events would not have a material adverse effect on our business, financial condition and results of operations and prospects.

We may be exposed to product liability, property damage or personal injury claims

We generally do not have product liability insurance because as advised by our PRC legal advisers, it is not specifically required under PRC laws. If we are found liable for any product liability claim, we may be required to pay substantial damages. Even if we are successful in defending such a

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claim, we may incur substantial financial and other resources in defending such a claim. In such circumstances, our financial results will be adversely affected. Depending on the outcome of any such claims, the reputation of our brands could also be adversely affected. We may incur significant costs and expenses to defend against such claims or enter into settlement agreements. We may be fined or sanctioned, which could materially and adversely affect our reputation, business, prospects, financial condition and results of operations. During the Track Record Period, our Group has not been subjected to any material product liability claim, nor have we made any material claims under our insurance policies or experienced any material business interruptions.

We may also be exposed to investigations by government authorities as a result of defective materials we or our outsourced OEM contractors purchased from suppliers. In September 2012, Shanghai Municipal Bureau of Quality and Technical Supervision (上海市質量技術監督局) conducted a random quality check on two dresses at our self-operated retail store in Shanghai and found that such dresses failed to pass its Formaldehyde standard. As at the Latest Practicable Date, no litigation or claim is known to our Directors to be pending or threatened against us, nor have there been any penalties against us in relation to such quality check. For further details, please refer to the paragraph headed “Business — Quality control” of this prospectus.

Our Company’s future dividend policy is subject to the discretion of our Directors

The amount of dividends which we may declare in the future will be subject to the discretion of our Directors depending on our Company’s results, working capital, cash position, future operations, profitability, surplus and capital requirements, as well as our Company’s general financial condition and any other factors which our Directors may consider to be relevant. Therefore, our Company’s historical dividend distributions are not indicative of our Company’s future dividend distribution policy.

We may not be able to secure future financing

From time to time, we may require additional funds depending on our future business plan, market conditions and other factors which are beyond our management’s control and expectation. Extra funding may also be needed for retail network expansion or renovation, to acquire or license new brands, or to strengthen the design team as well as the back-end office support. The tightening of credit in the PRC which resulted from the ongoing economic uncertainty may increase our finance costs and create difficulties for us to renew our existing banking facilities and obtain additional sources of debt financing, which may affect our overall liquidity. Our lenders may impose more stringent terms under our credit facilities, request early payment of outstanding loans or request increases in the amount of pledges for secured borrowings. Further, if we require additional debt financing, our lenders may require us to agree on restrictive covenants that could limit our flexibility in conducting future business activities. If we are unable to secure external financing on acceptable terms to meet our operational and expansion needs, our business and trading position, as well as our financial results and conditions may be materially and adversely affected.

Our Controlling Shareholders have substantial influence over us and our Controlling Shareholders’ interests may not be aligned with the interests of our other shareholders

After the Global Offering, Mr. Jin, Kingstun Holdings and Koradior Investments will be our Controlling Shareholders and will together control approximately 65.25% of the Shares, assuming that the Over-allotment Option is not exercised. As such, our Controlling Shareholders will have substantial

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influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. These actions may be taken even if they are opposed by our other shareholders, including those who purchased Shares in the Global Offering. In addition, the interests of our Controlling Shareholders may differ from the interests of our other shareholders.

We may not be able to fully and effectively compete against online ladies-wear apparel retailers in China

We primarily rely on our own self-operated retail stores and distributors to sell our products to consumers and do not have substantial operation to sell our products online. Our sales through third party e-commerce platforms for the years ended 31 December 2011, 2012 and 2013 were RMB2.85 million, RMB9.64 million and RMB31.38 million, respectively. The rapid technological development of the Internet has fundamentally changed traditional transaction patterns. As e-commerce has become more popular, consumers and businesses have increasingly engaged in online evaluation, selection and purchase of goods and services. Recently, a number of online ladies-wear apparel retailers emerged and are offering secured online ordering and home delivery services. Therefore, we may face competition from these online retailers. If we fail to cater to the development of e-commerce and cannot expand our online retail business efficiently and quickly compared to our competitors, our market share may decrease and our results of operations may be adversely affected.

RISKS RELATING TO THE INDUSTRY

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

We derive all of our turnover from sales of our products in the PRC. The success of our business depends on the condition and growth of the PRC consumer market, which, in turn, depends on worldwide economic conditions and individual income levels in the PRC and their impact on levels of consumer spending. There are many factors affecting the level of consumer spending, including but not limited to interest rates, currency exchange rates, recession, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. There can be no assurance that historical growth rates of the PRC economy will continue or that projected growth rates of the PRC economy and the PRC consumer market, including those described in the section headed “Industry Overview” of this prospectus, will be realised. Any future slowdowns or declines in the PRC economy or consumer spending may materially and adversely affect our business and results of operations.

We face intense competition in the ladies-wear industry in the PRC

The ladies-wear industry in the PRC is characterised by intense competition from both international and domestic brands. We generally face competition from brands with similar brand positioning based on brand recognition, design, product mix, quality, price, customer service and breadth of retail network, among other factors. Our rapid growth may also attract attention and concerns from our competitors and new market players to adopt similar brand positioning with their brands as us.

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There is no assurance that we will be able to compete effectively against competitors who may have greater financial resources, greater scales of production, superior technology, better brand recognition and a wider, more diverse and established sales network. In order to maintain our market share and remain competitive, we may be forced to provide more sales incentives to our staff and distributors, and increase capital expenditures, which may in turn negatively affect our profit margins and our results of operations.

In addition, with the liberalisation measures adopted pursuant to the PRC's accession to the World Trade Organisation, or WTO, foreign brands are permitted to expand their business in the PRC with fewer restrictions. Further, as the economy continues to grow in the PRC, consumers are expected to accumulate greater purchasing power and can more readily afford foreign brands. As a result, more foreign brands have entered, and are continuing to enter, the PRC market, which further increases competition in the ladies-wear industry in the PRC.

Our sales volume is sensitive to seasonality effects and weather patterns

Our performance is subject to seasonal trends or fluctuations. Sales amounts may vary throughout the year with relatively higher levels of sales for our fall/winter collections and lower levels of sales for our spring/summer collections because the unit selling price for our fall/winter apparel products is generally higher than that for spring/summer apparel products. We also record higher sales typically around holiday and festive seasons such as the Chinese New Year and the Chinese National Day. As a result, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different financial years, are not necessarily meaningful and cannot be relied on as indicators of our performance. In addition, since we operate largely on a seasonal cycle, if our outsourced OEM contractors fail to deliver on a timely basis as a result of extreme and unseasonable weather conditions, our sales in any season and our results of operations could be materially and adversely affected.

Extreme changes in weather patterns could also affect consumers' purchasing behaviour, which may lead to fluctuations in our sales revenue. For example, extended periods of unseasonably warm weather during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with such unseasonable weather conditions. These extreme or unseasonable weather conditions could have a material adverse effect on our results of operations.

Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may cause damage, loss or disruption to our business

Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may materially and adversely affect the economy, infrastructure and livelihood of the people of the PRC. Some cities in the PRC are particularly susceptible to floods, earthquakes, sandstorms, snowstorms and droughts. Our business, financial condition, results of operations and prospects may be materially and adversely affected if such natural disasters occur in places where we operate or where our products are sold, whether directly or indirectly. Political unrest, acts of war and terrorists attacks may cause damage or disruption to us, our employees, our self-operated retail stores, the distribution channels operated by our distributors and our markets, any of which could materially and adversely affect our sales, cost of sales, overall results of operations and financial condition. The potential for war or terrorists attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict. In addition, certain Asian countries, including the PRC, have encountered epidemics, such as SARS or

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incidents of the avian flu. Past occurrences of epidemics have caused different degrees of damage to the national and local economies in the PRC. A recurrence of an outbreak of SARS, avian flu or any other similar epidemic such as the H1N1 flu (swine flu) could cause a slowdown in the levels of economic activity generally, which could in turn materially and adversely affect our results of operations and the price of our Shares.

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC

Changes in the PRC economic, political and social conditions, as well as government policies, could have a material adverse effect on our business, financial condition, results of operations and prospects

Substantially all of our business assets are located in the PRC and substantially all of our revenue is derived from the PRC. Accordingly, our performance, financial position and prospects are subject, to a significant degree, to the economic, political and legal developments of the PRC. In particular, political and economic policies of the PRC Government could affect our business, financial condition and results of operations and may affect our ability to sustain our growth.

The economy of the PRC differs from the economies of most developed countries in a number of respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange. Before its adoption of reform and open door policies beginning in 1978, the PRC was primarily a planned economy. Since that time, the PRC Government has been reforming the PRC economic system, and has also begun reforming the government structure in recent years. These reforms have resulted in significant economic growth and social progress. Although the PRC government still owns a significant portion of the productive assets in the PRC, economic reform policies since the late 1970s have emphasised autonomous enterprises and the utilisation of market mechanisms, especially where these policies apply to businesses such as ours. Although we believe these reforms will have a positive effect on our overall and long-term development, we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our future business and prospects.

Our ability to continue to expand our business is dependent on a number of factors, including general economic and capital market conditions and credit availability from banks or other lenders. Recently, the PRC Government has increased interest rates on bank loans and deposits and tightened the money supply to control growth in lending. Stricter lending policies may, among other things, affect our and our end users' ability to obtain financing which may in turn adversely affect our growth and financial performance. We cannot assure you that further measures to control growth in lending will not be implemented by the PRC Government in a manner that may adversely affect our growth and profitability over time.

Uncertainties with respect to the PRC legal system could have a material adverse effect on our business and operations

Our business and operations are primarily conducted in the PRC and are governed by applicable PRC laws, rules and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference, but have limited weight as precedents. Since the late 1970s, the PRC Government has significantly enhanced the PRC legislation and regulations to provide protection to various forms of foreign investments in the

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PRC. However, the PRC has not developed a fully integrated legal system, and recently-enacted laws, rules and regulations may not sufficiently cover all aspects of economic activity in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until some time after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial costs and the diversion of resources and management attention.

Fluctuations in exchange rates and governmental control over currency conversion may affect the value of your investment and limit our ability to utilise our cash effectively

Renminbi is not currently a freely convertible currency. We receive all of our payments from end users in Renminbi and will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares. Under the PRC's existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE or its local branches by complying with certain procedural requirements. However, the PRC Government may take measures at its discretion in the future to restrict access to foreign currencies for current account transactions if foreign currencies become scarce in the PRC. We may not be able to pay dividends in foreign currencies to our shareholders if the PRC Government restricts access to foreign currencies for current account transactions. Foreign exchange transactions under our capital account continue to be subject to significant foreign exchange controls and require the approval of the SAFE or its local branches. These limitations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

The exchange rate of Renminbi against US dollars and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC Government and changes in the PRC's and international political and economic conditions. Since 1994, the conversion of Renminbi into foreign currencies, including US dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's interbank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to US dollars was generally stable. In July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC Government has since made, and in the future may make, adjustments to the exchange rate system. There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of Renminbi against US dollars, Hong Kong dollars or other foreign currencies. If the appreciation of Renminbi continues, and as we need to convert the proceeds from the Global Offering and future financing into Renminbi for our operations, appreciation of Renminbi against the relevant foreign currencies would reduce the Renminbi amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of Renminbi against Hong Kong dollars could reduce the amount of any cash dividends on our Shares in Hong Kong dollars terms.

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We may be deemed to be a PRC tax resident under the EIT Law and our PRC-sourced income may be subject to PRC withholding tax under the EIT Law

We are incorporated under the laws of the Cayman Islands and directly hold interests in our PRC operating subsidiaries. Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “EIT Law”), and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which took effect on 1 January 2008, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC resident enterprise are subject to a 10% withholding tax, unless such foreign investor’s jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. The EIT Law provides that if an enterprise incorporated outside the PRC has its “de facto management bodies” within the PRC, such enterprise may be deemed a “PRC resident enterprise” for tax purposes and be subject to an enterprise income tax rate of 25% on its global incomes. “De facto management body” is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation (國家稅務總局) (the “SAT”) promulgated a circular to clarify the certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by PRC enterprises. These criteria include: (i) the enterprise’s day-to-day operational management is primarily exercised in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organisations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders’ meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for foreign enterprises which are not controlled by PRC enterprises (including companies like ourselves). Therefore, it remains unclear how the tax authorities will treat a case such as ours. We cannot assure you that we will not be considered a PRC resident enterprise for PRC enterprise income tax purposes and be subject to the uniform 25% enterprise income tax on our global incomes. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, due to the short history of the EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC incorporated subsidiaries to us will meet such qualification requirements even if we are considered a PRC resident enterprise for tax purposes.

Furthermore, the EIT Law provides that, (i) if the enterprise that distributes dividends is domiciled in the PRC, or (ii) if gains are realised from transferring equity interest of enterprises domiciled in the PRC, then such dividends or capital gains are treated as PRC-sourced income. It is not clear how “domicile” may be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered a PRC resident enterprise for tax purposes, any dividends we pay to our overseas corporate Shareholders who are not deemed a PRC resident enterprise as well as gains realised by such Shareholders from the transfer of our Shares may be regarded as PRC-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10%.

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Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under the PRC tax laws

Under the EIT Law, we may in the future be deemed as a PRC resident enterprise by the PRC tax authorities for tax purpose. As such, it may be required to withhold PRC income tax on capital gains realised from sales of our Shares and dividends distributed to Shareholders, as such income may be regarded as income from “sources within the PRC”. In this case, our foreign corporate Shareholders who are not deemed a PRC resident enterprise may become subject to a 10% withholding income tax under the EIT Law, unless any such foreign corporate Shareholder is qualified for a preferential withholding rate under a tax treaty. If the PRC tax authorities deem us as a PRC resident enterprise, Shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties will need to apply to the PRC tax authorities for recognition of eligibility for such benefits in accordance with the Circular of SAT on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties (國家稅務總局關於印發《非居民企業享受稅收協定待遇管理辦法(試行)》的通知) (the “**Circular 124**”), issued on 24 August 2009. Further, according to Circular 124, which became effective on 1 October 2009, the preferential tax rate does not automatically apply. It is likely that eligibility will be based on a substantive analysis of the Shareholder’s tax residency and economic substance. With respect to dividends, the beneficial ownership tests under Circular 601 will also apply. If determined to be ineligible for treaty benefits, such a Shareholder would become subject to higher PRC tax rates on capital gains realised from sales of our Shares and on dividends on our Shares. In such circumstances, the value of such foreign Shareholders’ investment in our Shares sold in the Global Offering may be materially and adversely affected.

Similarly, the Circular of State Administration of Taxation on Strengthening Corporate Income Tax Management on Non-resident Enterprises Equity Transfer Income (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (the “**Circular 698**”), which was issued by SAT on 10 December 2009 and became effective on 1 January 2008, provides that except for the purchase and sale of equity through a public securities market, where a foreign corporate investor indirectly transfers the equity of a PRC resident enterprise by disposing the equity of an overseas holding company (the “**Indirect Transfer**”) located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5%; or (ii) does not tax its residents on their foreign income, the foreign corporate investor shall report the Indirect Transfer to the competent PRC tax authority within 30 days from the date when the equity transfer agreement was made. In this case, the PRC tax authority will examine the true nature of the Indirect Transfer. Should it deem the foreign investor to have made the Indirect Transfer without reasonable commercial purpose and in order to avoid the PRC tax, the PRC tax authority may disregard the existence of the overseas holding company that is used for tax planning purpose and re-characterise the Indirect Transfer. As a result, gains derived from such Indirect Transfer by the foreign investor may be subject to the PRC enterprise income tax.

In addition, under the EIT Law, if a foreign entity is deemed to be a “non-resident enterprise” as defined under the EIT, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since 1 January 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements. According to the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》), dividends paid by a PRC foreign-invested enterprise, such

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as our PRC subsidiaries, in the PRC to its shareholder(s) incorporated in Hong Kong, such as our Hong Kong subsidiary, will be subject to withholding tax at a rate of 5% if the Hong Kong company directly holds 25% or more interest in the PRC enterprise. The SAT issued the Circular on Interpretation and Determination of Beneficial Owner under Tax Treaties (國家稅務總局關於如何理解和認定稅收協定中“受益所有人”的通知) (the “**Circular 601**”) on 27 October 2009, which addresses which entities are treated as “beneficial owners” under the treaty articles on dividends, interest and royalties. According to Circular 601, the PRC tax authorities must evaluate whether an applicant (income recipient) qualifies as a “beneficial owner” on a case-by-case basis based on the “substance over form” principle. It is possible, based on these principles, that the PRC tax authorities would not consider our Hong Kong subsidiary as the “beneficial owner” of any dividends paid from our PRC subsidiaries and would deny the claim for the reduced rate of withholding tax. Under current PRC tax law, this would result in dividends from our PRC subsidiaries to our Hong Kong subsidiary being subject to PRC withholding tax at a 10% rate instead of a 5% rate. This would negatively impact us and it would impact our ability to pay dividends.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business

We are a holding company incorporated in the Cayman Islands and operate our core businesses through our operating subsidiaries in the PRC. Therefore, the availability of funds to pay dividends to our Shareholders depends upon dividends received from these subsidiaries. If our subsidiaries incur debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted. The applicable PRC laws, rules and regulations require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including Hong Kong Financial Reporting Standards (the “**HKFRS**”) and IFRS. The applicable PRC laws, rules and regulations also require foreign-invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. As a result, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC or Hong Kong based on foreign laws against us and our directors and senior management

We are incorporated in the Cayman Islands. Almost all of our assets and some of the assets of our Directors are located in the PRC. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (the “**Arrangement**”), pursuant to which a party with a final court judgment rendered by a

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Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Consequently, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

The PRC is one of the signatories to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “**New York Convention**”), which allows for the enforcement of arbitral awards given by the arbitration bodies of other New York Convention signatories. There is also reciprocal arrangement on enforcement of arbitral awards between Hong Kong and the PRC under a memorandum of understanding which was signed on 21 June 1999, approved by the Supreme People’s Court of the PRC and the Hong Kong Legislative Council and became effective on 1 February 2000 (the “**Memorandum of Understanding**”). However, it may be difficult to seek recognition and enforcement of arbitral awards in the PRC if the arbitral awards were given by arbitration bodies that are not signatories to the New York Convention or do not have arrangements with the PRC similar to the Memorandum of Understanding.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the net proceeds from the Global Offering to make additional capital contributions or loans to our major PRC subsidiaries

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the net proceeds from the Global Offering, are subject to PRC regulation. For example, our loans to our PRC subsidiaries may not exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under relevant PRC laws and the registered capital of our major PRC subsidiaries, and such loans must be registered with the local branch of SAFE. In addition, our capital contributions to our major PRC subsidiaries must be approved by MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be negatively affected, which may adversely affect our PRC subsidiaries’ liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments and would have a material adverse effect on our business, financial condition and results of operations.

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PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liabilities or penalties, limit our ability to contribute capital to our PRC subsidiaries, limit our PRC subsidiaries' ability to increase its registered capital or distribute profits to us, or may otherwise adversely affect us

On 21 October 2005, SAFE issued the Notice on Relevant Issues Concerning Foreign Exchange Administration Involved in Financing and Inbound Investment Conducted by the PRC Residents via Overseas Special Purpose Vehicles (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the “SAFE Circular No. 75”), pursuant to which PRC residents should register with the local branch of the SAFE before establishing or controlling a privately-held overseas special purpose vehicle (the “Overseas SPV”) for the purpose of overseas equity financing (including convertible debt financing); when a PRC resident contributes the assets of or its equity interest in a domestic enterprise into an Overseas SPV, or engages in overseas financing after contributing assets or equity interest into an overseas SPV, such PRC resident shall register his or her interest in the Overseas SPV and the change thereof with the local branch of the SAFE; and when the Overseas SPV undergoes such material capital alteration as a change in share capital or merger and acquisition, the PRC resident shall, within 30 days from the occurrence of such event, register with the local branch of the SAFE. Under the SAFE Circular No. 75, failure to comply with the registration procedures set forth above may result in restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to Overseas SPV, as well as the imposition of penalties in accordance with the law. In addition, any such PRC resident is required to update the previously filed registration to reflect any material alteration in the capital of such Overseas SPV involving no roundtrip investment, such as a change in share capital or merger and acquisition of the Overseas SPV. If any PRC shareholder of the Overseas SPV fails to make or update the required registration, the PRC subsidiaries of the SPV may be prohibited from paying dividends and other distributions to their offshore parent, and the SPV may also be prohibited from contributing additional capital into its PRC subsidiaries. Furthermore, failure to comply with the foregoing requirements could result in liability under the PRC laws for evasion of applicable foreign exchange restrictions.

As specified in the SAFE Circular No. 75, an SPV refers to an overseas enterprise directly established or indirectly controlled by a domestic resident legal person or domestic resident natural person for the purpose of engaging in equity financing abroad with the enterprise assets or equity interests held within the PRC. In addition, a domestic resident individual as regulated in the SAFE Circular No. 75 means an individual holding Chinese legitimate identity cards, or a person having no Chinese legitimate identity but having been habitually resident in China due to economic benefits. As confirmed by our PRC legal advisers, the ultimate beneficial owner of the Company, Mr. Jin, has completed the SAFE registration in accordance with the SAFE Circular No. 75 and alteration registration with SAFE. However, there can be no assurance that the local SAFE branch will not change its interpretation regarding filing of SAFE registration or the PRC regulatory authorities will not issue new SAFE regulations.

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RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and their liquidity and market price may be volatile

Prior to the Global Offering, there was no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Joint Bookrunners on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for the listing of, and permission to deal in, our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop or, if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering. In addition, there can be no assurance that the Global Offering will result in the development of an active and liquid public trading market for our Shares. Furthermore, the price and trading volume of our Shares may be volatile. There are many factors which may affect the volume and price at which our Shares will trade.

There can be no assurance on the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry consultant report, contained in this prospectus.

Certain facts, forecasts and other statistics relating to the PRC and the fashion markets as well as the ladies-wear industry in China contained in this prospectus have been derived from various government publications, market data providers and other independent third-party sources, including Frost & Sullivan, an independent industry consultant, and generally are believed to be reliable. However, we cannot guarantee the accuracy and completeness of such information. These facts, forecasts and other statistics have not been independently verified by us, the Joint Sponsors, the Underwriters, their respective directors and advisers or any other parties involved in the Global Offering and none of them makes any representation as to the accuracy or completeness of such information. Furthermore, such facts, forecasts and other statistics may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside China. For these reasons, you should not place undue reliance on such information as a basis for making your investment in our Shares.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, and this normally means that at least two of its executive Directors must be ordinarily resident in Hong Kong. Our principal business and operations, including the design, source and sale of ladies-wear and apparel products, are located, managed and conducted in the PRC through our operating subsidiary in the PRC. All products of our Group are sold to retail customers through our self-operated retail stores located in the PRC, our distributors based in the PRC and various third party e-commerce platforms. All of our turnover is generated from the PRC. None of our executive Directors are Hong Kong permanent residents or ordinarily based in Hong Kong. Our Company considers that it would be practically difficult and commercially unnecessary for us to either relocate two executive Directors to Hong Kong or to appoint two additional executive Directors who are ordinarily resident in Hong Kong. Each of our Directors, who is not ordinarily resident in Hong Kong, currently holds valid travel documents that allow them to travel to Hong Kong for meetings with the Stock Exchange within a reasonable period of time.

In that regard, our Company does not, and does not contemplate in the foreseeable future that it will, have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

We have received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) We have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Stock Exchange. The two authorised representatives are Mr. Deng Shigang, an executive Director and Mr. Leung Ka Wai, one of our joint company secretaries. Mr. Deng Shigang confirmed that he possessed valid travel documents and can readily travel to Hong Kong and Mr. Leung Ka Wai is ordinarily resident in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and e-mail. Each of the two authorised representatives has been authorised to communicate on our behalf with the Stock Exchange. Our Company has been registered as a non-Hong Kong company under the Companies Ordinance, and Mr. Leung Ka Wai, the authorised representative of our Company registered under the Companies Ordinance, is authorised to accept service of legal process and notices in Hong Kong on behalf of our Company;
- (b) Mr. Wong Wai Kong and Mr. Hung Man Sing, two of our independent non-executive Directors, are both ordinary residents in Hong Kong and will also serve as a channel of communication between the Stock Exchange and our Company;
- (c) Both the authorised representatives have means to contact our Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matter. To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, we have implemented a

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

policy that (a) each executive Director and independent non-executive Director will provide their respective office phone numbers, mobile phone numbers, residential phone numbers, fax numbers and e-mail addresses to our authorised representatives and their respective alternates; (b) in the event that an executive Director or independent non-executive Director expects to travel and be out of office, he/she will have to provide valid phone number of the place of his/her accommodation to the authorised representatives; and (c) all Directors and authorised representatives will provide their office facsimile numbers, mobile phone numbers, residential phone numbers office phone numbers, and e-mail addresses to the Stock Exchange;

- (d) All of our Directors who are not ordinary residents in Hong Kong possess or can apply for and renew valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange within a reasonable period;
- (e) Our Company will retain Hong Kong legal advisers to advise on its on-going compliance obligations and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after Listing;
- (f) We have appointed Haitong International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to act as our additional channel of communication with the Stock Exchange for a period commencing on the date of the initial listing of the Shares of our Company on the Main Board of the Stock Exchange and ending on the date on which our Company complies with Rule 13.46 in respect of our financial results for the first full financial year commencing after the date of our initial listing. The compliance adviser will have access at all times to the authorised representatives, our Directors and the other senior management of our Company; and
- (g) Meetings between the Stock Exchange and our Directors could be arranged through the authorised representatives or the compliance adviser of our Company or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in its authorised representatives and/or compliance adviser.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual who, by virtue of his educational or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

The Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of the Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In accessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, and the Codes on Takeovers and Mergers and Share Buy-backs;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

We have appointed Ms. Wu Huiming (“**Ms. Wu**”) and Mr. Leung Ka Wai (“**Mr. Leung**”) as our joint company secretaries. Ms. Wu joined our Company in November 2012 as senior management and has been responsible for the overall strategic planning of our Group, with sound understanding of the operations of our Board and our Company. Please refer to the paragraph headed “Directors, Senior Management and Employees — Joint Company Secretaries” for further details on Ms. Wu’s biography. Ms. Wu, however, does not possess the specified qualifications required by Rule 3.28 of the Listing Rules. Therefore, our Company has appointed Mr. Leung, who possesses such qualifications, to be a joint company secretary of our Company. Please refer to the paragraph headed “Directors, Senior Management and Employees — Joint Company Secretaries” for further details on Mr. Leung’s biography.

Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- (a) Mr. Leung, one of our joint company secretaries who satisfies the requirements under Rule 3.28 of the Listing Rules, will assist Ms. Wu so as to enable her to acquire the requisite knowledge and experience in order to discharge her duties and responsibilities as a company secretary of our Company. Given Mr. Leung’s relevant experience, he will be able to advise both Ms. Wu and our Company on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;
- (b) Ms. Wu, one of our joint company secretaries, will be assisted by Mr. Leung for a period of three years commencing from the Listing Date, which should be sufficient for her to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;
- (c) Our Company will ensure that Ms. Wu has access to the relevant trainings and support to enable her to familiarise herself with the Listing Rules and the duties required of a company secretary of a Hong Kong listed company, and Ms. Wu has undertaken to attend such trainings;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) Mr. Leung will communicate with Ms. Wu on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to the operations and affairs of our Company. Mr. Leung will work closely with, and provide assistance to Ms. Wu with a view to discharging her duties and responsibilities as a company secretary, including but not limited to organising the Board meetings and Shareholders' meetings of our Company; and
- (e) Pursuant to Rule 3.29 of the Listing Rules, Ms. Wu and Mr. Leung will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarise themselves with the requirements of the Listing Rules and other regulatory requirements of Hong Kong. Both Ms. Wu and Mr. Leung will be advised by our legal advisers as to Hong Kong law and our compliance adviser as and when required.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rules 8.17 and 3.28 of the Listing Rules. The waiver is valid for an initial period of three years commencing from the Listing Date. Upon expiry of the initial three-year period, our Company will evaluate the qualifications and experience of Ms. Wu. Upon the determination of our Company that no on-going assistance is necessary, we will demonstrate to the Stock Exchange that, with the assistance of Mr. Leung over such three-year period, Ms. Wu has acquired the requisite knowledge and experience as prescribed in Rule 3.28 of the Listing Rules. The Stock Exchange will then re-evaluate whether any further waiver would be necessary.

CONTINUING CONNECTED TRANSACTIONS

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, waivers in relation to certain continuing connected transactions between our Group and our connected persons under Chapter 14A of the Listing Rules. For further details, please refer to the section headed "Connected Transactions" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for purposes of giving information with regard to us. Our Directors, collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, agents, employees, partners, advisers or any other party involved in the Global Offering.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to the agreement on the Offer Price between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on or before the Price Determination Date. The Global Offering is managed by the Joint Global Coordinators. For further details of the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON SALE OF THE SHARE OFFERS

Each person acquiring Offer Shares will be required to confirm, or by his acquisition of Offer Shares be deemed to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to

INFORMATION ABOUT THIS PROSPECTUS AND GLOBAL OFFERING

restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to (i) the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option); (ii) the Shares to be issued pursuant to the Capitalisation Issue and (iii) the exercise of any options that may be granted under our Share Option Scheme.

No part of the equity or debt securities of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if permission for listing of, or dealing in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS operational procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the tax implications of subscription for, purchasing, holding, disposing of and dealing in the Shares. It is emphasised that none of our Group, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, agents, employees, partners, advisers or any other person involved in the Global Offering accepts responsibility for the tax effects or liabilities resulting from your subscription for, purchase, holding, disposal of, or, dealing in the Shares.

INFORMATION ABOUT THIS PROSPECTUS AND GLOBAL OFFERING

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Global Offering will be registered on our Company's share register of members to be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Our principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in the Shares registered in the share register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

OVER-ALLOTMENT AND STABILISATION

In connection with the Global Offering, Haitong International Securities Company Limited, as stabilising manager (the "**Stabilising Manager**"), or any person acting for it may over-allot Shares or effect any other transactions with a view to stabilising and maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the date of Listing. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising action.

In connection with the Global Offering, our Company is expected to grant to the International Underwriters the Over-allotment Option, which is exercisable in full or in part by the Joint Global Coordinators (on behalf of the International Underwriters) no later than 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to issue at the Offer Price up to an aggregate of 18,750,000 Shares, representing 15% of the total number of Shares initially available under the Global Offering, to cover over-allotment in the International Offering, if any.

Further details with respect to stabilisation and the Over-allotment Option are set out in the section headed "Structure of the Global Offering" of this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The application procedures for the Hong Kong Public Offer Shares are set out in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND GLOBAL OFFERING

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in RMB and US dollars have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following rates:

HK\$1.00: RMB0.7920

HK\$7.80: US\$1.00

No representation is made that any amounts in RMB, US\$ or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

ROUNDING

Certain amounts and percentage figures include in this prospectus have been subject to rounding adjustments. As a result, any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. JIN Ming (金明)	Room 704, F Building Chunshui Garden No. 1 Middle Xiangshan Street Nanshan District Shenzhen, Guangdong Province PRC	St. Kitts and Nevis
Ms. HE Hongmei (賀紅梅)	7D Aquarius Block 2, Xinhe Ziyou Plaza No. 2088, Nanhai Avenue Nanshan District Shenzhen, Guangdong Province PRC	Chinese
Mr. DENG Shigang (鄧仕剛)	Room 1, 17/F, Block B Unit 6, Hongshu Fuyuan Court No. 21 West Guihua Road Futian Bonded Area Shenzhen, Guangdong Province PRC	Chinese
<i>Independent Non-Executive Directors</i>		
Mr. WONG Wai Kong (黃偉桃)	Flat A, 21/F, Tower 6 Phase 1, Tierra Verde 33 Tsing King Road Tsing Yi, New Territories Hong Kong	Chinese
Mr. HUNG Man Sing (洪文星)	9/F, BLK A, Fa Yuen Mansion 211-215 Fa Yuen St Mongkok, Kowloon Hong Kong	Chinese
Mr. ZHONG Ming (鐘鳴)	Room 601, Building No.30 No.263 Huanlong Road Pudong District Shanghai PRC	Chinese

For further details, please refer to the section headed “Directors, Senior Management and Employees” of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Global Coordinators

CIMB Securities Limited
Units 7706–08, Level 77
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong
(a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

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Joint Sponsors

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Hong Kong
(a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Bookrunners

CIMB Securities Limited
Units 7706–08, Level 77
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Joint Lead Managers

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DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Co-Lead Managers to Hong Kong Public Offering

KGI Asia Limited
41/F Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

RHB OSK Securities Hong Kong Limited
12/F World-wide House
19 Des Voeux Road Central
Hong Kong

Qilu International Securities Limited
7/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Bright Smart Securities International (H.K.) Limited
10/F Wing On House
71 Des Voeux Road Central
Hong Kong

Legal Advisers to Our Company

as to Hong Kong law:
Howse Williams Bowers
27/F Alexandra House
18 Chater Road Central
Hong Kong

as to PRC law:
Shu Jin Law Firm
24/F Aerospace Skyscraper
4019 Shennan Road
Futian District
Shenzhen
PRC

as to Cayman Islands law:
Conyers Dill & Pearman (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisers to the Joint Sponsors and the Underwriters	<p><i>as to Hong Kong law:</i> Paul Hastings 21–22/F Bank of China Tower 1 Garden Road Hong Kong</p> <p><i>as to PRC law:</i> Commerce & Finance Law Offices 6/F NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing PRC</p>
Reporting Accountants and Independent Auditor	<p>KPMG <i>Certified Public Accountants</i> 8/F Prince’s Building 10 Chater Road Central Hong Kong</p>
Industry Consultant	<p>Frost & Sullivan Suite 2802–2803, Tower A Dawning Center 500 Hongbaoshi Road Shanghai PRC</p>
Compliance Adviser	<p>Haitong International Capital Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong (a licensed corporation to conduct type 6 (advising on corporate finance) regulated activity under the SFO)</p>
Receiving Bank	<p>Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road, Kwun Tong Kowloon, Hong Kong</p>

CORPORATE INFORMATION

Registered office	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Unit C, 17/F, Go-up Commercial Building No. 998 Canton Road Kowloon Hong Kong
Headquarters and principal place of business in the PRC	7/F, B Block, Hongsong Building Terra 9th Road Futian District Shenzhen, Guangdong Province PRC
Company's website	www.koradior.com (<i>information contained in this website does not form part of this prospectus</i>)
Joint company secretaries	Ms. Wu Huiming 22C, Block A, Baoli Tower South Baoan Road, Luohu District Shenzhen, Guangdong Province PRC Mr. Leung Ka Wai <i>Certified Public Accountant</i> 19/F, Prosperity Tower 39 Queen's Road Central Central Hong Kong
Authorised representatives	Mr. Deng Shigang Room 1, 17/F, Block B Unit 6, Hongshu Fuyuan Court No. 21 West Guihua Road Futian Bonded Area Shenzhen, Guangdong Province PRC

CORPORATE INFORMATION

	<p>Mr. Leung Ka Wai <i>Certified Public Accountant</i> 19/F, Prosperity Tower 39 Queen's Road Central Central Hong Kong</p>
Audit committee	<p>Mr. Wong Wai Kong (<i>Chairman</i>) Mr. Hung Man Sing Mr. Zhong Ming</p>
Remuneration committee	<p>Mr. Hung Man Sing (<i>Chairman</i>) Mr. Wong Wai Kong Mr. Deng Shigang</p>
Nomination committee	<p>Mr. Jin Ming (<i>Chairman</i>) Mr. Hung Man Sing Mr. Wong Wai Kong</p>
Cayman Islands principal share registrar and transfer office	<p>Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands</p>
Hong Kong branch share registrar and transfer office	<p>Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong</p>
Principal bankers	<p>The Hongkong and Shanghai Banking Corporation Limited 10/F, HSBC Main Building 1 Queen's Road Central Central, Hong Kong</p> <p>Pingan Bank Shenzhen branch, Jinsha sub-branch G/F, Fuminxinyuan Shangsha Village, Futian District Shenzhen PRC</p> <p>China Merchants Bank Shenzhen branch, Tairan Jingu sub-branch G/F, Haisong Building Terra 9th Road Futian District, Shenzhen PRC</p>

INDUSTRY OVERVIEW

This section contains information and statistics relating to the PRC economy and the industry in which we operate. We have derived such information and data partly from publicly available government and other third-party sources, which have not been independently verified by us, the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, representatives or affiliates, or any other party involved in the Global Offering and no representation is given as to its accuracy. Our Directors have taken reasonable care in the reproduction of such information, which may not be consistent with other information compiled within or outside the PRC. We commissioned Frost & Sullivan, an independent market research firm, as an industry consultant to prepare the Frost & Sullivan Report. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading.

Unless otherwise specified, the market and industry information and data relating to the PRC ladies-wear industry presented in this section and elsewhere in this prospectus has been derived from the Frost & Sullivan Report.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan to conduct analysis of the PRC ladies-wear market and other economic data and to prepare the Frost & Sullivan Report. We have agreed to pay a fee of approximately RMB0.70 million for the Frost & Sullivan Report, which will be paid prior to the Listing. Our Directors are of the view that the payment of the fee does not affect the fairness of conclusions drawn in the Frost & Sullivan Report. Frost & Sullivan is an independent consultant founded in 1961 and has over 35 global offices with more than 1,800 industry consultants, market research analysts, technology analysts and economists. Its services include technology research, market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Frost & Sullivan has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong, covering the PRC apparel industries in particular. The Frost & Sullivan Report includes both historical and forecast information on the Chinese retail industry, the ladies-wear market and other economic data. Frost & Sullivan undertook both primary and secondary independent research through various resources within the PRC ladies-wear industry. Primary research involved face-to-face and telephone interviews with ladies-wear manufacturers, industry experts and distributors, which was based on interviews with respondents in cities across the PRC (the “**Frost & Sullivan Survey**”). Secondary research involved reviewing industry reports, market database, trade journals, industry literature, annual reports and data in Frost & Sullivan’s own research database. In the preparation of its report, Frost & Sullivan used secondary research as an initial research platform. In-depth telephone and face-to-face interviews were conducted with various manufacturers and distributors as the key methods used by Frost & Sullivan to obtain the information and data for the preparation of the Frost & Sullivan Report.

Frost & Sullivan made the following major assumptions about the PRC’s economy in the preparation of the Frost & Sullivan Report:

- The PRC economy is likely to witness steady growth in the forecast period of 2014 to 2018.
- The PRC’s social, economic and political environment is likely to remain stable in the forecast period of 2014 to 2018, which ensures the steady growth of the PRC high-end ladies-wear market.

INDUSTRY OVERVIEW

- The forecast excludes any extreme scenarios in which the market may be impacted dramatically or fundamentally such as sharp price fluctuation of cotton or other raw materials, dramatic change on import policy which may affect consumption of high-end ladies-wear.

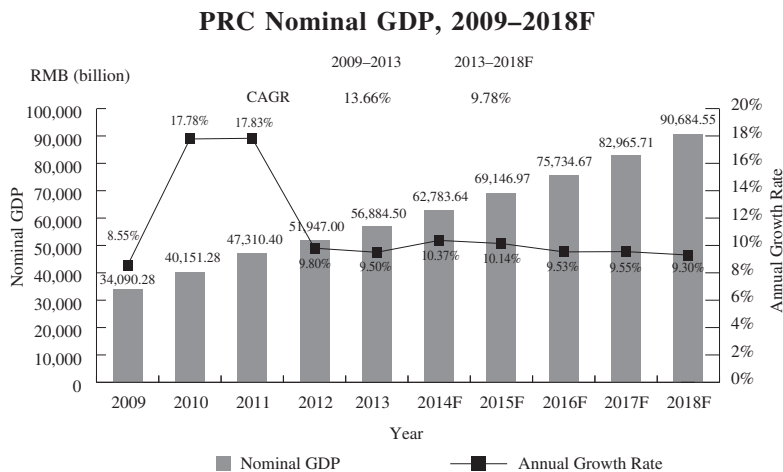
All statistics are reliable and are based on information available as of the date of the Frost & Sullivan Report. Other sources of information, including government, trade associations or market place participants, may have provided some of the information on which the analysis or data is based. Our Directors confirm that there were no adverse changes in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

ECONOMIC GROWTH OF THE PRC ECONOMY

PRC's nominal GDP growth

PRC's economy has grown significantly and rapidly in recent years, due to a series of economic stimulus policies released by the PRC government including but not limited to the Four-Trillion Yuan Economic Stimulus Package and the Revitalisation Plans of Ten Key Industries. According to the National Bureau of Statistics of China, PRC's nominal GDP has increased from RMB34,090.28 billion in 2009 to RMB56,884.50 billion in 2013, representing a CAGR of approximately 13.66% during the period. According to estimates by International Monetary Fund ("IMF"), PRC's nominal GDP will further grow to RMB90,684.55 billion in 2018, representing a CAGR of approximately 9.78% during the period from 2013 to 2018. PRC's per capita nominal GDP also increased from RMB23,708 in 2008 to RMB38,354 in 2012, representing a CAGR of approximately 12.78%. According to IMF, PRC's per capita nominal GDP will further grow to RMB64,536 in 2017, representing a CAGR of 10.97% during the period from 2012 to 2017.

The charts below illustrate the historical and projected growth of PRC's nominal GDP and per capita nominal GDP.

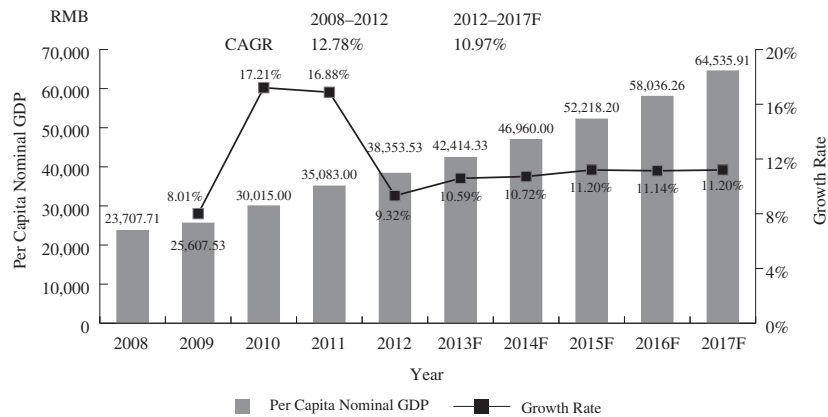


Source:

1. Historical data: National Bureau of Statistics of China (NBSC), 2013 Statistic Bulletin
2. Forecast data: IMF, April 2014

INDUSTRY OVERVIEW

PRC Per Capita Nominal GDP, 2008–2017F



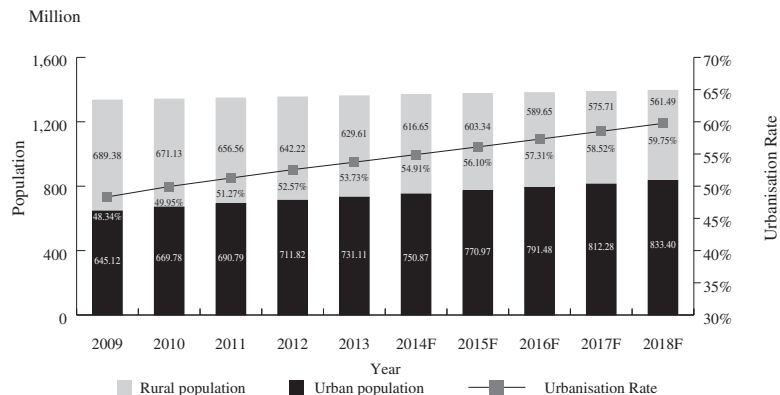
Source:

1. Historical data: National Bureau of Statistics of China (NBSC), 2013 Statistic Bulletin
2. Forecast data: IMF, April 2014

Accelerating urbanisation trend

Urbanisation has accelerated steadily in the PRC as a result of the rapid economic growth. Populations in cities have increased with the influx of people from rural and less developed areas in the PRC. From 2009 to 2013, the PRC's urban population increased from approximately 645.12 million to approximately 731.11 million, and during the same period PRC's urbanisation rate advanced from 48.34% to 53.73%. It is projected that by 2018 the total urban population in the PRC will reach 833.40 million, with an urbanisation rate of approximately 59.75%. According to Frost & Sullivan, PRC's urban population grew at a CAGR of approximately 3.18% for the period from 2009 to 2013, and it is expected to maintain a CAGR of approximately 2.65% from 2013 to 2018. The ongoing urbanisation in the PRC has made great impact on consumption pattern and habit of the PRC consumers. In particular, residents who have moved into urban areas from rural areas have been influenced by the consumption habits of the urban residents and have been increasingly willing to spend on women's clothes. The following chart sets forth the historical and projected urbanisation rate in PRC from 2009 to 2018.

PRC Urbanisation Development, 2009–2018F



Source:

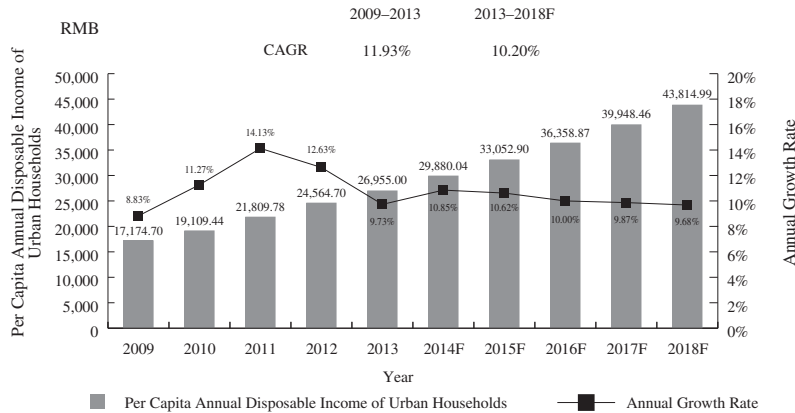
1. Historical population, urban population and urbanisation rate: NBSC, 2013 Statistics Yearbook of China
2. Forecast population of the PRC: IMF, World Economic Outlook Database, April 2014
3. Forecast urban population and urbanisation rate: Frost & Sullivan

INDUSTRY OVERVIEW

Urban household disposable income

Rising GDP per capita has driven strong growth in per capita disposable income for PRC residents. The per capita annual disposable income of urban households in the PRC increased from approximately RMB17,175 in 2009 to approximately RMB26,955 in 2013, representing a CAGR of approximately 11.93%. According to the Frost & Sullivan Report, the per capita annual disposable income of urban households is expected to continue to grow at a CAGR of approximately 10.20% from 2013 to 2018. The following chart sets forth the historical and projected per capita annual disposable income of urban households in the PRC from 2009 to 2018.

PRC Per Capita Annual Disposable Income of Urban Households, 2009–2018F



Source:

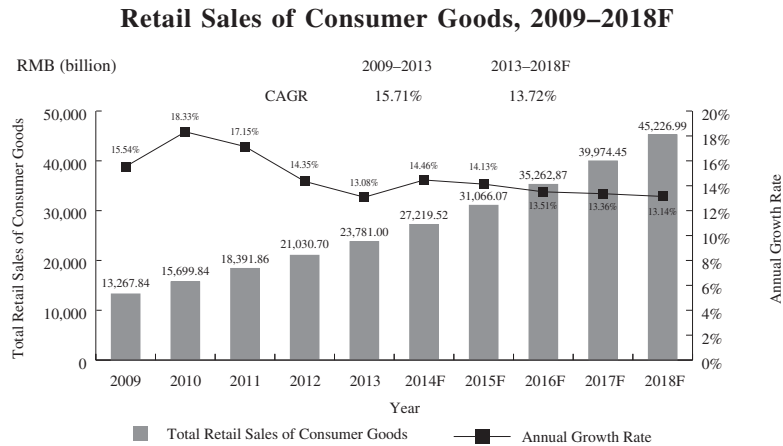
1. *Historical per capita annual disposable income of urban households: NBSC, 2013 Statistic Bulletin*
2. *Forecast per capita annual disposable income of urban households: Frost & Sullivan*

Growth of PRC's retail industry

According to the Frost & Sullivan Report, the increasing urbanisation and the growing per capita annual disposable income of urban households have contributed to the rapid growth in demand for consumer products. Total retail sales value of consumer goods in the PRC have mounted to RMB23,781.00 billion in 2013, up from RMB13,267.84 billion in 2009, representing a CAGR of 15.71%. To relieve the impact of the financial crisis, the PRC government has released a series of stimulus policies to boost the domestic consumption. Total retail sales of consumer goods in the PRC is likely to experience a continuous growth in the next five years to reach RMB45,226.99 billion in 2018, at a CAGR of 13.72% from 2013 to 2018. Along with the increase in consumption power, the PRC consumers have become more sensitive of the brand, quality and style of consumer goods.

INDUSTRY OVERVIEW

The chart below illustrates retail sales of consumer goods and growth rate in the PRC from 2009 to 2018.



Source: 2013 Statistic Bulletin, Frost & Sullivan

LADIES-WEAR MARKET IN THE PRC

The PRC ladies-wear market primarily targets female above 14 years old. Typical ladies-wear products are dresses, skirts, trousers, shirts, knitwear, vests, jackets, overcoats, jeans, tops and blouses but excluding footwear, sportswear, underwear, outdoors wear and all accessories.

According to Frost & Sullivan, the PRC ladies-wear market is commonly divided into the following three segments, based on average tag price of clothes:

	Average tag price <i>(Note)</i>	
	(RMB per piece)	
	Winter clothes	Summer clothes
Middle-to-low end	<3,000	<1,500
High-end	3,000–10,000	1,500–5,000
Luxury	>10,000	>5,000

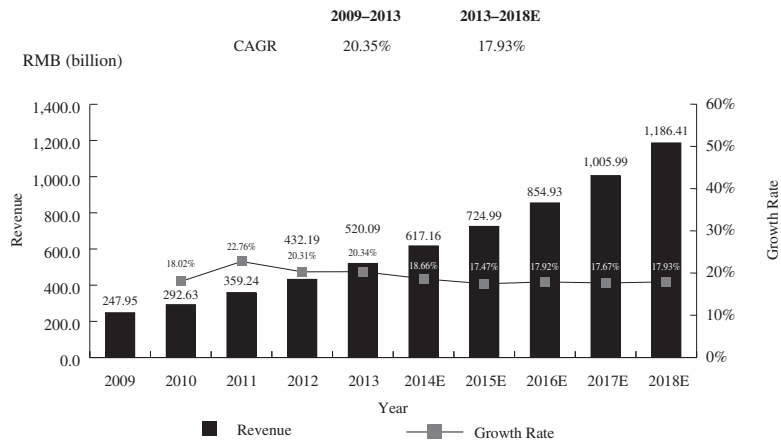
Note: The tag price includes VAT and before any discount offered to end-customers and distributors.

According to Frost & Sullivan, we have been categorised as a high-end ladies-wear brand.

The PRC ladies-wear market expanded rapidly between 2009 and 2013. Total retail sales has grown from RMB247.95 billion in 2009 to RMB520.09 billion in 2013, representing a CAGR of 20.35%. Frost & Sullivan further projects that the ladies-wear market will be growing steadily at a CAGR of 17.93% from 2013 to 2018. This high growth rate is fuelled by women’s increasing earning power and rising self awareness. Compared with developed countries, the ratio of women to men expenses on apparels in the PRC is still low, indicating there is a large potential of ladies-wear market.

INDUSTRY OVERVIEW

Retail Revenue of Ladies-wear Market in the PRC, 2009–2018E



Source: Frost & Sullivan

According to the Frost & Sullivan Report, the ladies-wear industry is in the late phase of growth, growing at a rate between 18.02% and 22.76% over the past several years. The per capita consumption level of female in the market is far below the average per capita consumption of developed countries. The women in the PRC in mounting numbers are more professional and have a higher social status than before. According to the Frost & Sullivan Report, per capita consumption of ladies-wear in the PRC is expected to increase from RMB928 in 2013 to RMB2,058 in 2018, representing a CAGR of 17.28%. Hence, there is a bigger market for ladies-wear than in the past. The industry will gradually achieve transformation and there will be higher market concentration and more market segments. The heterogeneity of ladies-wear brands will be stronger.

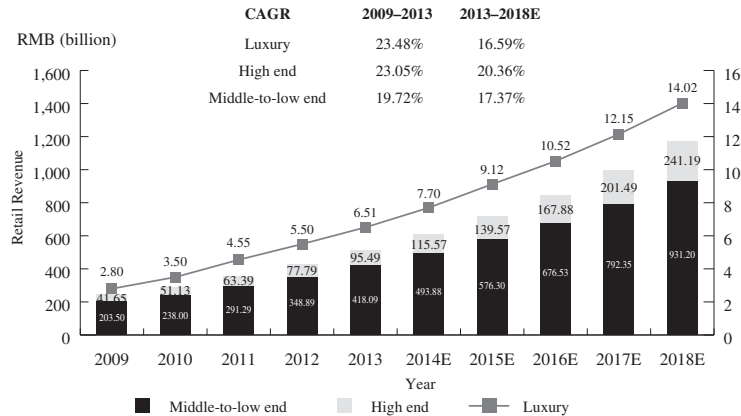
Ladies-wear market breakdown by tier

According to Frost & Sullivan, in 2013, the high-end ladies-wear market has reached a retail revenue of RMB95.49 billion, contributing to 18.36% of the total retail revenue in the ladies-wear market, while the retail revenue for middle-to-low end market has reached RMB418.09 billion, contributing to 80.39% of the market. Compared to the middle-to-low-end market, the high-end market maintained a larger momentum in the past few years.

Despite not being the dominant sector in the PRC ladies-wear market in terms of market share, high-end ladies-wear has experienced a larger growth than middle-to-low end ladies-wear. From 2009 to 2013, high-end ladies-wear experienced a CAGR of approximately 23.05% and it is estimated that it will achieve a CAGR of approximately 20.36% from 2013 to 2018. With an expected growth rate that outstrips that of the other sectors, the high-end ladies-wear sector is expected to increase its market share to approximately 20.33% in 2018.

INDUSTRY OVERVIEW

Breakdown in Terms of Retail Revenue by Tier of the Ladies-wear Market in the PRC, 2009–2018E

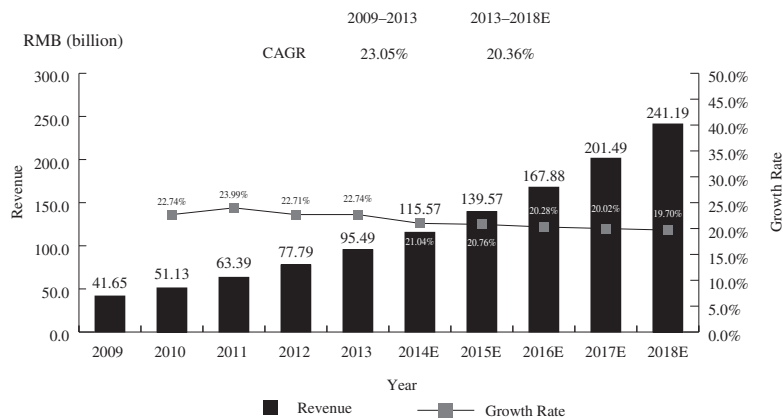


Source: Frost & Sullivan

HIGH-END LADIES-WEAR MARKET IN THE PRC

According to the Frost & Sullivan Report, the retail revenue of PRC’s high-end ladies-wear market is approximately RMB95.49 billion in 2013, with CAGR of 23.05% during 2009 to 2013. The market is estimated to grow rapidly at a CAGR of 20.36% from 2013 to 2018. This high growth rate is fuelled by high income female becoming more and more aware of dressing themselves up to show their personalities and social status. The chart below illustrates the retail revenue and growth rate of high-end ladies-wear in the PRC between 2009 to 2018.

Retail Revenue of High-end Ladies-wear Market in the PRC, 2009–2018E



Source: Frost & Sullivan

According to the Frost & Sullivan Report, the high-end ladies-wear industry is still in the early phase of growth and of great potential. The high-end market average growth rate was between 22.71% and 23.99% between 2010 and 2013 and was higher than the overall market average growth rate. The price of high-end ladies-wear is not as expensive as ladies-wear of international luxury brands. Currently, the market concentration of the high-end ladies-wear industry is low and is expected to increase in the future. Enterprises which specialise in design and management will have a competitive advantage. In view of the intense competition in the industry, a diversified brand strategy and direct management have become a main trend to tackle the challenges for all enterprises in the future.

INDUSTRY OVERVIEW

Targeted customers and key growth drivers

High-end ladies-wear brands in the PRC are targeted at female consumers between the age of 30 and 45 who have accumulated certain social experience and are financially independent with strong purchasing power.

There are three key growth drivers for the high-end ladies-wear market in the PRC: (i) increasing disposable income; (ii) pursuit of design and quality; and (iii) upgrading of industry. With the expected increase in disposable income, female consumers in the PRC are expected to have stronger consumption power and increasing awareness of fashion trends. Their changing attitudes towards fashion will also result in more spending on clothing with unique style design and superior quality. Impacted by increasingly competitive business environment, a new wave of industry consolidation is witnessed to catalyse the vigorous development of high-end ladies-wear market in recent years. With higher market concentration, the large players will be able to invest more in increasing design capabilities and improving managing efficiency. As a result, the whole industry of high-end apparel will in turn be strengthened and upgraded.

Key restraints of development of high-end ladies-wear market in the PRC

Entry of foreign brands aggravated competition

Competition in the high-end ladies-wear market in the PRC has become more intense with the entry of foreign brands. While domestic brands currently have certain advantages over foreign brands due to their better understanding of local consumers' taste and more established sales channels, it is expected that with years of local experience, foreign brands might pose a huge threat to domestic brands.

High inventory level shrinks companies' profitability

Both apparel manufacturers and distributors have incremental pressure from rising inventory level starting from early 2012, due to weaker demand of consumers and rapidly expanding sales network over the past two years. In order to clear the obsolete inventory and improve cash flow, apparel manufacturers have to sell off-season products at discounted price, which will eventually reduce profitability and impart brand reputation.

Product homogeneity will restrain domestic apparel brands to thrive

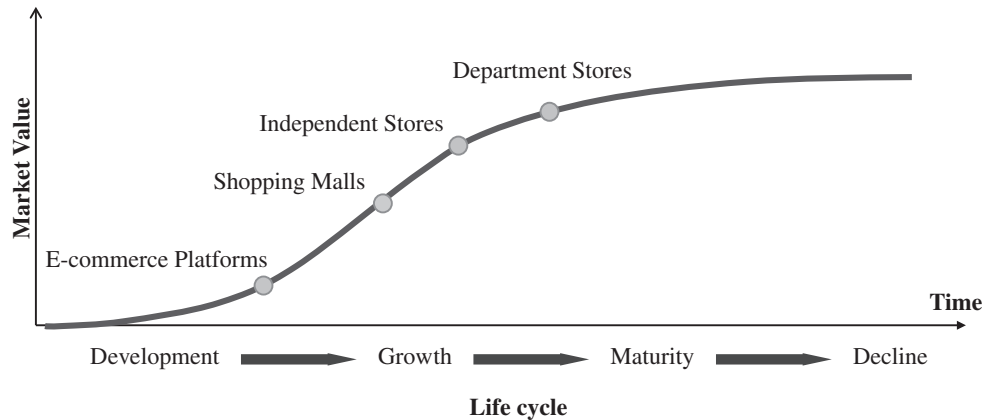
Due to weak design capability, domestic apparel brands are undergoing high level of product homogeneity and lack clear brand positioning. Compared with multinational brands, domestic ladies-wear brands are unable to establish their own unique and independent style to meet the increasingly sophisticated consumer needs. As a growing number of multinational brands are aggressively expanding their presence in PRC, product homogeneity is anticipated to hinder the growth potential of local ladies-wear companies.

INDUSTRY OVERVIEW

Sales Channels

There are four major sales channels in the PRC ladies-wear market: department stores, shopping malls, independent stores and e-commerce platforms. According to the Frost & Sullivan Survey, the respondents to the survey allocated approximately 63.00%, 24.00% and 13.00% of their expenditure on high-end ladies-wear through department stores and shopping malls, independent stores and e-commerce platforms in 2013 respectively. The chart below sets out the life cycle of major sales channels of the high-end ladies-wear market in 2013.

Life cycle of major sales channels of high-end ladies-wear market, 2013



Different phases of the above life cycle are defined below:

- Development: characterised by low demand for product and significant start-up costs.
- Growth: characterised by less intense competition and accelerating growth in sales.
- Maturity: characterised by intense competition and slowing down growth in sales and is typically the longest phase an industry will go through.
- Decline: characterised by declining growth as demand shifts towards substitutes and new products.

Source: Frost & Sullivan

Department stores have long been playing a significant role in the ladies-wear market, and it is gradually entering into the maturity phase from growth phase. With the prevailing of shopping malls in recent years, increasing number of traditional department stores are turning to offer a more shopping-mall-like shopping experience, integrating dining and entertainment services. In the near future, the number and operating area of department stores are both expected to keep a double-digit growth, which have been slowing down compared with previous years. With the rapid economic growth in Tier 3 cities and Tier 4 cities, department stores have to penetrate into lower tier cities to tap into the growing demand of those emerging urban population. To combat increasing competition from rising retail channels including shopping malls and e-commerce platforms, department stores may have to refine their brand portfolio and build up their own characteristics to keep their leading position in the ladies-wear market.

The department store sector in the PRC has been entering into a phase of transformation, which is catalyzed by the rapid emergence of e-commerce and customers' growing preference for experiential consumption such as entertainment and services. Recently, department stores have been challenged by both e-commerce and shopping malls. Online shopping is becoming more popular with the widespread use of computers and smart phones due to the flexibility it offered in terms of time and location as well as more competitive price. Meanwhile, the rapidly growing number of shopping malls also poses threat to department stores for the superior shopping experience that shopping malls can offer. There continues

INDUSTRY OVERVIEW

to be intense competition in the department store sector in the PRC not only between small domestic stores and large international operators of department stores but also online retailers. High-end apparel brands, however, are immune to the challenge from e-commerce, as its target customers place greater emphasis on quality and are less price-sensitive. At the same time, consumers in the PRC have been getting increasingly sophisticated, hence demanding for better quality yet value for money products and services. Department store operators in the PRC are thus exploring different alternatives, such as offering shopping-mall-like shopping experience, refining brand portfolio and differentiating themselves from other department stores, to better adapt to such changing landscape.

Shopping malls are rising fast across the PRC due to the rapidly developing commercial real estate in the PRC and the more comfortable shopping environment provided by shopping malls compared to department stores. With more open floor space and wider range of choice, shopping malls offer an innovative and more pleasant shopping experience for consumers in higher tier cities. According to the Frost & Sullivan Report, in 2012, the number of shopping malls in the PRC reached over 3,200 and over half of the shopping malls are concentrated in Tier 1 cities and Tier 2 cities. According to the Frost & Sullivan Report, till 2015, over 1,000 new shopping malls will be established, bringing the total number of shopping malls to nearly 3,900. In the future, shopping malls are expected to face competition from department stores and challenges from e-commerce platforms.

Key barriers to entry

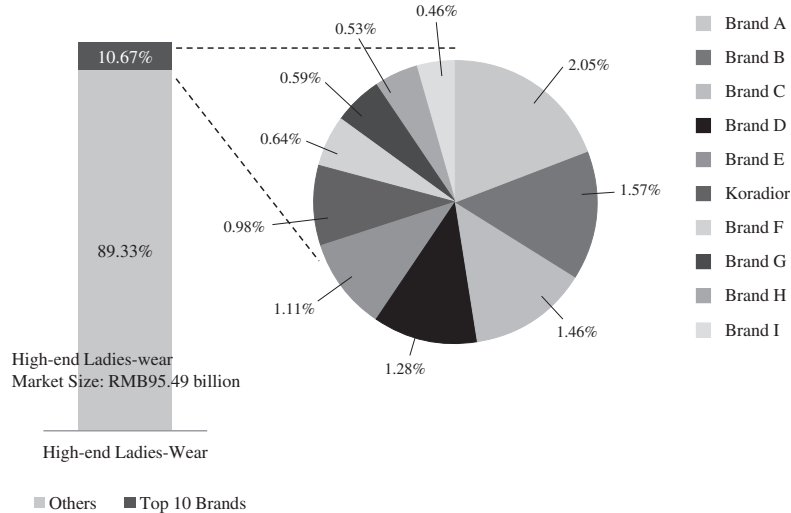
Establishment of brand awareness and recognition is an important barrier for high-end ladies-wear brands to become sizable and reputable, as brand awareness and recognition is crucial for brands to secure prime locations in high-end department stores and shopping malls and to build nationwide sales network. For new entrants, it is difficult to achieve such in a short period of time. Other barriers to entry include design capability, nationwide sales capability and ability to build customer loyalties. Players in the high-end ladies-wear market are required to keep up with the constantly changing fashion trends while providing consistent design styles to satisfy consumers' needs. New entrants will have to possess the ability of effective implementation of marketing strategies and excellent operational management to achieve these.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE OF THE HIGH-END LADIES-WEAR MARKET IN THE PRC

The following chart sets forth the retail revenue and market share of each of the top 10 high-end ladies-wear brands by retail revenue in the PRC in 2013.

Top 10 Brands in High-end Ladies-wear Market in the PRC, 2013



Notes:

1. The retail revenue and market share of each brand are calculated in terms of retail price.
2. The retail revenue is only referring to the sales from ladies-wear, and does not include the revenue from women's footwear and accessories, etc..
3. All brands are taking women aged between 30 to 45 years old, and with higher income as their targeted customers, for they have higher consumption power and needs for high-quality branded ladies-wear.

Source: Frost & Sullivan

In 2013, the PRC high-end ladies-wear market represented a 18.36% market share in terms of retail revenue in the entire ladies-wear market in the PRC, with the above top 10 market players and us (being one of such top 10) accounted for the 1.96% and 0.18% market share in the entire ladies-wear market, respectively. According to the Frost & Sullivan Report, the PRC high-end ladies-wear market is highly fragmented. In 2013, there are more than 500 high-end ladies-wear brands in the PRC. In 2013, the top 10 brands and us (being one of such top 10) accounted for 10.67% and 0.98% of market share in terms of retail revenue in the PRC high-end ladies-wear market.

We were ranked as the sixth largest brand in terms of annual retail revenue in the PRC high-end ladies-wear market in 2013, according to the Frost & Sullivan Report. We face competition from both international and domestic brands of high-end ladies-wear. Nevertheless, we believe our market-driven business model which allows us to understand and address the needs and preferences of ladies customers in our product offerings and our strong retail management allow us to differentiate ourselves from our competitors and continue to compete effectively in the market. After considering factors such as market positioning, major types of products, targeted customers and store locations of other players in the market, we believe that our comparable competitors are mainly domestic high-end ladies-wear brands. All of them are among the top 10 high-end ladies-wear brands in the PRC with their estimated retail revenue and market share in 2013 set out below. According to Frost & Sullivan, the brand owners will continue to compete on brand image, design capability, market positioning, sales network, retail point management as well as customer loyalty in the PRC high-end ladies-wear market.

INDUSTRY OVERVIEW

Key advantages of our *Koradior* and *La Koradior* brands over our competitors

There are mainly two key advantages of our *Koradior* and *La Koradior* brands over our competitors, including (i) precise positioning to capture market share in the fast-growing but highly fragmented high-end ladies fashion market; (ii) our predominantly self-operated sales network with over 90% of retail stores being self-operated enables us to quickly respond to customer demand, obtain timely feedback from our customers and adjust our product design, marketing and pricing strategies.

Our Group has a precise positioning which only targets the affluent consumers aged 30 to 45 years old since the inception. This has allowed us to dive deep and find the real needs of our target consumer group and better serve their needs. According to Frost & Sullivan Report, the retail revenue of high-end ladies-wear industry in the PRC increased from RMB63.39 billion in 2011 to RMB95.49 billion in 2013, representing a CAGR of 22.73%. During the same period, our revenue increased from RMB327.08 million to RMB701.88 million, thereby having achieved a CAGR of 46.49%, which is around 2 times of that of high-end ladies-wear industry. Despite our relatively short history, our *Koradior* brand was able to account for approximately 0.72%, 0.87% and 0.98% of the high-end ladies-wear fashion market for 2011, 2012 and 2013 respectively and was ranked sixth in terms of retail revenue for 2013, according to Frost & Sullivan Report.

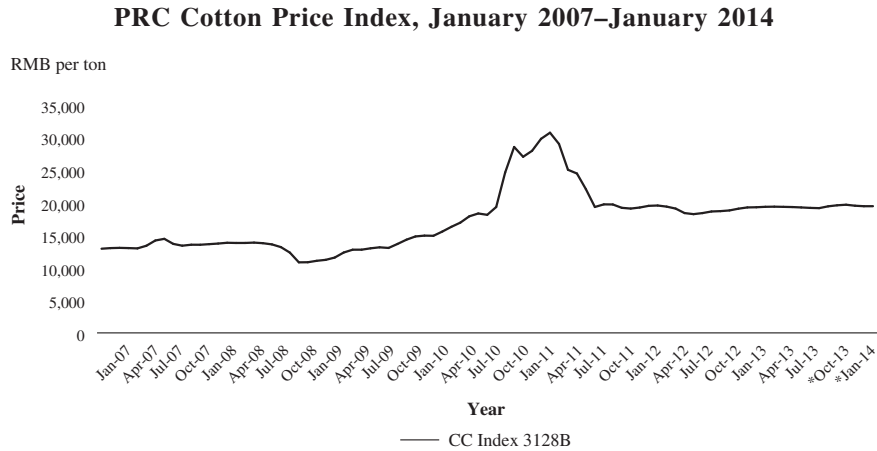
As compared to our competitors, we believe our predominantly self-operated sales network with over 90.00% of retail stores being self-operated has enabled us to better understand and address the needs and preferences of our targeted customers in designing product offerings. According to Frost & Sullivan, our percentage of revenue attributable to self-operated retail stores is one of the highest among the top ten high-end ladies-wear brands in terms of retail revenue for 2013 in the PRC. Through our predominantly self-operated sales network, we have full control over store setting and service quality as well as direct contact with customers which allows us to quickly respond to customer demand, plan and make more accurate and timely decisions as well as implement focused and coordinated brand building and business strategies. According to Frost & Sullivan, a business model with a higher proportion of sales contributed by self-operated retail stores brings more margin.

INDUSTRY OVERVIEW

HISTORICAL PRICE TRENDS OF THE LADIES-WEAR MARKET IN THE PRC

Cost of raw materials and labour in the PRC

Cotton prices



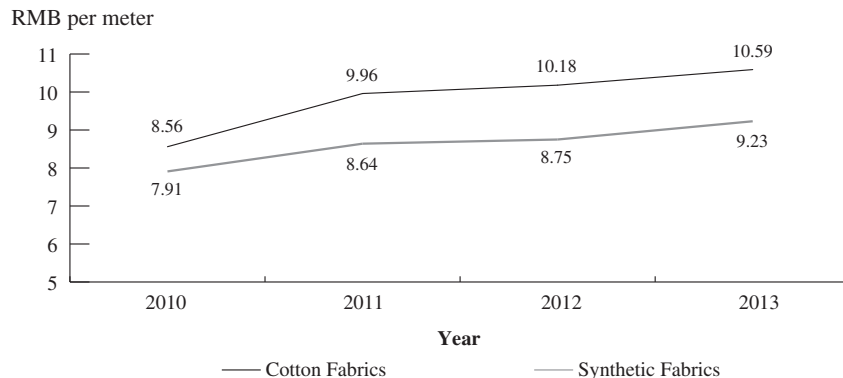
Source: China Cotton Association

Note: There are several different CC Indices, representing prices for cotton of different qualities. The most commonly quoted CC Index is for the quality code 328. This index has been used as a trigger for purchases made by the Chinese government's reserve system and is the one tracked in the Monthly Economic Letter. As the new standard having been launched since September 2013, the CC Index 3128B, which is equivalent to CC Index 328, has been used.

Cotton is an important raw material for ladies apparel. The China Cotton (CC) Index refers to prices for cotton within the PRC. It is a simple average of prices of Chinese cotton offered by Chinese merchants for cotton delivered to Chinese spinning mills. Cotton price in the PRC began to rise since 2009 and reached its peak in the beginning of 2011 due to strong demand by downstream industries such as textile and garment. To stabilise cotton price, the PRC Government introduced the Temporary Plan for Cotton Reservation 2011 (2011年度棉花臨時收儲預案), which resulted in the subsequent drop in cotton price in the first half of 2011. After that, cotton price in the PRC has been hovering at around RMB19,500 per ton.

Fabric prices

PRC history price trends of cotton fabrics and synthetic fabrics, 2010–2013



Source: Frost & Sullivan

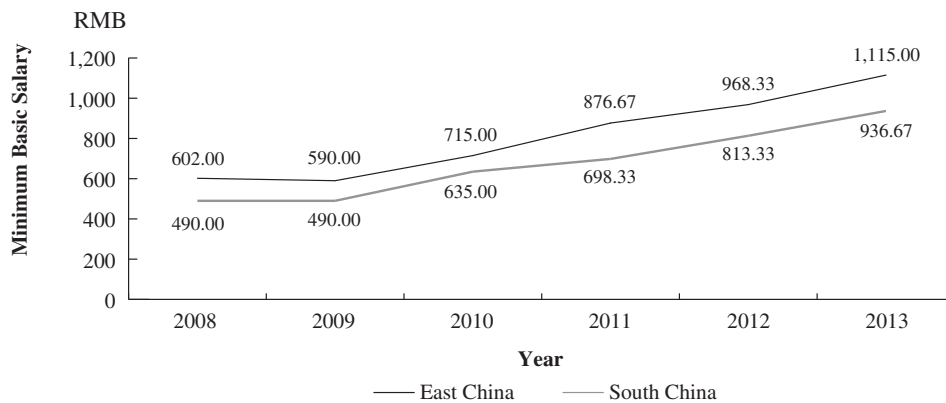
Notes: Tax is excluded in the above price.

INDUSTRY OVERVIEW

The price of cotton fabrics has increased during 2010 and 2011, mainly due to the sharply climbing costs on cotton during the same period. With the slowdown of growth trend in cotton price, the cotton fabric price increased only by 2.18% in 2012. Synthetic fabrics price has been growing steadily from 2010 to 2012. Compared with cotton, synthetic fabrics is priced lower than cotton fabrics as the major raw material, polyester, has much lower price than cotton. As the raw materials for apparel products, cotton fabrics and synthetic fabrics have been experiencing price hikes since 2009 with strong demand from downstream clothing sectors which benefited from the gradually recovered economy. Moreover, the rising production costs resulting from increasing downstream demand, growing labor costs, inflation, higher waste treatment costs have also been driving the prices of cotton fabrics and synthetic fabrics.

Labour costs

Minimum Basic Monthly Salary of East China and South China, 2008–2013



Source: Website of local Human Resources and Social Security Bureaus, Frost & Sullivan

Notes: East China refers to Shanghai, Zhejiang, Jiangsu, Shandong, Anhui and Fujian. South China refers to Guangdong, Guangxi and Hainan.

In the PRC, minimum wage is set by the local government for approval by the Ministry of Human Resources and Social Security and thus varies across different regions.

The rising labor cost has exerted great pressure to the branded names of ladies-wear, especially the ones mainly running self-owned stores. The increasing salary of sales personnel is squeezing the companies' profit. As an example, the minimum basic monthly salary of East China and South China, which are considered to be the most economic prosperous regions in the PRC, has almost been doubled during the past few years.

REGULATIONS

This section summarises the principal PRC laws, rules and regulations applicable to our current business and operations.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

Policies Relating to Foreign Investment in Ladies Fashion and Retail Industry

The establishment, operation and management of corporation entities in the PRC are governed by the Company Law of the PRC 《中華人民共和國公司法》(the “**Company Law**”), which was promulgated by the Standing Committee of the National People’s Congress (“**SCNPC**”) on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 respectively. Pursuant to the Company Law, companies are classified into two categories: limited liability companies and limited companies by shares, and the Company Law shall also apply to foreign-invested limited liability companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

For the purposes of guiding foreign investment, the Provisions on Guiding Foreign Investment Direction 《指導外商投資方向規定》 were promulgated by the State Council on 11 February 2002 and became effective on 1 April 2002 and foreign-invested industries generally fall into four categories pursuant to it: encouraged, permitted, restricted and prohibited. The encouraged, restricted and prohibited categories are specifically listed in the Foreign Investment Industrial Guidance Catalogue 《外商投資產業指導目錄》(the “**Catalogue**”) and those not listed in the Catalogue would fall into the permitted category. The Catalogue was jointly promulgated by the National Development and Reform Commission of the PRC) (“**NDRC**”) and the MOFCOM and such Catalogue will be amended and re-promulgated from time to time by these two government authorities. According to the current effective version of the Catalogue promulgated on 24 December 2011 and became effective on 30 January 2012, the ladies fashion and retail industry should fall within the permitted category.

Policies Relating to Ladies Fashion and Retail Industry

Supervision of the Ladies Fashion and Retail Industry

The Administrative Measures for Fair Transactions between Retailers and Suppliers 《零售商供應商公平交易管理辦法》 jointly promulgated by the NDRC, the MOFCOM, the Ministry of Public Security, the SAIC, the State Administration of Taxation on 13 October 2006, and became effective on 15 November 2006, provide the code of business conduct, collection of charges, payment of purchases, return policies and punishments between retailers and suppliers during the transactions.

The Measures for Administration on Sales Promotion Acts of Retailers 《零售商促銷行為管理辦法》 jointly promulgated by the MOFCOM, the NDRC, the Ministry of Public Security, the State Administration of Taxation, the SAIC of the PRC on 12 September 2006, and became effective on 15 October 2006, provide the standards and requirements of retailers’ sales promotion and advertisement.

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LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

The Production Safety Law of the PRC 《中華人民共和國安全生產法》 promulgated by the SCNPC on 29 June 2002 and became effective on 1 November 2002 and amended on 27 August 2009, is the principal law governing the supervision and administration of production safety in the PRC. Production entities engaged in production and business activities within the territory in the PRC shall abide by the relevant legal requirements such as providing its staff with education and training on production safety and providing safe working conditions in compliance with relevant laws, rules and regulations. Any production entities unable to provide the required safe working conditions may not engage in production activities. Any failure to comply with the aforesaid provision and rectify non-compliance within a time limit may subject the production entities to fines and penalties, the suspension of operations, ceasing of operations, or even criminal liability in severe cases.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY AND MANDATORY CERTIFICATION

The Product Quality Law of the PRC 《中華人民共和國產品質量法》

Products that we design and sell are subject to the laws, rules and regulations in relation to the product quality in the PRC. The Product Quality Law of the PRC (the “**Product Quality Law**”), which was promulgated by the SCNPC on 22 February 1993, became effective on 1 September 1993, amended on 8 July 2000 and 27 August 2009 respectively, is the principal law governing the supervision and administration of product quality.

According to the Product Quality Law, sellers are liable for the quality of products they produce and must take reasonable actions to ensure the quality of the products they sell. Pursuant to the Product Quality Law, sellers are obliged:

- to adopt a check-for-acceptance system for stock replenishment to examine the quality certificates and other labels of such stock;
- to take measures in keeping products for sale in good quality;
- not to sell defective or deteriorated products;
- to sell products with labels that comply with the relevant provisions;
- not to forge the original of a product, or to forge or falsely use the name and address of another producer;
- not to forge or falsely use product quality marks such as authentication marks; and
- not to add impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the sale of products.

Violation of the Product Quality Law may result in the imposition of fines. In addition, the seller or producer may be ordered to suspend its operations and its business license may be revoked. Criminal liability may be incurred in serious cases.

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The seller shall be liable to compensate for any bodily harm or damage to property (other than the defective product itself) caused by the defective products it sold if such defect is attributable to the seller. A person who is harmed or whose property is damaged by the defective product may claim such loss against the manufacturer or the seller. Where the responsibility lies with the producer, the seller shall, after settling compensation, have the right to recover such compensation from the producer, and vice versa.

Mandatory Product Certification

As to the Textile Industry in the PRC, there is no specific governmental or legal mandatory products certification requirement. The requirements and standards which our products and services should meet are different and are based on the industries which our products and services are provided to, and such requirements and certification are formulated respectively by the respective competent authorities in the industries.

LAWS AND REGULATIONS RELATING TO PRODUCT LIABILITIES

Pursuant to the General Principles of the Civil Law of the PRC 《中華人民共和國民法通則》，which was promulgated by the National People's Congress of the PRC on 12 April 1986 and became effective on 1 January 1987 and amended on 27 August 2009, both manufacturers and distributors shall be held jointly liable for losses and damage suffered by consumers caused by the defective products they manufacture or distribute.

The Tort Liability Law of the PRC 《中華人民共和國侵權責任法》，which was promulgated by the SCNPC on 26 December 2009 and became effective on 1 July 2010, further provides that where a defective product causes damage or physical injury to any person, the victim may claim compensation from either the manufacturer or the seller. If the defect of the product is caused by the manufacturer and the seller has made the compensation for the defect, the seller should be entitled to claim reimbursement from the manufacturer, and vice versa.

LAWS AND REGULATIONS RELATING TO CONSUMER PROTECTION

The Law on the Protection of Consumers' Rights and Interests of the PRC 《中華人民共和國消費者權益保護法》(the “**Consumer Protection Law**”) was promulgated by the SCNPC on 31 October 1993 and became effective on 1 January 1994, and it was amended on 27 August 2009 and then further amended on 25 October 2013 and became effective on 15 March 2014.

The Consumer Protection Law sets out standards of behaviour which business operators must observe in their dealing with consumer, including the following:

- goods and services provided to consumer must comply with the Product Quality Law and other relevant laws and regulations, including requirements regarding personal safety and protection of property;
- providing consumer with true information and advertising concerning goods and services, as well as providing true and clear answers to questions raised by consumers concerning the quality and use of goods or services provided by them;

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- issuing purchase or service vouchers to consumers in accordance with relevant national regulations or business practices;
- ensuring the quality, functionality, applications and duration of the normal use of the goods and services and ensuring that the actual quality of the goods or services are consistent with those displayed in advertising materials, product descriptions or samples;
- properly performing its responsibilities in accordance with national regulations or any agreement with the consumer; and
- not setting unreasonable or unfair terms for consumers or excluding themselves from civil liability for undermining the legal rights and interests of consumers by means of, among others, standard contracts, circulars, announcements or shop notices.

Violations of the Consumer Protection Law may result in the imposition of fines. In addition, the business operator may be ordered to suspend its operations and its business license may be revoked. Criminal liability may be incurred in serious cases.

According to the Consumer Protection Law, a consumer whose legal rights and interests are prejudiced during the purchase or use of goods may demand compensation from the seller. Where the responsibility lies with the manufacturer or another seller that provides the goods to the seller, the seller shall, after settling compensation, have the right to recover such compensation from that manufacturer or that other seller, and vice versa.

The Administrative Measures for Online Trading (the “**Measures**”) was promulgated by the SAIC on 26 January 2014 and became effective on 15 March 2014.

The Measures are applicable to all behaviours engaging in online product trading and relevant services. Online product trading refers to business activities of selling products or providing services via the Internet (including mobile Internet), and the relevant services refers to profitable services provided for online product transactions, including, among others, third-party transaction platform, publicity and promotion, credit rating, payment and settlement, logistics, courier services, Internet access, server hosting, virtual space rental, and website and webpage design. Individuals, enterprises and other entities that engage in the aforesaid transactions and services are regulated by the Measures.

Pursuant to the Measures, when selling products or providing services to consumers, online commodity operators shall comply with the Consumer Protection Law, the Product Quality Law and provisions of other laws, regulations and rules and shall not infringe on the consumers’ legitimate rights and interests. The Measures reiterate online consumers’ rights to return the commodity within seven days of receipt without giving a reason, as provided under the new Consumer Protection Law, in force since 15 March 2014. This right does not apply to (i) customised commodities; (ii) fresh and perishable commodities; (iii) audiovisual products downloaded online or unpackaged by consumers, computer software and other digital commodities; (iv) newspapers and journals that have been delivered; or (v) commodities that customers consider unsuitable for return due to their nature when purchased.

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LAWS AND REGULATIONS RELATING TO THE TAXATION

The PRC taxes that are levied on our operating subsidiaries in the PRC mainly include enterprise income tax, VAT and business tax.

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “EIT Law”) which was promulgated by the National People’s Congress of the PRC on 16 March 2007 and became effective on 1 January 2008, and the Implementation Regulation of the Enterprise Income Tax Law of the PRC 《中華人民共和國企業所得稅法實施條例》 which was promulgated by the State Council on 6 December 2007 and became effective on 1 January 2008, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside China at the rate of enterprise income tax of 25%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay enterprise income tax on its income deriving from inside China and obtained by such establishment or place of business, and on its income which derives from outside China but has actual relationship with such establishment or place of business, at the rate of enterprise income tax of 25%. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax of 10%.

VAT

Pursuant to the Provisional Regulations on VAT of the PRC 《中華人民共和國增值稅暫行條例》 promulgated by the State Council on 13 December 1993, amended on 5 November 2008 and became effective on 1 January 2009, together with its implementation rules, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC are required to pay VAT. VAT payable is calculated as “output VAT” minus “input VAT”, and the rate of VAT is 17% or in certain limited circumstances, 13%, depending on the products.

Business Tax

Pursuant to the Provisional Regulation on Business Tax of the PRC 《中華人民共和國營業稅暫行條例》 promulgated by the State Council on 13 December 1993 and amended on 5 November 2008 and became effective on 1 January 2009, and its implementation rules, entities or individuals engaging in the taxable labor services, transfer of intangible assets, or sale of real estate in China is generally required to pay business tax on the business turnover. The taxable labor services refer to the services covered by the levying scope of tax items of the industries of transport, construction, finance and insurance, post and telecommunications, cultural and sports, entertainment and service. The items and rates of business tax shall be implemented in accordance with the List of Items and Rates of Business Tax (營業稅稅目稅率表) attached to the regulation.

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LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

According to the EIT Law and its Implementation Rules, dividends paid to its investor which is an eligible PRC resident enterprise can be exempted from the enterprise income tax and dividends paid to its foreign investors are subject to a withholding tax rate of 10%, unless relevant tax agreements entered into by the PRC Government provide otherwise.

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income 《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》(the “**Arrangement**”) on 21 August 2006. According to the Arrangement, 5% withholding tax rate shall apply to the dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company, and 10% shall apply if the Hong Kong resident holds less than 25% of the equity interests in a PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues Relating to the Implementation of Dividend Provisions in Tax Treaties 《國家稅務總局關於執行稅收協定股息條款有關問題的通知》, which was promulgated by the SAT and became effective on 20 February 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner’s equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

According to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) 《非居民享受稅收協定待遇管理辦法(試行)》(the “**Administrative Measures**”), which became effective on 1 October 2009, where a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the favourable tax benefits under the tax arrangements, it shall submit an application for approval to the competent tax authority. Without being approved, the non-resident enterprise may not enjoy the favourable tax treatments provided in the tax agreements.

Pursuant to the SAFE Circular No. 75, PRC residents should register with the local branch of the SAFE before establishing or controlling a privately-held overseas special purpose vehicle (the “**Overseas SPV**”) for the purpose of overseas equity financing (including convertible debt financing); when a PRC resident contributes the assets of or its equity interest in a domestic enterprise into an Overseas SPV, or engages in overseas financing after contributing assets or equity interest into an overseas SPV, such PRC resident shall register his or her interest in the Overseas SPV and the change thereof with the local branch of the SAFE; and when the Overseas SPV undergoes such material capital alteration as a change in share capital or merger and acquisition, the PRC resident shall, within 30 days from the occurrence of such event, register with the local branch of the SAFE. Under the SAFE Circular No. 75, failure to comply with the registration procedures set forth above may result in restrictions on a PRC subsidiary’s foreign exchange activities and its ability to distribute dividends to Overseas SPV, as well as the imposition of penalties in accordance with the law.

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LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

Foreign Currency Exchange

Pursuant to the Foreign Currency Administration Rules of the PRC 《中華人民共和國外匯管理條例》 promulgated by the State Council on 29 January 1996 and amended on 1 August 2008 and became effective on 5 August 2008, and various regulations issued by the SAFE and other PRC regulatory agencies, payment of current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, may be made by conversion of RMB into foreign currencies without approval of SAFE, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions. Capital account items, such as direct equity investment, loans and repatriation of investment, require the prior approval from or registration with the SAFE or its local branch for conversion of RMB into a foreign currency, and remittance of the foreign currency outside the PRC. Under the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange 《結匯、售匯及付匯管理規定》 promulgated by the PBOC on 20 June 1996 enterprises may only buy, sell or remit foreign currencies at banks that are authorised to conduct foreign exchange business after the enterprise provides valid commercial documents and relevant supporting documents and, in the case of certain capital account transactions, after obtaining approval from SAFE or its competent local branches. Capital investments by enterprises outside of China are also subject to limitations, which include approvals by the MOFCOM, the SAFE, the NDRC or their respective competent local branches. On 21 July 2005 the PRC Government changed its policy of pegging the value of RMB to the U.S. dollar. Under the new policy, RMB is permitted to fluctuate within a band against a basket of certain foreign currencies.

On 29 August 2008, the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises 《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》 (the “**SAFE Circular 142**”) was promulgated by SAFE. Pursuant to SAFE Circular 142, the RMB capital from the settlement of foreign currency capital of a foreign-invested enterprise must be used within the business scope as approved by the applicable governmental authority, and unless otherwise stipulated by laws or regulations, such RMB capital may not be used for domestic equity investment. Documents certifying the purposes of the settlement of foreign currency capital into RMB, including the business contracts, must also be submitted for the settlement of the foreign currency. In addition, SAFE strengthened its oversight of the flow and use of the RMB capital converted from foreign currency registered capital of a foreign-invested company. The use of such RMB capital may not be altered without the SAFE’s approval, and such RMB capital may not be used to repay RMB loans if such loans have not been used. Violations of the SAFE Circular 142 could result in severe monetary fines or penalties.

On 19 November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment 《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》 (the “**SAFE Circular 59**”), which became effective on 17 December 2012. SAFE Circular 59 substantially amends and simplifies the current foreign exchange procedure. According to SAFE Circular 59, the opening of various special purpose foreign exchange accounts (e.g. pre-investment expenses account, foreign exchange capital account, asset realisation account, guarantee account) no longer requires the approval of SAFE. Furthermore, multiple capital accounts for the same entity may be opened in different provinces, which was not possible before the issuance of SAFE Circular 59. Reinvestment of lawful incomes derived by foreign investors in the PRC

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(e.g. profit, proceeds of equity transfer, capital reduction, liquidation and early repatriation of investment) no longer requires SAFE's approval or verification, and purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign-invested enterprise no longer requires SAFE's approval.

LAWS AND REGULATIONS RELATING TO LABOR AND SOCIAL SECURITY

Employment Contracts

The Labor Law of the PRC 《中華人民共和國勞動法》 was promulgated by the SCNPC on 5 July 1994, which became effective on 1 January 1995 and was amended on 27 August 2009. The Labor Contract Law of the PRC 《中華人民共和國勞動合同法》 (the “**Labor Contract Law**”) was promulgated by the SCNPC on 29 June 2007 and became effective on 1 January 2008, and it was amended on 28 December 2012 and took effect on 1 July 2013. The Implementing Regulations of the Labor Contract Law of the PRC 《中華人民共和國勞動合同法實施條例》 was promulgated by the State Council and became effective on 18 September 2008. These laws and regulations govern the relationship between employers and employees and provide for specific provisions in relation to the terms and conditions of an employment contract. The Labor Contract Law stipulates that employment contracts must be in writing and signed by both the employers and employees. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

Social Security

Under applicable PRC laws, rules and regulations, including the Social Insurance Law of the PRC 《中華人民共和國社會保險法》 promulgated by the SCNPC on 28 October 2010 and became effective on 1 July 2011, the Provisional Regulations on the Collection and Payment of Social Insurance Funds 《社會保險費徵繳暫行條例》 promulgated by the State Council and became effective on 22 January 1999, the Interim Measures concerning the Maternity Insurance 《企業職工生育保險試行辦法》 promulgated by the Ministry of Labor of the PRC on 14 December 1994 and became effective on 1 January 1995, the Regulations on Occupational Injury Insurance 《工傷保險條例》 promulgated by the State Council on 27 April 2003 and became effective on 1 January 2004 and amended on 20 December 2010, the Regulations on Unemployment Insurance 《失業保險條例》 promulgated by the State Council and became effective on 22 January 1999, and the Regulations on the Administration of Housing Provident Funds 《住房公積金管理條例》 promulgated by the State Council and became effective on 3 April 1999 and amended on 24 March 2002, employers are required to contribute, on behalf of their employees, to a number of social insurance funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

Our PRC subsidiaries, La Kordi Fashion and Shenzhen Koradior, are located in Shenzhen and are subject to local rules and regulations. On 24 November 2010, Shenzhen Municipal People's Government promulgated the Interim Administration Measures on Housing Provident Funds in Shenzhen 《深圳市住房公積金管理暫行辦法》 with effect from 20 December 2010, which regulates that employer should contribute housing provident funds for both Shenzhen and non-Shenzhen residents at a rate between 5%

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and 20% of the deposit base. Any employer that fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit, or otherwise be handled by people's court for compulsory execution.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

China has adopted legislations related to intellectual property rights, including trademarks, patents and copyrights. China is a signatory to all major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property, the Madrid Agreement on the International Registration of Marks and Madrid Protocol, the Patent Cooperation Treaty, the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure, and the Agreement on Trade-Related Aspects of Intellectual Property Rights.

Regulations on Patents

According to the Patent Law of the PRC 《中華人民共和國專利法》 promulgated on 12 March 1984 with the last amendment effective on 1 October 2009, patent protection is divided into three categories, namely, invention patent, utility patent and design patent. Invention patents are valid for twenty years from the date of application, while design patents and utility patents are valid for ten years from the date of application. Once an invention patent, utility patent or a design patent is granted, unless otherwise permitted by law, no individual or entities are permitted to engage in the manufacture, use, sale, or import of the product protected by such patent or otherwise engage in the manufacture, use, sale, or import of the product directly derived from applying the production technology or method protected by such patent, without consent of the patent holder. The patent application system in the PRC is different in many ways from that in other countries. The patent system in the PRC uses the "first to file" principle, which means when more than one person files for a patent application for the same invention, the patent will be granted to the person who files the application first. In addition, the PRC requires absolute novelty for an invention to be patentable. Therefore, in general, a patent will be denied if it is publicly known in or outside of The PRC. Furthermore, patents issued in the PRC are not enforceable in Hong Kong, Taiwan or Macau, each of which has an independent patent system. Although patent rights are national rights, the Patent Cooperation Treaty allows an applicant in one country to seek patent protection for an invention in multiple member countries at the same time by filing an international patent application. However, the fact that a patent application is pending is not a guarantee that a patent will be granted. Furthermore, even if a patent application is granted, the scope of a patent may not be as broad as the applicant requested in the initial application.

Regulations on Trademarks

The Trademark Law of the PRC 《中華人民共和國商標法》(the "Trademark Law") was promulgated on 23 August 1982 and amended on 22 February 1993 and 27 October 2001, which was further amended on 30 August 2013 and became effective on 1 May 2014. The Implementation Regulations on the Trademark Law of the PRC 《中華人民共和國商標法實施條例》 was promulgated on 3 August 2002 by the State Council, amended on 29 April 2014 and became effective on 1 May 2014. These current effective laws and regulations provide the basic legal framework for the regulations of trademarks in the PRC, where registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks. The Trademark Office under the SAIC is responsible

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for the registration and administration of trademarks throughout the country. Trademarks are granted on a term of ten years. Six months prior to the expiration of the ten-year term, an applicant can renew the application and reapply for trademark protection.

Under the Trademark Law, any of the following acts may be regarded as an infringement of the exclusive right to use of a registered trademark:

- use of a trademark that is identical with or similar to a registered trademark on the same or similar kind of commodities of the trademark registrant's without the authorisation of the trademark registrant;
- sale of commodities infringing upon the exclusive right to use the registered trademark;
- counterfeiting or making, without authorisation, representations of a registered trademark, or sale of such representation of a registered trademark; and
- otherwise infringing upon other person's exclusive right to use a registered trademark and cause damages.

Violation of the Trademark Law may result in the imposition of fines, confiscation and destruction of the infringing commodities. Trademark licence agreements must be filed with the Trademark Office under the SAIC or its regional counterparts. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

Regulations on Domain Names

The Measures for the Administration of Domain Names for the Chinese Internet 《中國互聯網絡域名管理辦法》 were promulgated by the Ministry of Information Industry on 5 November 2004 and became effective on 20 December 2004, which regulate the registration of domain names in Chinese with the Internet country code of “.cn”. The Measures on Domain Names Dispute Resolution 《中國互聯網絡信息中心域名爭議解決辦法 (2012年修訂) 》 were promulgated by the Chinese Internet Network Information Centre on 28 May 2012 and became effective on 28 June 2012. These measures require domain name disputes to be submitted to institutions authorised by the Chinese Internet Network Information Centre for resolution.

Regulations on Reorganisation and Overseas Listing

The Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors 《(關於外國投資者併購境內企業的規定)》 (the “**M&A Rules**”) was jointly promulgated by the MOFCOM, SAT, SAIC, CSRC, SAFE and the State-Owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) on 8 August 2006 and became effective on 8 September 2006 and was amended on 22 June 2009. According to the M&A Rules, mergers and acquisitions of equity interests of assets of any domestic enterprises by foreign investors shall be reviewed and approved by the MOFCOM or its provincial commercial authority. Where any offshore enterprise established or controlled by PRC domestic or individuals intends to acquire domestic enterprises affiliated with such PRC domestic companies or individuals, the acquisition shall be subject to the examination and approval of the MOFCOM. In addition, the M&A Rules provide that any listing

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on an overseas stock exchange of any offshore special purpose vehicle, which is directly or indirectly controlled by PRC domestic companies or individuals and which has been formed for overseas listing purposes shall be subject to approval by the CSRC.

In anticipation of our Listing, we underwent the Reorganisation pursuant to which our Company became the holding company and listing vehicle of our Group. For more details, see the paragraph headed “History and Reorganisation — Corporate Reorganisation” of this prospectus. Our PRC legal advisers have confirmed that all the share transfers in respect of the PRC companies in our Group as part of the Reorganisation have obtained all relevant approvals and permits and the procedures involved are in accordance with PRC laws, rules and regulations in all material respect. As advised by our PRC legal advisers, with respect to all the share transfers of the PRC companies in our Group, the transactions are not acquisitions by any offshore enterprise of the domestic enterprises affiliated with such PRC domestic companies or individuals as regulated in the M&A Rules and thus not subject to the MOFCOM approval.

Our PRC legal advisers also advised that, as our Company is not an offshore special purpose vehicle directly or indirectly controlled by any PRC domestic companies or individuals and our acquisitions of the PRC companies in our Group were not paid in the form of equity securities, it is not necessary for us to obtain approval from the CSRC for the Listing and trading of our Shares on the Stock Exchange.

Pursuant to the written resolutions passed by our Shareholders on 6 June 2014, the Global Offering, the proposed Listing and related transactions were approved conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and the Application Forms (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme; (2) the Offer Price having been agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date; (3) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date and; (4) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements, in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times). For more details, see the paragraph headed “1. Further Information about Our Company — (iv) Written Resolutions of our Shareholders passed on 6 June 2014” in Appendix IV of this prospectus.

HISTORY AND REORGANISATION

OUR HISTORY AND DEVELOPMENT

Our *Koradior* brand and our business of designing, sourcing, marketing and selling ladies-wear in the PRC was established by Mr. Jin, our chief executive officer, chairman and executive Director together with Ms. He Hongmei, our general manager and executive Director, when Mr. Jin acquired a majority equity interests in Shenzhen Koradior in March 2007 by his savings.

Mr. Jin began his involvement in ladies-wear fashion in the PRC in the beginning of 2001 with Yingjia Fashion before he started and developed his own business in 2007. During such time, Mr. Jin has accumulated extensive experience in, and exposure to, the designing, sourcing, marketing and selling of ladies-wear in the PRC and has built up personal network and business relationships with various OEM contractors, designers, department stores and shopping malls in the PRC. Mr. Jin has also noticed that a great majority of fashion companies targeting the high-end ladies-wear fashion market in the PRC around 2007 had a strong career or business-oriented style inclination and was of the view that a high demand for ladies-wear with a more feminine emphasised style would exist as he believed that every woman has an underlying desire to present their feminine side. It was under such context that our *Koradior* brand was developed and launched.

The business activities of *Koradior* were primarily conducted through Shenzhen Koradior. Our products under our *Koradior* brand was first launched to the market, with the opening of our first self-operated retail store in 2007. In 2010, we started to sell our apparel products through a retail store operated by a distributor. By the end of 2010, we operated over 70 self-operated retail stores in department stores spanning across Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Chongqing, Xi'an and some other Tier 2 cities which align with our strategy of establishing initial presence in prime retail locations of those cities. By the end of 2011, we expanded our retail network by opening 39 new self-operated retail stores in department stores and shopping malls and established our distributorship network with 9 new distributors.

Since 1 August 2011, Mr. Jin, together with our general manager, Ms. He Hongmei and our design and product development team started to develop our *La Koradior* brand in response to the demand from our targeted customers and in order to provide them with high-end formal ladies-wear apparel products to attend private and public social functions. Together with our Italian design consultant, Mr. Luigi Fabio Piras, we created a line of glamorous, distinctive and vibrant designs of formal apparel. In September 2012, we established our first *La Koradior* self-operated retail store and our *La Koradior* brand was launched.

In order to further promote our brand image by showcasing a wider width of collections in their respective cities and create a unique experience to our customers, we have already established 32 dual-branded self-operated retail stores in cities including Shanghai, Shenzhen and Chongqing as at 31 December 2013 which offer both our *Koradior* and our *La Koradior* branded products and the average space of the dual-branded retail stores is generally larger than our other single branded retail stores. As at 31 December 2013, the number of retail stores in our sales network grew to 254, of which 17 retail stores were operated through our distributors.

HISTORY AND REORGANISATION

Milestone

Month/Year	Event
March 2007	Mr. Jin started to operate Shenzhen Koradior to engage in the design and retail business of our <i>Koradior</i> branded apparel
April 2007	Launch of <i>Koradior</i> and the opening of our first self-operated retail store
February 2010	Engaged our first distributor
December 2010	Awarded as “Familiar/favourite brand amongst female consumers in China* (中國女性消費者熟悉/喜愛的品牌)”
April 2011	Extended our sales network to third party e-commerce platform
September 2011	Opening of the 100th self-operated retail store
September 2012	Launch of <i>La Koradior</i> and the opening of our first self-operated retail store for <i>La Koradior</i> Opening of our first self-operated dual-branded retail store, making our complete lines of <i>Koradior</i> and <i>La Koradior</i> branded products available to our customers in the same retail store
October 2012	Participated in 2013 Spring/Summer China International Fashion Week (中國國際時裝周) in Beijing
June 2013	Ranked 63rd in “2012 Top 100 Enterprises by sales margin of China Apparel Industry* (2012年中國服裝行業百強企業排名 — 銷售利潤率)”
July 2013	Opening of the 200th self-operated retail store
March 2014	Awarded as ZOJE The 10th China National Garment Association Award — Style Award* (中捷第十屆中國服裝品牌年度大獎 — 風格大獎)
March 2014	Awarded as The 2nd Top 10 Creative Brands* (第二屆十大年度創意品牌)

OUR GROUP COMPANIES PRIOR TO REORGANISATION

The following entities are the companies comprising our Group prior to the Reorganisation:

Shenzhen Koradior

Shenzhen Koradior (formerly known as Shenzhen Na Er Si Apparel Company Limited (深圳市娜爾思服飾有限公司), renamed as Shenzhen Koradior on 25 May 2007), our operating subsidiary, is a company with limited liability established in the PRC on 24 March 2006 with a registered capital of RMB15.00 million. On its establishment, it was owned by Ms. Chen Lingmei,

HISTORY AND REORGANISATION

Mr. Jin's mother, as to 71.20% and Mr. Jin Jingquan, Mr. Jin's father, as to 28.80%. Shenzhen Koradior did not have any business operations until Mr. Jin acquired a majority equity interests in it in March 2007.

On 9 March 2007, Mr. Jin acquired 53.20% and 20.80% equity interests in Shenzhen Koradior from Ms. Chen Lingmei and Mr. Jin Jingquan, respectively, at the respective consideration of RMB7.98 million and RMB3.12 million based on the registered capital of Shenzhen Koradior of RMB15.00 million. Upon completion of the above acquisition, Shenzhen Koradior was owned as to 74.00%, 18.00% and 8.00%, respectively, by Mr. Jin, Ms. Chen Lingmei and Mr. Jin Jingquan. Mr. Jin acquired Shenzhen Koradior, instead of establishing another company, to operate his new business as it would take a shorter time to acquire an existing company than establishing a new one. His acquisition of majority interests in Shenzhen Koradior was funded by his savings. Shenzhen Koradior has been the main operating entity of our Group since then and currently holds all our material trademarks registered in the PRC. Ms. Chen Lingmei has not participated in the management and daily operation of Shenzhen Koradior since Mr. Jin's acquisition in March 2007.

On 21 July 2011, Ms. Chen Lingmei transferred her 18.00% equity interest in Shenzhen Koradior to Mr. Jin Rui, brother of Mr. Jin, at a consideration of RMB2.70 million based on the then registered capital of Shenzhen Koradior, being RMB15.00 million. On 21 December 2011, Mr. Jin, Mr. Jin Jingquan and Mr. Jin Rui transferred all their equity interests in Shenzhen Koradior to Shenzhen Jinhexin, of which 80.00%, 10.00% and 10.00% equity interests were then owned by Mr. Jin, Mr. Jin Jingquan and Mr. Jin Rui respectively, at a total consideration of RMB15.00 million based on the then registered capital of Shenzhen Koradior, being RMB15.00 million, for the purpose to facilitate the Reorganisation. Shenzhen Koradior remained a wholly-owned subsidiary of Shenzhen Jinhexin until immediately prior to the Reorganisation.

In anticipation of the proposed Listing and in order to streamline our Group's business, the following entity which was part of our Group prior to the Reorganisation, was excluded from our Group:

Beijing Jinyueran

Beijing Jinyueran was established in the PRC as a limited liability company on 23 December 2011 by Shenzhen Koradior with a registered capital of RMB2.00 million. Although the business scope of Beijing Jinyueran includes the business of organisation arts and culture exchange activities, fashion design, corporate image planning, hosting exhibitions, computer graphic and text design and production, corporate management consulting services, technology marketing services and design and production of advertisement, during the Track Record Period and prior to the Reorganisation, Beijing Jinyueran has not commenced any business and was mainly involved as an investment holding company. Beijing Jinyueran was disposed of as part of the Reorganisation, details of which are set out in the paragraph headed "Corporate Reorganisation — Disposal of Beijing Jinyueran" of this section. After the disposal, Beijing Jinyueran has not commenced any business.

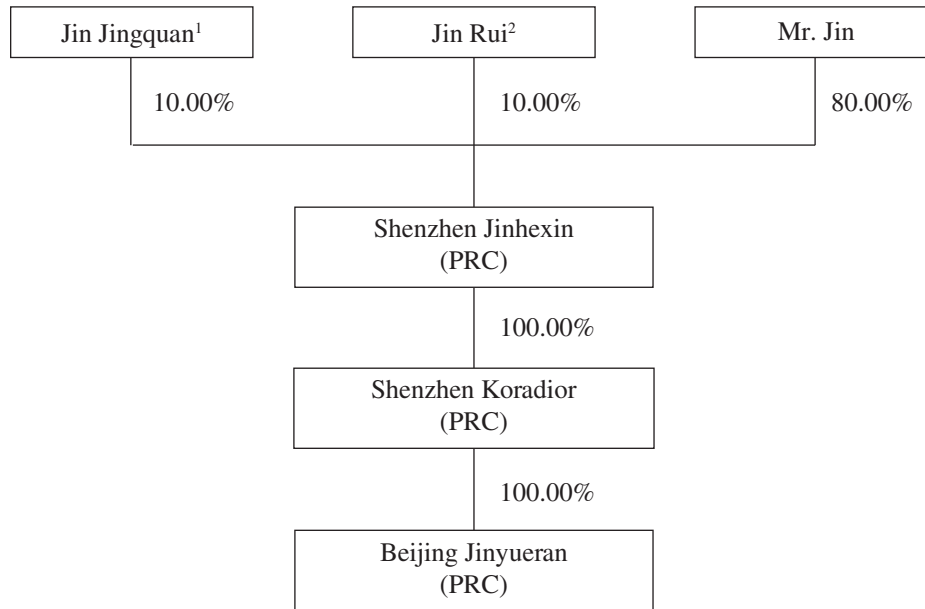
As at the Latest Practicable Date, Beijing Jinyueran did not conduct any business that competes or is likely to compete, directly or indirectly, with the business of our Group.

HISTORY AND REORGANISATION

Our PRC legal advisers are of the view that all approvals, permits and licenses from the relevant PRC government authorities regarding the above acquisitions and disposals in the PRC of the companies comprising our Group prior to the Reorganisation have been obtained.

GROUP STRUCTURE PRIOR TO CORPORATE REORGANISATION

The corporate structure chart below illustrates the beneficial shareholders and subsidiaries of our Group immediately prior to the Reorganisation:



Notes:

1. *Mr. Jin Jingquan is the father of Mr. Jin.*
2. *Mr. Jin Rui is the brother of Mr. Jin.*

As for details of companies which were part of our Group prior to the Reorganisation and the reasons for excluding them from our Group, please refer to the paragraph headed “Our Group Companies Prior to the Reorganisation” of this section.

CORPORATE REORGANISATION

We reorganised our corporate structure in preparation for and in connection with the Listing and the Global Offering. Following the Reorganisation, our Company became the holding company of our Group. The Reorganisation included the principal corporate restructuring steps as set out below.

Incorporation of our Company and subsequent subscription by Koradior Investments

Our Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on 23 March 2012. On its incorporation on 23 March 2012, its authorised share capital was US\$50,000 divided into 50,000 shares, each of US\$1.00 par value. On the same day, one fully paid share of our Company was allotted and issued to Offshore Incorporations (Cayman) Limited

HISTORY AND REORGANISATION

as the initial subscriber and was transferred to Koradior Investments, one of our Controlling Shareholders, on the same day. Immediately upon completion of the above transfer and issue of share, our Company had an issued share capital of US\$1.00 divided into one share. Accordingly, Koradior Investments became the sole shareholder of our Company on 23 March 2012.

On 28 August 2012, the authorised share capital of our Company was increased from US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each to US\$100,000 divided into 100,000 shares of a par value of US\$1.00 each by the creation of an additional 50,000 shares. On the same day, 84,999 fully-paid shares of our Company were allotted and issued to Koradior Investments, one of our Controlling Shareholders at a consideration of US\$84,999 which basis was determined with reference to the par value of US\$1.00 each. The allotment and issue of the shares has been properly and legally completed and settled.

Please refer to the paragraph headed “Further Information about Our Company — Changes in our share capital” of Appendix IV of this prospectus for details of changes in the share capital of our Company. As a result of the Reorganisation, our Company became the holding company of our Group.

Incorporation of Fiona Kim Investments

Fiona Kim Investments was incorporated in the BVI on 10 April 2012 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 17 April 2012, one fully paid share of Fiona Kim Investments was allotted and issued to our Company at par, following which Fiona Kim Investments became a wholly-owned subsidiary of our Company. Fiona Kim Investments is an intermediate holding company. The allotment and issue of the one share has been properly and legally completed and settled.

Incorporation of La Kora International

La Kora International was incorporated in Hong Kong on 17 April 2012 as an intermediate holding company. On its incorporation, the authorised capital of La Kora International was HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. On 17 April 2012, one fully paid share in La Kora International was allotted and issued to Fiona Kim Investments at a consideration of HK\$1.00 as founder member’s share, following which La Kora International became a wholly-owned subsidiary of Fiona Kim Investments. The allotment and issue of the one share has been properly and legally completed and settled.

The shares in La Kora International have no nominal value pursuant to section 135(1) of the Companies Ordinance which came into effect on 3 March 2014.

Incorporation of La Kordi Fashion

La Kordi Fashion is a wholly-foreign owned enterprise established by La Kora International under the laws of the PRC on 8 August 2012 with a registered capital of HK\$2.00 million. By 21 January 2013, La Kora International has fully contributed to the registered capital of La Kordi Fashion. As at the Latest Practicable Date, the entire equity interest of La Kordi Fashion was held by La Kora International. It is also an intermediate holding company in our Group.

HISTORY AND REORGANISATION

Acquisition of Shenzhen Koradior

On 15 November 2012, Shenzhen Jinhxin transferred all the equity interests in Shenzhen Koradior to La Kordi Fashion at a consideration of RMB40.16 million which was determined with reference to the net asset value of Shenzhen Koradior as at 30 June 2012 and RMB25.16 million and RMB15.00 million of which were settled by La Kordi Fashion on 4 September and 10 September 2013 respectively. Shenzhen Koradior became an indirect wholly-owned subsidiary of our Company as part of Reorganisation after the above said transfer. As advised by our PRC legal advisers, the acquisition of Shenzhen Koradior has been properly and legally completed and settled.

Disposal of Beijing Jinyueran

To streamline the corporate structure of our Group in preparation for the Listing, on 19 November 2012, Shenzhen Koradior entered into an agreement with Shenzhen Jinhxin pursuant to which Shenzhen Koradior transferred all the equity interest in Beijing Jinyueran to Shenzhen Jinhxin at a consideration of RMB2.00 million which was settled on 20 December 2013. Such consideration was determined with reference to the then registered capital of Beijing Jinyueran. It was decided that Beijing Jinyueran, which was mainly involved as an investment holding company and which registered scope of business does not involve the principal activities of our Group, would not be included in our Group because it was considered not strategically complementary to the principal activities of our Group. As advised by our PRC legal advisers, the disposal of Beijing Jinyueran has been properly and legally completed and settled.

PRE-IPO INVESTMENT

Pursuant to a subscription agreement dated 28 August 2012 among Ms. Jinny Chui, Mr. Jin, our Company and La Kordi Fashion, among other things, 5,000 fully-paid shares of our Company were allotted and issued to Ms. Jinny Chui at a consideration of US\$500,000, determined with reference to the net profit of Shenzhen Koradior as at 31 December 2011.

On 7 November 2013, Ms. Jinny Chui transferred 5,000 shares of our Company legally and beneficially held by her to Sisu Holdings Limited, an investment holding company incorporated in the BVI and wholly-owned by herself at a total consideration of US\$1.00.

Pursuant to a subscription agreement dated 9 December 2013 among our Company, Sisu Holdings Limited and Wealth Depot Limited, on 9 December 2013, 5,747 shares and 1,954 shares of our Company were respectively allotted and issued to Sisu Holdings Limited and Wealth Depot Limited, an investment holding company incorporated in the Republic of Seychelles and the entire issued share capital of which is held by Ms. Ivy Connie Sun, at a total cash consideration of HK\$32,835,821 and HK\$11,164,179 respectively which were determined with reference to estimated net profit of Shenzhen Koradior for the year ended 31 December 2013. Immediately after such allotment and issue, our Company was owned as to 87.00% by Koradior Investments, 11.00% by Sisu Holdings Limited and 2.00% by Wealth Depot Limited.

Ms. Jinny Chui is the sole shareholder and sole director of Sisu Holdings Limited. Ms. Chui has held different posts in various companies in Hong Kong and the United Kingdom. She is interested in the fashion industry in the PRC and has been looking for suitable investment opportunities. She is an Independent Third Party and as far as our Directors are aware, she does not have any past or present

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relationships (other than being a Shareholder) with other Shareholders and was not involved in any business that competes or may compete with our business as at the Latest Practicable Date. Both Ms. Jinny Chui and Sisu Holdings Limited do not have any special rights in our Company. Ms. Jinny Chui has also undertaken to our Company and the Joint Sponsors that, she will not, and will procure that, any registered holder of Shares of which she is the beneficial owner, not to, dispose of nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which she is shown by this prospectus to be the beneficial owner, within the period from the date on which dealings in the Shares first commence on the Main Board and ending on the date which is six months from that date. Since Ms. Jinny Chui and Sisu Holdings Limited are not connected person of our Company, the Shares held by Sisu Holdings Limited will be regarded as part of our Company's public float upon the Listing.

Ms. Ivy Connie Sun is the sole shareholder of Wealth Depot Limited. She is an investor who has been looking for investment opportunities in the PRC. To the best of our knowledge, information and belief, she has been principally engaged in investment and financial consultancy business and was not involved in any business that competes or may compete with our business as at the Latest Practicable Date. She gained sufficient understanding about our Group's strategies and executive management abilities before investing in our Group. She is an Independent Third Party and as far as our Directors are aware, she does not have any past or present relationship (other than being a Shareholder) with other Shareholders. Both Ms. Ivy Connie Sun and Wealth Depot Limited do not have any special rights in our Company. Ms. Ivy Connie Sun has also undertaken to our Company and the Joint Sponsors that, she will not, and will procure that, any registered holder of Shares of which she is the beneficial owner, not to, dispose of nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which she is shown by this prospectus to be the beneficial owner, within the period from the date on which dealings in the Shares first commence on the Main Board and ending on the date which is six months from that date. Since Ms. Ivy Connie Sun and Wealth Depot Limited are not connected person of our Company, the Shares held by Wealth Depot Limited will be regarded as part of our Company's public float upon the Listing.

Our Directors and the Joint Sponsors confirm that they consider the pre-IPO investments by each of Ms. Jinny Chui (acting through Sisu Holdings Limited) and Ivy Connie Sun (acting through Wealth Depot Limited) are in compliance with the Guidance Letters HKEx-GL29-12, HKEx-GL44-12 and HKEx-GL-43-12 issued by the Stock Exchange.

Set out below is a summary of the details of the pre-IPO investments mentioned above:

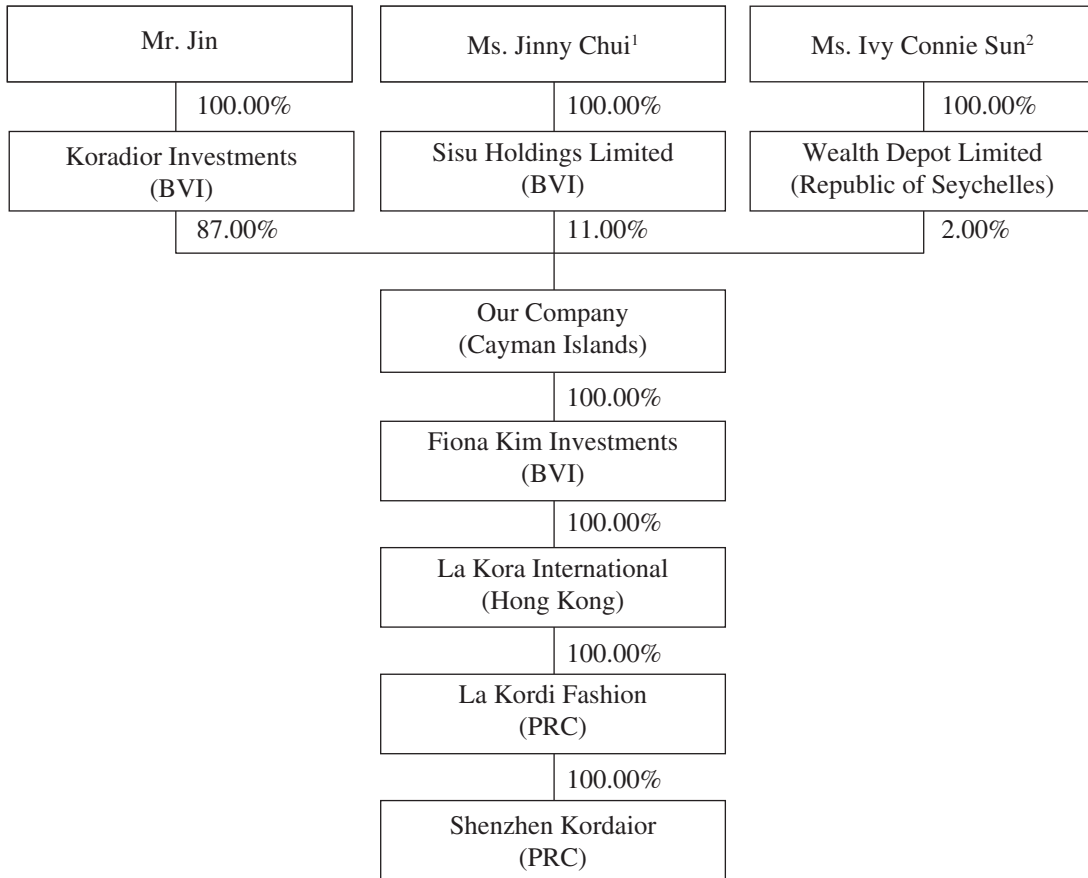
Name of Investors	(1) Ms. Jinny Chui through Sisu Holdings (2) Ms. Ivy Connie Sun through Wealth Depot Limited
Type of Investments	(1) Subscription of: (a) 5,000 shares of our Company of US\$1.00 each; and (b) 5,747 shares of our Company of US\$1.00 each (2) Subscription of 1,954 shares of our Company of US\$1.00 each

HISTORY AND REORGANISATION

Date of Investments	(1) (a) 28 August 2012 (b) 9 December 2013 (2) 9 December 2013
Amount of Consideration Paid	(1) (a) US\$500,000 (b) HK\$32,835,821 (2) HK\$11,164,179
Payment Date of the Consideration	(1) (a) 5 September 2012 (b) 20 December 2013 (2) 20 December 2013
Cost per share of US\$1.00 each paid by the Investors	(1) (a) US\$100 (b) HK\$5,714 (2) HK\$5,714
Effective acquisition cost per share	(1) HK\$0.89 (2) HK\$1.49
Discount over Mid-point of Offer Price Range	(1) 76.46% (2) 60.58%
Use of Proceeds from the investments	Partially for repayment of loan due to Mr. Jin and partially as general working capital of our Company
Strategic benefits	Given that Ms. Jinny Chui and Ms. Ivy Connie Sun are financial investors, their pre-IPO investments do not provide any strategic benefits to our Group.
Shareholding upon Listing (without taking into account the Shares to be issued pursuant to the Share Option Scheme and the Over-allotment Option)	(1) 8.25% (2) 1.50%
Extent of utilisation	100.00%

HISTORY AND REORGANISATION

The following chart depicts the corporate structure after the said pre-IPO investment:



Notes:

1. Ms. Jinny Chui is an Independent Third Party.
2. Ms. Ivy Connie Sun is an Independent Third Party.

Settlement of discretionary trust by Mr. Jin

On 6 June 2014, Mr. Jin transferred to Kingstun Holdings the entire issued share capital of Koradior Investments, at nil consideration for the settlement of his trust, namely Fiona Trust, with Standard Chartered Trust as the trustee and the beneficiaries are Mr. Jin, his spouse and his children. As at the Latest Practicable Date, Standard Chartered Trust has the powers customarily granted to a trustee, including:

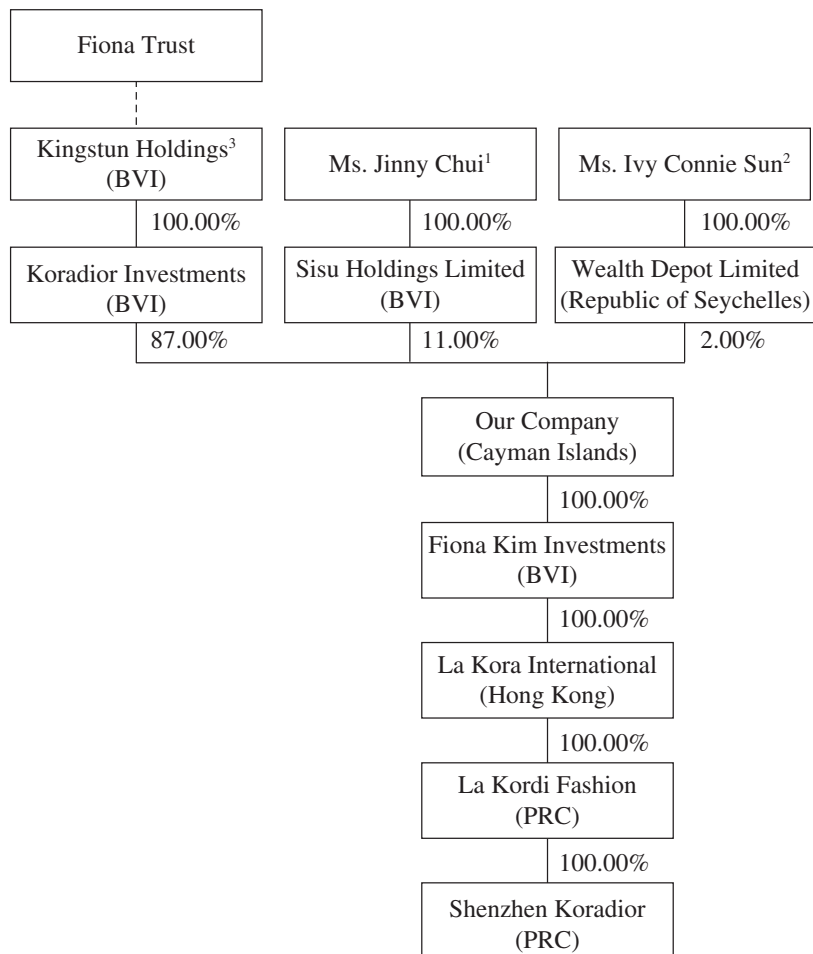
- pay, transfer or apply the whole or any part of the income of the trust fund to and for the benefit of any beneficiaries;
- hold the whole or any part of the trust fund for the benefit of any beneficiaries on any terms; and
- transfer to the trustees of a qualifying trust to hold on terms of that qualifying trust.

HISTORY AND REORGANISATION

The proper law of Fiona Trust is the law of the Republic of Singapore. Under Fiona Trust, certain discretions of the trustee are only exercisable by the trustee with the consent of the protector, Mr. Jin, and such discretions include: (i) addition of beneficiaries; (ii) exclusion of beneficiaries; and (iii) variation of the trust period and the provisions of Fiona Trust. Mr. Jin is also the investment manager of Fiona Trust who shall be vested with the investment management and administration powers including to invest the income or capital of the trust fund and exercise all voting rights pertaining to any shares forming part of the trust fund. So long an investment manager is in office, the only duty of the trustee in respect of investment management and administration powers shall be to comply with the directions given by the investment manager in this respect.

GROUP STRUCTURE AFTER CORPORATE REORGANISATION AND BEFORE LISTING

The corporate structure of our Group after Reorganisation but immediately prior to the Capitalisation Issue and the Global Offering is set out below:



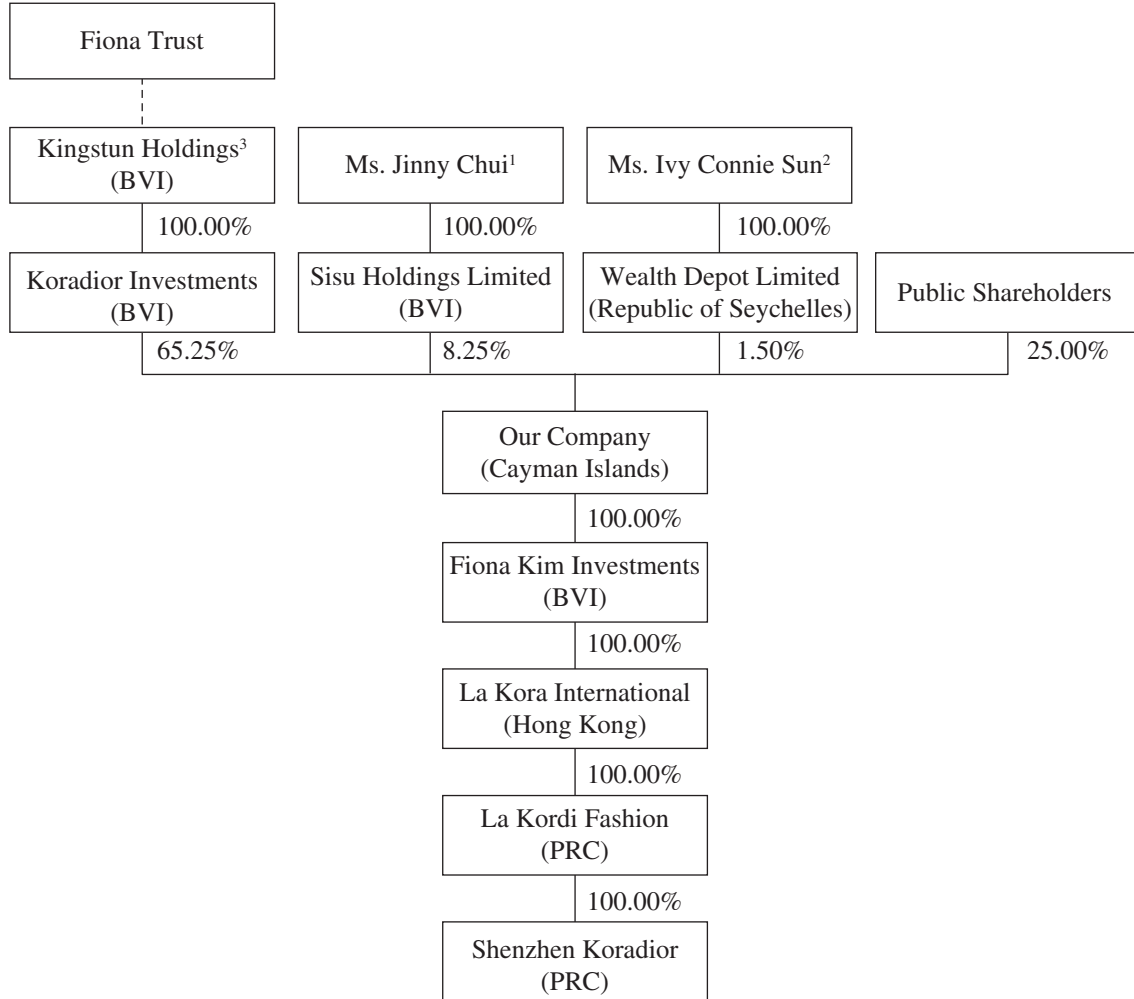
Notes:

1. Ms. Jinny Chui is an Independent Third Party.
2. Ms. Ivy Connie Sun is an Independent Third Party.
3. Kingstun Holdings is wholly-owned by Standard Chartered Trust (through its nominee SCTS Capital Pte Ltd) which is the trustee for Fiona Trust for which Mr. Jin is the settlor and Mr. Jin, his spouse and his children are the beneficiaries.

HISTORY AND REORGANISATION

GROUP STRUCTURE AFTER CORPORATE REORGANISATION AND UPON LISTING

The corporate structure of our Group immediately after the Reorganisation, the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and none of the options to be granted under the Share Option Scheme are exercised) is set out below:



Notes:

1. Ms. Jinny Chui is an Independent Third Party.
2. Ms. Ivy Connie Sun is an Independent Third Party.
3. Kingstun Holdings is wholly-owned by Standard Chartered Trust (through its nominee SCTS Capital Pte Ltd) which is the trustee for Fiona Trust for which Mr. Jin is the settlor and Mr. Jin, his spouse and his children are the beneficiaries.

HISTORY AND REORGANISATION

PRC REGULATORY REQUIREMENTS

According to the M&A rules, mergers and acquisitions of equity interests or assets of any domestic enterprises by foreign investors shall be reviewed and approved by the MOFCOM or provincial commercial authority. Where any offshore enterprise established or controlled by PRC domestic companies or individuals intends to acquire domestic enterprises affiliated with such PRC domestic companies or individuals, the acquisition shall be subject to the examination and approval of the MOFCOM.

The M&A Rules further provide that any listing on an overseas stock exchange of any offshore special purpose vehicle, which is directly or indirectly controlled by PRC domestic companies or individuals and has been formed for overseas listing purposes, shall be subject to approval by the CSRC.

As advised by our PRC legal advisers, with respect to all the share transfers of the PRC companies in our Group, the transactions are not acquisitions by any offshore enterprise of the domestic enterprises affiliated with such PRC domestic companies or individuals as regulated in M&A Rules, and thus are not subject to the MOFCOM approval.

Our PRC legal advisers also advised that, as our Company is not an offshore special purpose vehicle directly or indirectly controlled by any PRC domestic companies or individuals and our acquisitions of the PRC companies in our Group were not paid in the form of equity securities, it is not necessary for us to obtain approval from the CSRC for the Listing and trading of our Shares on the Stock Exchange.

The SAFE Circular No. 75 requires PRC residents to register with the local SAFE branch before establishing or controlling any company, referred to in the SAFE Circular No. 75 as an “overseas special purpose vehicle”, outside of PRC for the purpose of capital financing with assets or interest in PRC, and to register again after completing an investment in or acquisition of any operating subsidiaries in PRC, which is known as a round-trip investment. Also, any material capital alteration, such as capital increase or decrease, merger or division, in such overseas special purpose vehicle involving no round-trip investment shall be alternately registered or filed.

As advised by our PRC legal advisers, Mr. Jin, the ultimate beneficial owner of the Company, has completed the following SAFE registration in accordance with the SAFE Circular No. 75.

Mr. Jin has completed the SAFE registration on 13 June 2012 in accordance with SAFE Circular No.75 in respect of the reorganisation step stated in the paragraph headed “History and Reorganisation — Corporate Reorganisation — Incorporation of Our Company and subsequent subscription by Koradior Investments, Incorporation of Fiona Kim Investments and Incorporation of La Kora International” in this prospectus; and

Mr. Jin has completed the SAFE alteration registration on 8 November 2012 in accordance with SAFE Circular No.75 in respect of the reorganisation step stated in the paragraph headed “History and Reorganisation — Corporate Reorganisation — Incorporation of La Kordi Fashion” in this prospectus.

Mr. Jin has completed another alteration registration with SAFE on 26 March 2014.

HISTORY AND REORGANISATION

Our PRC legal advisers have confirmed that all approvals, permits and licences from the relevant PRC government authorities regarding the above acquisitions and disposals in the PRC in relation to the Reorganisation have been obtained, and the Reorganisation has complied with all applicable PRC laws and regulations and that all of the acquisitions and disposals under the Reorganisation have been properly and legally completed and settled.

Our Directors consider that the acquisitions and disposals in relation to the Reorganisation have been properly and legally completed and confirm that the Reorganisation complies with the relevant laws and regulations.

OVERVIEW

We are one of the leading and fast growing high-end ladies-wear companies in the PRC based on retail revenue for 2013, according to Frost & Sullivan, an independent market research firm. Our *Koradior* brand was ranked sixth in terms of retail revenue for 2013 within the high-end ladies-wear market in the PRC with a corresponding market share of 0.72% in 2011, 0.87% in 2012 and 0.98% in 2013. We engage in the design, promotion, marketing and sales of our self-owned branded products, *Koradior* and *La Koradior*, that target affluent ladies between the age of 30 and 45. As at 31 December 2013, we have built a nationwide network of 254 retail stores, strategically covering major cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Xi'an and Chongqing, of which 237 were operated by us. For each of the years ended 31 December 2011, 2012 and 2013, our annual growth rate of our comparable self-operated retail stores during comparable periods was 9.73% between 31 December 2011 and 2012 and 9.79% between 31 December 2012 and 2013.

We launched our *Koradior* brand in 2007, targeting high-end stylish and smart-casual ladies-wear market. Our *Koradior* brand is positioned to offer our customers feminine, stylish, chic and young-looking designs for all seasons. In response to our customers' demand for high-end formal ladies-wear, we launched our *La Koradior* brand in September 2012. Our *La Koradior* brand is positioned to offer luxurious and elegant designs for all seasons and has a brand theme of "glamorous, distinctive and vibrant". Our products include dresses, skirts, trousers, shirts, knitwear, vests, jackets, overcoats, scarves and accessories. Recognising our customers' demand for designs for ladies-wear which are simple and relaxed yet feminine and stylish, we plan to launch a new brand *Koradior elsewhere* in the second half of 2014.

As at 31 December 2013, our products are designed by our research and design team of 61 members. Furthermore, we have engaged Italian designer Mr. Luigi Fabio Piras since October 2013 and "7th China Fashion Design — Golden Award" (第7屆中國時裝設計 — 「金頂獎」) winner, Ms. Fang Ying, since September 2009, as our design consultants. They introduce new trends, themes and colours of ladies-wear for our targeted customers every season. Our design team works with our suppliers, retail store managers and distributors to fine-tune our designs to suit the tastes of our customers.

Our products are sold across a nationwide sales network, majority of which consisted of self-operated retail stores, covering 24 provinces, autonomous regions and municipalities in the PRC as at 31 December 2013. It is our strategy to establish our initial presence in Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Xi'an, Chongqing and some other Tier 2 cities by locating our self-operated retail stores at prime retail locations of those cities. As soon as we are able to identify substantial demand and growth potential for our products, we will then penetrate into other strategic locations in those cities. The use of distributors is to allow us to expand our sales network to remote regions such as Harbin, Urumqi, Ankang, Panjin and Zhangjiakou. As at 31 December 2013, we had 20, 20, 8, 13, 12, 11 and 17 retail stores in our sales network in Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Xi'an and Chongqing respectively. Currently, most of our retail stores are located in well-known department stores and shopping malls in their respective cities in the PRC. Our retail stores in department stores are operated under cooperation agreements and retail stores in shopping malls are operated under either cooperation agreements or lease agreements. In order to further promote our brand image by showcasing a wider width of collections and create a unique experience to our customers, we have already established dual-branded retail stores in cities including Shanghai, Shenzhen and Chongqing which offer

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both our *Koradior* and *La Koradior* branded products and the average space of our dual-branded retail stores is generally larger than our other single branded retail stores. We plan to open more retail stores, including multi-branded retail stores in the next few years.

As at 31 December 2013, there were 213 retail stores for *Koradior* brand of which 196 were operated by us and 17 were operated by our distributors; and 9 retail stores for *La Koradior* brand and 32 dual-branded retail stores, all of which were operated by us. Out of the 237 self-operated retail stores, as at 31 December 2013, there were 205 retail stores in department stores and 32 retail stores in shopping malls, of which 6 were outlets. For the years ended 31 December 2011, 2012 and 2013, sales generated by our self-operated retail stores for our *Koradior* and *La Koradior* products accounted for 97.01%, 89.38% and 92.42% of our total sales, respectively.

We have made use of third party e-commerce platforms as one of our sales channels. Our *Koradior* brand has been an authorised merchant in Tmall since 2011. Further, our *Koradior* brand products can also be purchased online on Dangdang, VIP.com and Wangfujing. During the Track Record Period, our sales of *Koradior* products through third party e-commerce platforms increased from RMB2.85 million for the year ended 31 December 2011 to RMB31.38 million for the year ended 31 December 2013, with a CAGR of 231.68%.

We have built our brands through our national advertising campaigns. We have put billboard advertisements in major airports in the PRC. As at the Latest Practicable Date, our advertisements can be found in the arrival and/or departure halls of Shanghai Hongqiao, Pudong and Shenzhen International Airports. We have placed brand imaging advertisements in selected nationwide circulated fashion and lifestyle magazines. We have adopted carefully-tailored marketing and promotional strategies with a view to maximising our exposure to our key target audience.

In order to allow us to focus our resources on key stages of our value chain, such as design, sales and marketing and customer services, we outsource the production of all our products to OEM contractors.

Our revenue increased from RMB327.08 million for the year ended 31 December 2011 to RMB484.94 million for the year ended 31 December 2012 and to RMB701.88 million for the year ended 31 December 2013, representing a CAGR of 46.49% throughout the period. Our net profit increased from RMB19.44 million for the year ended 31 December 2011 to RMB27.81 million for the year ended 31 December 2012 and to RMB80.11 million for the year ended 31 December 2013, representing a CAGR of 102.99% throughout the period.

Our Directors are of the view that our Group's positioning as a high-end ladies-wear brand in the PRC can be substantiated on the following basis: (i) *Koradior* brand is being categorised as a high-end ladies-wear brand and was ranked sixth in terms of annual retail revenue in the PRC high-end ladies-wear market in 2013 according to Frost & Sullivan; (ii) the average selling price per product sold via our self-operated retail stores during the Track Record Period after adjusting for the VAT of 17% and the relevant discount offered to the customers is within the market range of average tag price for high-end ladies-wear brands advised by Frost & Sullivan; (iii) the respective tag price for the main products of the Group is also consistent with the market range of average tag price for high-end ladies-wear brands advised by Frost & Sullivan; and (iv) the tag price of products of *La Koradior* brand is on average higher than the tag price of the products of *Koradior* brand.

COMPETITIVE STRENGTHS

We believe the following key strengths distinguish us from our competitors and will enable us to compete effectively in the future.

Being one of the leading brands, we have established a strong position to capture further market share in the fast-growing but highly fragmented high-end ladies-wear fashion market in the PRC

We are one of the leading and fast growing high-end ladies-wear companies in the PRC based on retail revenue for 2013 and our *Koradior* brand was ranked sixth in terms of retail revenue for 2013 within the high-end ladies-wear fashion market in the PRC, according to Frost & Sullivan, an independent market research firm. We own and manage two brands, *Koradior* and *La Koradior*, which cover the high-end stylish and smart-casual segment and the high-end formal segment, respectively. Our brands are targeting affluent ladies between the age of 30 and 45 with strong consumption capacity.

We have won a number of awards and recognitions for our brands. In 2010, our *Koradior* brand won the “Familiar/favourite brand amongst female consumers in China* (中國女性消費者熟悉/喜愛的品牌)” in a survey conducted by China Female Consumer Summit Forum Organising Committee (中國女性消費者高層論壇組委會) in which over 1,000 respondents participated in the PRC. In 2013, we were ranked 63rd in 2012 Top 100 Enterprises by sales margin of China Apparel Industry* (2012年中國服裝行業百強企業排名 — 銷售利潤率)” by China National Garment Association (中國服裝協會). In 2014, our *Koradior* brand was awarded “ZOJE The 10th China National Garment Association Award — Style Award* (中捷第十屆中國服裝品牌年度大獎 — 風格大獎)” by China National Garment Association (中國服裝協會) and “The 2nd Top 10 Creative Brands* (第二屆十大年度創意品牌)” by Shenzhen Creativeness Selection Committee* (深圳創意影響力評選活動組委會). For further details, please refer to the paragraph headed “Business — Awards and Recognition” of this prospectus.

The PRC high-end ladies-wear fashion market is fast-growing. According to Frost & Sullivan, the retail revenue of high-end ladies-wear fashion in the PRC is expected to grow from RMB95.49 billion in 2013 to RMB241.19 billion in 2018, representing a CAGR of 20.36%, which is higher than the CAGR of the overall ladies-wear market. Despite our relatively short history, our *Koradior* brand was able to account for approximately 0.72%, 0.87% and 0.98% of the high-end ladies-wear fashion market for 2011, 2012 and 2013 respectively, based on retail revenue according to Frost & Sullivan. We believe that the high-end ladies-wear market in the PRC is highly fragmented and no one brand owner or operator has a dominant share of such market. With our advantage as one of the leading brands, we believe we are well-positioned to capture further market shares in the fast-growing high-end ladies-wear market in the PRC.

Predominantly self-operated retail stores strategy leading to high growth momentum

Since the commencement of our business in 2007, we have been building our sales network predominantly via self-operated retail stores. As at 31 December 2013, out of our 254 retail stores, 237 of which were operated by us, generating 92.42% of our total sales in 2013. We believe such strategy is critical to our success as:

- We have full control in determining the most appropriate locations for our new retail stores at a pace appropriate for us and have full control over our retail store operation to ensure a consistent and high standard of services.

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- Our direct interaction with customers allows us to obtain timely feedback from them, which is useful to the formulation of our product design, marketing and pricing strategies.

We believe the implementation of such strategy since the commencement of our business has laid down solid foundation for greater growth potential when our retail store network has reached a certain size and achieved certain economies of scale.

Our strategy of building sales network predominantly via self-operated retail stores is one of the factors contributed to our rapid growth over the years.

Nationwide retail presence built from a network of retail stores occupying prime locations at strategically selected cities

Our products are sold across a nationwide network of 254 retail stores, covering 24 provinces, autonomous regions and municipalities in the PRC as at 31 December 2013, of which 237 were self-operated and 17 were operated by our distributors. As at 31 December 2011, 2012 and 2013, there were 119, 177 and 254 retail stores in our sales network, for our two brands, respectively. Out of the 237 self-operated retail stores, as at 31 December 2013, we had 205 retail stores in department stores and 32 retail stores in shopping malls, 6 of which were outlets.

It is our strategy to establish our initial presence in Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Xi'an, Chongqing and some other Tier 2 cities by locating our self-operated retail stores at prime retail locations of those cities. As soon as we are able to identify substantial demand and growth potential for our products, we will then penetrate into other strategic locations of those cities. As at 31 December 2013, there were 20, 20, 8, 13, 12, 11 and 17 retail stores in our sales network, in Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Xi'an and Chongqing. Currently, most of our retail stores in department stores are located in well-known department stores in the PRC such as Beijing Shin Kong Place (北京新光天地), Hangzhou Tower (杭州大廈), Shanghai Diyi Babaiban (上海第一八佰伴), Yinzuo Department Store (銀座百貨), Tianhong Department Store (天虹百貨), Chengdu Wangfujing (成都王府井) and Nanjing Golden Eagle Xinjiekou Store (南京金鷹新街口店). To showcase a wider width of collections and create a unique experience for our customers, we have already established 32 self-operated dual-branded retail stores in cities including Shanghai, Shenzhen and Chongqing as at 31 December 2013 which offer both our *Koradior* and *La Koradior* branded products and the average space of our dual-branded retail stores is generally larger than our other single branded retail stores.

Retail stores operated by our distributors for our *Koradior* brand have increased from 10 as at 31 December 2011 to 17 as at 31 December 2013. We believe that our combination of self-operated retail network and retail stores operated by our distributors have allowed us to systematically expand our sales network through replicating our retail stores in various regions of the PRC including allowing us to understand the customer behaviour and demand in remote areas of the PRC through our distributors.

Further, coincide with the increasing popularity of online shopping, our *Koradior* brand has been an authorised merchant of Tmall since 2011 and currently, our *Koradior* products can also be purchased online on Dangdang, VIP.com and Wangfujing. Our third party e-commerce platforms allow us to keep up with changes in the buying behaviour and pattern of our customers. Our sales of *Koradior* products through E-commerce platform has increased from RMB2.85 million for the year ended 31 December 2011 to RMB31.38 million for the year ended 31 December 2013, representing a CAGR of 231.68%.

Strong design and product development capability

We design all of our products in-house under the joint leadership of our general manager, Ms. He Hongmei, and our director of the design team, Mr. Hu Qi. Furthermore, we have engaged Italian designer Mr. Luigi Fabio Piras since October 2013 and “7th China Fashion Design — Golden Award” (第7屆中國時裝設計 — 「金頂獎」) winner, Ms. Fang Ying since September 2009, as design consultants for our *La Koradior* and *Koradior* brands respectively. We have also engaged a Korean design house, I.S. Planning, to co-operate with us in designing our to be launched *Koradior elsewhere* brand. They introduce new trends, themes and colours of ladies-wear for our targeted customers every season. We have also developed the technical know-how to create our product samples, the core of which is derived from own proprietary researches on postures of women aged 30 to 45, and is essential to the feminine design of our products.

As at 31 December 2013, our research and design team comprised of 61 members. We develop two seasonal collections per annum under each of our *Koradior* and *La Koradior* brands and successfully launched a total of 1,122, 1,456 and 2,060 SKUs under our two brands during each of the three years of the Track Record Period respectively. Our research team is responsible for determining the seasonal themes, main colours and materials to be used and identifying new fashion trends from our design consultants, fashion shows, market research as well as magazines and other media and then introduces new design elements into our products every season.

Our design team is responsible for conceptualising, designing and developing apparel products and also works with our suppliers, retail store managers and distributors to fine-tune our designs to suit the tastes of our customers. We collaborate with our suppliers to develop varying uses of materials and fabrics in our products. In addition, we involve some of our retail store managers and our distributors in our product selection process to ensure we adapt to the constantly changing consumer trends in our local market.

Well-implemented retail management system

Our retail management system consists of (i) policies and procedures that assist us to manage our brands, monitor retail stores performance including inventory level, incentivise our staff and enhance their knowledge on our brands, products and customers and (ii) an ERP system which integrates the internal and external management information across various aspects of our business operations.

We have specific policies governing the use of our *Koradior* brand, product image and positioning, the identification and selection of store location, decoration and renovation and new store opening procedures. We directly supervise and manage the operations of our self-operated retail stores. We require our self-operated stores to submit sales reports on a daily basis. This grants us up-to-date sales information of our self-operated stores. Further, each retail store supervisor, who generally covers a region with 5 to 10 self-operated retail stores in department stores or 3 to 5 self-operated retail stores in shopping malls, is responsible for supervising the daily operation, inventory level and supplies of self-operated retail stores and report periodically to the head office. In addition, we separately assign a senior supervisor for every 10 to 20 self-operated retail stores.

We implement strong control and management of our sales network by specifying job responsibilities, monthly, weekly and daily key tasks to be completed, operation procedure and standards and staff management measures with respect to each position at our self-operated retail stores.

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We require our store managers and other staff to receive periodic training to enhance their understanding of our brands, products and customers so as to better serve our customers by providing them with appropriate advice on the combination of apparels and accessories.

We believe we have a competitive remuneration system which can incentivise our employees to strive for better results as we place sizeable weight on performance in determining the remuneration. In addition, we have a remuneration system specifically designed for our design team (which is based on popularity and innovation of their design) and sales team (which is based on individual and store performance).

Each of our self-operated retail stores has access to our ERP system. The ERP system allows our management to centrally monitor sales activities and inventory levels at our self-operated retail stores on a timely basis. Through the system, we are able to evaluate our self-operated retail stores more accurately by comparing the sales performance of each self-operated retail store against that of other self-operated retail stores and historical records. Real-time operating data from self-operated retail stores also enables us to perform timely and accurate analysis of consumer preferences and habits, conduct customer surveys, which generate valuable information for our product design and improvement.

We believe that the combination of a strong research and design team and a comprehensive retail management system enables us to anticipate and react quickly to shifting market trends and allows us to continuously introduce products of high popularity.

As a result, we were able to achieve annual growth rate of our comparable self-operated retail stores during comparable periods of 9.73% between 31 December 2011 and 2012 and 9.79% between 31 December 2012 and 2013.

Effective branding and marketing strategy

We have a dedicated team for the marketing and promotional activities of *Koradior* and *La Koradior* and have built our brands through national advertising campaigns. We put billboard advertisements in major international airports of Shanghai Hongqiao, Pudong and Shenzhen in the PRC, which we believe is the most effective means to reach our target group of customers.

We have placed brand imaging advertisements in selected nationwide circulated fashion/lifestyle magazines such as “Harper’s Bazaar (時尚芭莎)” and “Cosmopolitan Bride (時尚新娘)”. We have also sponsored promotional events such as “Miss Chinese Comos Pageant (中華小姐環球大賽)” event in 2010 and participated in the China International Fashion Week (中國國際時裝周) and organised a 2013 spring/summer fashion show with heightened media coverage that raised awareness of our brands among the fashion industry. For details, please refer to the paragraph headed “Business — Marketing and Promotion” of this prospectus.

In order to encourage customers’ spending and develop customer loyalty which is important in the high-end fashion industry, we have a VIP membership program. Our VIP members benefits include coupons, gifts and special services such as clothing alteration, customisation and image consultancy. Our VIP database provides us with a reliable source of information such as customer occupation, customer income demographics, spending patterns, age bracket, sizes and preferences. Such VIP program has also

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allowed us to customise our marketing approach to target specific customer groups. As at 31 December 2011, 2012 and 2013, we had over 18,000, 22,000 and 28,000 members respectively in our VIP membership program who visited and purchased at our retail stores.

Leadership under our visionary and experienced and founder complemented by a professional and experienced team

We were founded by our chief executive officer, chairman and executive Director, Mr. Jin, who realised the significant growth potential of the high-end ladies-wear market in the PRC when he decided to create our *Koradior* brand which emphasises feminine design. Mr. Jin has over 10 years of experience in and has an in-depth understanding of the ladies fashion industry in the PRC. Under his leadership, we have successfully adapted to the fast-changing consumer taste and the latest fashion trends, and become one of the leading and fast-growing high-end ladies-wear companies in the PRC.

Our general manager, Ms. He Hongmei, has approximately 20 years of experience in the ladies fashion industry and has been with us since we were founded in 2007. Other key members of our senior management team have extensive experience in their respective fields and have been with us since the commencement of our business in 2007. We believe that such experience and continuity in our senior management team is crucial to our success. We have developed a corporate culture that reflects the core values of our management and employees and rewards our employees on a merit basis.

Our management team has demonstrated strong execution capabilities and successfully established our brands and expanded our retail network from 119 retail stores as at 31 December 2011 to 254 retail stores covering 24 provinces, autonomous regions and municipalities in the PRC as at 31 December 2013. Due to our effective management, we have been able to achieve rapid growth in recent years while maintaining management control, high quality and consistent brand image throughout our nationwide operations. We believe that the vision, industry knowledge and experience, management capability and cohesiveness of our senior management team will continue to help us deliver sustainable growth in the future.

BUSINESS STRATEGIES

We intend to further strengthen our leading position in the high-end ladies-wear market in the PRC. In the long run, we aim to be the top player of the high-end ladies-wear industry in the PRC. We plan to achieve our goals by pursuing the following principal strategies:

Expanding sales network and channels

We intend to strengthen and expand our sales network and channels by opening additional retail stores and expanding our e-commerce business. We plan to:

- expand our sales network predominantly through expansion of our self-operated retail network;
- continue penetrating into Tier 1 cities and Tier 2 cities in the PRC that have demonstrated substantial demand and growth potential for our products. The rapidly increasing number of major department stores and shopping malls in these cities has presented us with a good opportunity to expand our retail network. We intend to launch new self-operated retail stores

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in these cities, especially in shopping malls which we believe will enhance our brand recognition, and strengthen our position in negotiating terms with department stores and shopping malls;

- extend our presence in prime locations in Tier 3 cities and Tier 4 cities with strong purchasing power such as Jiujiang, Wenzhou, Yantai and Weihai predominantly through the opening of self-operated retail stores; and
- strengthen our e-commerce business by deploying more resources to our Tmall online sales platform and introducing our products in more third party e-commerce platforms. We intend to build a design team to develop products exclusively for third party e-commerce platforms, some of which will evolve from the best-selling products of our stores.

Improving same store sales growth

We plan to improve our same store sales growth via the following strategies, which are expected to result in increase in sales volume and average selling price of our products:

- *Expanding design capabilities and product offerings*

We plan to enhance our design capabilities by hiring more in-house design staff. In particular, we intend to build up our in-house design team for our to be launched *Koradior elsewhere* brand. At the same time, we will continue to look for and engage well-known international and local design consultants to help our design team stay close to international fashion trends and provide us with innovative ideas as to how to expand our portfolio of products. In respect of reflecting seasonal market reactions, we will also enhance communications between our design team and our market research team to ensure market reactions revealed by our sales figures can be incorporated in our design in a timely manner.

We intend to make available a more comprehensive range of products under our existing brands by providing more SKUs every season. We also believe that our accessory products are complementary to our apparel product offerings and can increase our coverage of the ladies-wear market.

- *Improving quality of our sales service*

We plan to provide training to our sales staff to enhance their knowledge of our products and to equip them with the skillsets to present multiple styles to our customers and show them how to mix and match our products so that better service can be provided to our customers.

We believe our VIP membership program is one of the key elements in our sales service and we plan to further expand our VIP member base by converting the VIP members of department stores to our VIP members, and sharing customer source with nearby retail stores. We will continue to offer additional value-added services to attract new members and retain existing members.

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We also plan to perform more sophisticated analysis of our customer information and sales data. Through such analysis, we are in a better position to understand our VIP members' needs and thereby achieving greater spending per purchase from them.

Adopting a multi-brand strategy aiming to provide diversified brands to the same targeted customer group

We currently operate two self-owned brands, namely *Koradior* and *La Koradior*. We believe we have accumulated extensive experience of retail operations for branded ladies-wear in the PRC and have established a valuable sales network. We intend to launch new brands by utilising our experience.

Recognising our customers' demand for designs which are simple and relaxed yet feminine and stylish, we plan to launch a new brand *Koradior elsewhere* in the second half of 2014. We believe this new brand will offer our targeted customers a new collection that is complementary to, yet different from the products of our existing *Koradior* and *La Koradior* brands. We believe the development of this new brand allows us to further showcase our *Koradior* brand and further promote sales growth.

We also plan to further develop our portfolio of brands through strategic acquisitions of ladies-wear brands or enter into licensing or distributorship arrangements with high-end ladies-wear brands, which our management believes have potential to succeed in the PRC. We will give priority to brands that complement our existing brands. As at the Latest Practicable Date, we have not identified any specific target. We believe that by leveraging on our experience and network in the PRC, a strategic investment in brands, domestic or international, on a selective basis, would allow us to expand our brand portfolio quickly and ultimately increase our revenues and profits.

Continuing to promote our brands and enhance our brand recognition in the PRC

We believe that the strong association of our brands with our feminine concepts and brand culture has distinguished us from other domestic ladies-wear brands in the PRC. We intend to continue to focus on delivering a consistent brand image via product design as well as sales and marketing initiatives and further grow our customer base.

We seek to further promote our *Koradior* brand in the PRC by increasing our advertising efforts and enhance our visibility within the fashion industry. We intend to continue to devote resources to airport billboard advertisements as we believe it is an effective way to reach our targeted customers. Further, we will continue to devote resources to place brand imaging advertisements in selected nationwide circulated fashion/lifestyle magazines and enhance our brand recognition on the internet through placing advertisements in various search engines and social media platforms such as microblog (微博公眾號) and Wechat (微信公眾號). In addition, we plan to continue to participate and organise domestic and overseas fashion shows to showcase our products and enhance our visibility within the fashion industry.

We believe that these marketing and promotion strategies should raise awareness of our *Koradior* brand and enhance customer loyalty.

Enhancing our ERP system and administrative support

We intend to upgrade our ERP system and establish an integrated system consisting of management, finance, inventory control and supply chain management interfaces that will enable us to record details of sales, monitor and optimise our SKUs, track our inventories and analyse consumer behaviour and market trends in a more effective manner. We believe such integrated ERP system will be able to improve the communication and coordination among various links in our value chain, enable us to strengthen the cooperation among our suppliers, enhance the competitiveness of our products and shorten the time-to-market of our products. We also believe that further enhanced ERP system will help us obtain and process market data on an expedited basis and support our decision making process.

BRANDS AND PRODUCTS

Brands

We currently offer our products under our two brands, *Koradior* and *La Koradior*, and plan to launch our products under our new brand, *Koradior elsewhere*, in the second half of 2014. Our *Koradior* brand is designed to target the high-end stylish and smart-casual ladies-wear and accessories segment while our *La Koradior* brand is designed to target the high-end formal ladies-wear and accessories segment. We are in the final stage of launching our new brand *Koradior elsewhere* which is positioned to offer simple yet feminine and stylish relaxed designs targeting ladies of the same age group. The table below sets out our brand portfolio:

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Koradior

History	Established in 2007
Products	Primarily trendy daily or business ladies-wear and accessories, including knitwear, sweaters, blouses, pants, tops, skirts, dresses, jumpsuits, vests, overcoats, cotton, down, leather and fur apparel
Design concept	Feminine, stylish, chic and young-looking
Targeted customers	Affluent ladies between the age of 30 and 45
Target locations	All Tier 1 cities and Tier 2 cities and some Tier 3 cities and Tier 4 cities
Tag price for main products (Note)	Generally RMB1,500 to RMB5,000
Number of retail stores	213 as at 31 December 2013, of which 196 are operated by us directly and 17 by distributors and 32 dual-branded self-operated retail stores
Third party e-commerce platforms	Tmall, Dangdang, VIP.com and Wangfujing

Note: The tag price includes VAT and before any discount offered to end-customers and distributors.



According to Frost & Sullivan, our *Koradior* brand was ranked sixth in terms of annual retail revenue for 2013 within the high-end ladies-wear fashion market in the PRC with a corresponding market share of 0.98% in 2013.

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La Koradior

History	Launched in September 2012
Products	Primarily formal ladies-wear and accessories, including suits, ball room dresses, black ties, coats, blouses, pants, skirts, sweaters, leather and fur apparel
Design concept	Luxurious and elegant
Targeted customers	Affluent ladies between the age of 30 and 45
Target locations	Tier 1 cities and Tier 2 cities
Tag price for main products (Note)	Generally RMB3,000 to RMB10,000
Number of retail stores	9 as at 31 December 2013, all of which are operated by us directly and 32 dual-branded self-operated retail stores

Note: The tag price includes VAT and before any discount offered to end-customers and distributors.

Majority of our *La Koradior* products adhere to the high quality of luxurious brands by using fabrics which are mainly imported and branded crystals as accessories with an emphasis on craftsmanship and attention to details.



BUSINESS

Koradior elsewhere

Status	Plan to launch in the second half of 2014
Products	Primarily trendy daily or business ladies-wear, including knitwear, sweaters, pants, tops, dresses, overcoats, leather and fur apparel
Design concept	Simple yet feminine, stylish and modern relaxed
Targeted customers	Affluent ladies between the age of 30 and 45
Target locations	Initially in Tier 1 cities and Tier 2 cities
Targeting tag price for main products (<i>Note</i>)	Generally RMB1,500 to RMB5,000
Number of retail stores	Nil as at 31 December 2013

Note: The tag price includes VAT and before any discount offered to end-customers and distributors.



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We believe that although our three brands targeted customers of the same age group, they have different clothing needs for different occasions, which can be satisfied by the different styles offered by our three brands.

We also believe that our three brands complement each other and allow us to capture a wider customer base and achieve greater market penetration in the high-end ladies-wear market than would be possible with any of the brands on its own.

Products

We offer a wide variety of relaxed, business and formal apparel and accessories. Each season, we generally introduce a new collection with different themes from each of our brands. For the three years ended 31 December 2011, 2012 and 2013, we successfully launched a total of 1,122, 1,456 and 2,060 new SKUs under our brands respectively. We feature a variety of seasonal apparel and accessories to appeal targeted customers. Our products include:

- Apparel: Relaxed, business and formal ladies-wear including knitwear, blazers, suits and separates, jackets, overcoats, tops, vests, dresses, skirts, pants and evening dresses
- Accessories: Bags, scarves, hats, gloves, brooches, glasses, necklaces, rings, bracelets and belts

The average selling price of our products has increased during the Track Record Period as a result of enhanced brand recognition, improvement in customer services, promotion campaigns, and wider product offerings. We do not foresee any material fluctuation in product price in the future.

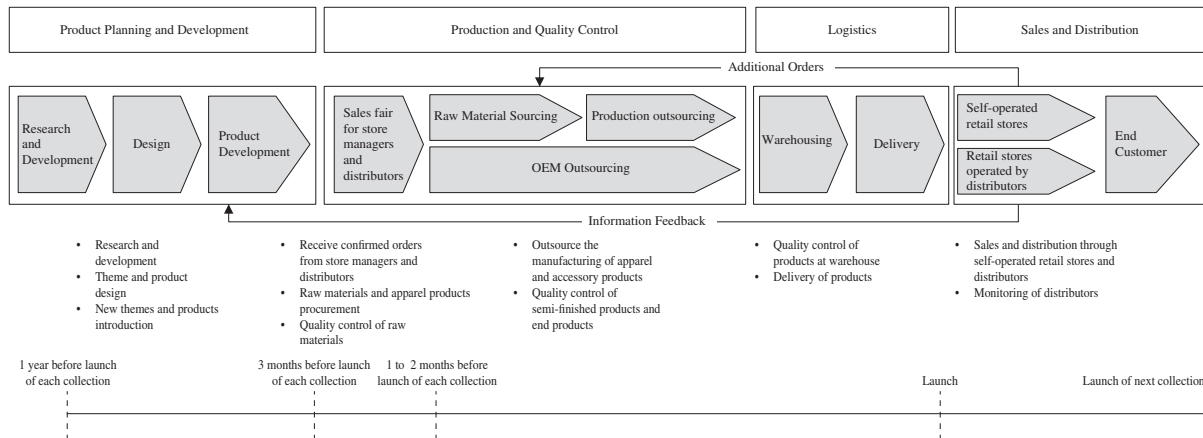
Seasonality

We launch our spring/summer collection and fall/winter collection every year. Sales amounts may vary throughout the year with relatively higher levels of sales for our fall/winter collections and lower levels of sales for our spring/summer collections because the unit selling price for our fall/winter apparel products is generally higher than that for spring/summer apparel products. We also record higher sales typically around holiday and festive seasons. For further details of impact on our businesses due to seasonal fluctuations, please refer to the paragraph headed “Financial Information — Key Factors Affecting Our Results of Operations — Seasonality and weather conditions” of this prospectus.

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BUSINESS MODEL

The following diagram illustrates our business model and product life cycle:



PRODUCT PLANNING AND DEVELOPMENT

We design all of our products under our *Koradior* and *La Koradior* brands in-house in which Mr. Jin and Ms. He Hongmei, our executive Director and general manager, are responsible for leading our research and development team to determine the seasonal themes, main colours and materials to be used and identify new fashion trends. Ms. He and our design director, Mr. Hu Qi, are responsible for leading the design of our products. As at 31 December 2013, our research and design team had 61 members who generally have an average of 6 years of experience in the ladies-wear industry and our technical team had 27 key members who generally have an average of 7 years of experience in the ladies-wear industry. We have cooperated with a Korean design house, I.S. Planning on the design of our products under *Koradior elsewhere* brand which are expected to be launched in the second half of 2014. Furthermore, we have engaged Mr. Luigi Fabio Piras and Ms. Fang Ying as design consultants to advise us on matters such as latest fashion trends and themes. We have also developed the technical know-how to create our product samples, based on our researches on postures of women of 30 to 45 years old, and is essential to the feminine design of our apparel products.

Each of our *Koradior* and *La Koradior* brands has its designated design team, who develop two seasonal collections for each brand every year. Please see below number of SKUs launched by our brands in 2011, 2012 and 2013:

	2011	2012	2013
<i>Koradior</i>	1,122	1,236	1,502
<i>La Koradior</i>	—	220	558
Total	<u>1,122</u>	<u>1,456</u>	<u>2,060</u>

Throughout the years, our research and development team has developed new fabrics and sliders of zipper fasteners for which we have registered patents in the PRC. As at the Latest Practicable Date, we have 12 registered patents and an invention is undergoing its application for registration. We have

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applied for the registration of certain intellectual property rights which are material in relation to our business, please refer to the paragraph headed “Further Information about our Business — B. Our Intellectual Property Rights” in Appendix IV of this prospectus.

For the years ended 31 December 2011, 2012 and 2013, our design and research and development expenses were approximately RMB1.78 million, RMB1.62 million and RMB4.20 million, respectively, representing approximately 0.54%, 0.33% and 0.60% of our revenue, for the same period respectively. Our design and research and development expenses were mainly related to the costs in developing samples of our products, costs for purchasing raw materials to enable us to develop our new products as well as the fees paid to design consultants. It is our policy to recognise our design and research and development expenses when they were incurred.

Research

Our research team is responsible for determining the seasonal themes, main colours and materials to be used. Our research process involves our research team researching and observing fashion trends, keeping abreast of the latest trends and developments in new designs and types of fabric, primarily through various channels such as attending fashion shows and exhibitions in Paris and Milan, following international and local fashion industry media, and most importantly, analysing our sales information to understand end customer purchasing pattern. Further, our research team will, from time to time, obtain guidance on seasonal themes, main colours and materials to be used from our design consultants.

Our design consultants are responsible for providing guidance to our respective design teams on matters such as seasonal trends, theme positioning, design concepts, colour scheme, materials to be used and accessories and product launching arrangement. They also provide comments on our product samples, assist us in determining styles, crafting and materials used in our final samples and provide guidance on matching techniques and product displays. Based on such research and guidance, our research team will determine the themes, main colours and materials to be used for the upcoming season.

We select to engage and/or cooperate with Mr. Luigi Fabio Piras, Ms. Fang Ying and I.S. Planning after considering their experience and knowledge in the ladies-wear industry in the PRC, professional capability to capture and respond to the ladies-wear trends, reputation in the industry, alignment with our Group’s motto, concept and theme and quality services. All of them have over 4 years of experience in working with entities in the PRC.

Mr. Luigi Fabio Piras

Mr. Luigi Fabio Piras graduated from the Master Degree Course at Central Saint Martins College of Art & Design. From 1998 to 2013, he has acted for various companies including Diego Della Valle, Brioni Group, Malo (IT Holding) and Giada as creative directors or consultants. Pursuant to our agreement with Mr. Luigi Fabio Piras, our Group engaged Mr. Luigi Fabio for a term of one year and obtained guidance on themes, main colours and materials to be used a year before the launch of the upcoming fall/winter collection and spring/summer collection. Consultancy fees are payable in four phases for each collection, namely, upon entering into the agreement, completion of production planning, confirmation of materials to be used and completion of fine-tuning of products. The pre-agreed consultancy fees are determined based on the experience, professional capability and quality of services of design consultants in the same industry. Pursuant to our agreement, all the intellectual property rights

of our products belong to our Group. We are entitled to terminate our agreement as well as damages for delay in any phases of the design process. Mr. Luigi Fabio Piras does not work exclusively for us in the PRC and to the best knowledge of our Directors, he does not do work for other companies in the same industry in the PRC. Our agreement with Mr. Luigi Fabio Piras will expire in October 2014. While there is no renewal term in the existing agreement, we intend to negotiate a new agreement with Mr. Luigi Fabio Piras upon expiration of the existing one.

Ms. Fang Ying

Ms. Fang Ying graduated from Central Academy of Art and Design* (中央工藝美術學院) which is currently, Academy of Fine Arts of Tsinghua University (清華大學美術學院) and has further her studies in Ecole Superieure De La Chambre Syndicale De La Couture Parisienne (法國巴黎高級時裝公會學校). She acted as designers and creative directors for various companies since 1998 and has been the judges for various national apparel design competitions in the PRC. She is the design director (設計總監) of the 5th Fashion and Arts Committee of China Fashion Association* (中國服裝設計師協會第五屆時裝藝術委員會) and the vice chairman of Guangdong Province Fashion Association* (廣東省服裝設計師協會). She is also the council member of the China Fashion Association* (中國服裝設計師協會). During her over 15 years of experience in fashion design, she won a number of awards including 7th China Fashion Design — Golden Award (第7屆中國時裝設計 — 「金頂獎」), Chinese Top 10 Fashion Designers* (中國十佳時裝設計師), Chinese Excellent Fashion Designers* (中國優秀服裝設計師), China Best Fashion Designer 2002 (2002年中國最佳時裝設計師) and China Best Womenswear Fashion Designer 2003 (2003年中國最佳女裝設計師). Pursuant to our agreement with Ms. Fang Ying, our Group engaged Ms. Fang Ying over a term of two years and obtained guidance on themes, main colours and materials to be used for each upcoming collection. Consultancy fees are payable at the beginning of each collection during the term of the agreement. The pre-agreed consultancy fees are determined based on the experience, professional capability and quality of services of design consultants in the same industry. Pursuant to our arrangement, Ms. Fang Ying does work exclusively for our Group in the PRC and all the intellectual property rights of our products belong to our Group. Our agreement with Ms. Fang Ying will expire in December 2014. The existing agreement is renewable, subject to terms being agreed between Ms. Fang Ying and us. We intend to negotiate a new agreement with Ms. Fang Ying upon expiration of the existing one.

I.S. Planning

During the process of the establishment of our *Koradior elsewhere* brand, I.S. Planning helped us analyse the latest fashion trends, conduct domestic and overseas market researches, plan production as well as other processes such as designing, sampling and fabric and colour planning. I.S. Planning, a Korean company established in 2006, operated by a team with extensive experience in brand building and brand promotion. Their core professional team has over 10 years of experience in the industry. I.S. Planning has helped the establishment of various ladies-wear brands in Korea. I.S. Planning has started its business in the PRC market since its establishment and has provided brand building and brand promotion services to various domestic and international brands in the PRC. Pursuant to our agreement, our Group engaged I.S. Planning for a term of one year. I.S. Planning shall cooperate with us to design and develop the products for the upcoming fall/winter collection and spring/summer collection of our upcoming brand, *Koradior elsewhere*. We were required to pay around 30% of the total pre-agreed fees at the entry of our agreement, with the balance of remaining fees payable in three phases in each collection, namely, completion of production planning, completion of sample creation and completion of

product mix for the upcoming sales fairs. The pre-agreed fees are determined based on the experience, professional capability and quality of services of similar service providers in the same industry. All the intellectual property rights of our products belong to our Group. I.S. Planning does not work exclusively for us in the PRC and to the best knowledge of our Directors, it does work for other companies in the same industry in the PRC. However, it is prohibited from disclosing our confidential information to any other third party without our prior consent. Our agreement with I.S. Planning will expire in October 2014. While there is no renewal term in the existing agreement, we intend to negotiate a new agreement with I.S. Planning upon expiration of the existing one.

Design

Our design team is also responsible for conceptualising, designing and developing apparel products. Our technical team is primarily responsible for production of samples.

We typically start our design process for our upcoming spring/summer collection and fall/winter collection a year before the relevant collection is released. Once the seasonal themes, main colours and materials to be used are determined by our research team alongside with our design consultants, our design team commences design of the collections. Our design team prepares drawings and sketches of our products and develops the specifications for the materials and accessories to match the design of the collections. We conduct several internal style evaluation meetings before making the final decision as to which styles or products are to be launched in the market for each collection. To encourage the creativeness of our designers, we have established a promotion and demotion system for them pursuant to which they are free to compete constructively. We have also established an incentive plan for our design team such that they are awarded based on various criteria such as design/sales ratio; design innovativeness, mix and match variety and team work. We have also signed confidentiality agreements with some members of the design and product development team to keep our information including but not limited to our product design drawings, paper patterns and processes confidential.

Our design team will communicate with our retail store supervisors on a selected basis through on-site meeting or telephone calls every week to discuss the sales task, feedback on best-selling products and review sales data, in order to understand the sales performance of particular products of our brands and competing brands and identify any design themes with high customer recognition. The store managers report on sales data on a daily basis and prepare sales reports on a weekly basis. Such reports will be analysed and used in our half-yearly product planning and design conference. After that, our designers develop ideas that form the basis of the creation of upcoming collections after consultations with our design consultants. Our sales and marketing team is involved in the design process to ensure that the new collection will better cater to the needs and preferences of our targeted customers.

We have cooperated with I.S. Planning to design and develop the products of our upcoming brand, *Koradior elsewhere* which is expected to be launched in the second half of 2014. As at the Latest Practicable Date, our design team is working closely with I.S. Planning on 2014 autumn/winter collection and we expect the new collection of *Koradior elsewhere* could be ready for sale in our first *Koradior elsewhere* retail stores in the second half of 2014.

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Sample creation

After the design for each collection is completed, our technical team will create the prototypes and analyse the relevant production costs to ensure production can be carried out in a cost-effective way. The prototypes are typically finalised one to two months before sourcing with our material suppliers and OEM contractors. We successfully launched a total of 1,122, 1,456 and 2,060 SKUs for our *Koradior* and *La Koradior* brands during each year ended 31 December 2011, 2012 and 2013, respectively.

Our design and technical team works with our suppliers, OEM contractors, store managers and distributors on product development and design. Specifications such as raw materials, production steps, quality standards and delivery requirements are set out in our contracts with raw material suppliers and OEM contractors. We will fine-tune our prototypes based on feedback received from our raw material suppliers and OEM contractors. OEM contractors will then prepare samples according to the finalised prototypes for our examination and for use in our sales fairs. After final examination of these sample products, we will evaluate and select our OEM contractors for each product by reviewing, among others, the quality and the cost components in the bid they submit.

Through controlling the initial sample production at our facilities, we are able to maintain a unified brand image, high quality standards and control over production costs. We continue to modify our design according to feedback received from customers by our store managers.

SALES AND DISTRIBUTION

Overview

We have expanded rapidly by strategically building a nationwide sales network, majority of which consisted of self-operated retail stores, in the PRC for our brands. During the Track Record Period, our sales channels include retail stores and third party e-commerce platforms.

Revenue analysis by geographical region

The following table sets out our revenue generated from our self-operated retail stores and wholesales to distributors breakdown by geographical region during the Track Record Period:

Region	Year ended 31 December					
	2011		2012		2013	
	(RMB million)	%	(RMB million)	%	(RMB million)	%
Central PRC ¹	33.54	10.39	44.21	9.85	66.23	9.96
Eastern PRC ²	119.75	37.09	163.69	36.49	226.57	34.07
North Eastern PRC ³	28.51	8.83	28.02	6.25	44.00	6.62
North Western PRC ⁴	22.81	7.06	36.03	8.03	42.75	6.43
Northern PRC ⁵	28.03	8.68	49.19	10.96	85.53	12.86
South Western PRC ⁶	60.33	18.68	81.20	18.10	124.07	18.66
Southern PRC ⁷	29.92	9.27	46.29	10.32	75.80	11.40
Total	322.89	100.00	448.63	100.00	664.95	100.00

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Notes:

- 1 Central PRC includes Henan, Hubei and Hunan.
- 2 Eastern PRC includes Shandong, Jiangsu, Zhejiang, Anhui, Shanghai and Fujian.
- 3 North Eastern PRC includes Jilin, Heilongjiang and Liaoning.
- 4 North Western PRC includes Shaanxi, Ningxia, Qinghai, Gansu and Xinjiang.
- 5 Northern PRC includes Tianjin, Beijing, Inner Mongolia, Hebei and Shanxi.
- 6 South Western PRC includes Guizhou, Chongqing, Yunnan, Tibet and Sichuan.
- 7 Southern PRC includes Guangxi, Hainan and Guangdong.

Revenue analysis by sales channels

The following table sets out a breakdown of our revenue in terms of brands by sales channels for each of the three years ended 31 December 2011, 2012 and 2013 respectively:

Revenue	2011		Year ended 31 December 2012		2013	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Koradior						
Self-operated retail stores	317,310	97.01	345,963	71.34	488,761	69.64
Wholesales to distributors	<u>5,577</u>	<u>1.71</u>	<u>15,170</u>	<u>3.13</u>	<u>16,256</u>	<u>2.32</u>
Sub-total	<u>322,887</u>	<u>98.72</u>	<u>361,133</u>	<u>74.47</u>	<u>505,017</u>	<u>71.96</u>
La Koradior						
Self-operated retail stores	<u>—</u>	<u>—</u>	<u>1,778</u>	<u>0.36</u>	<u>12,590</u>	<u>1.79</u>
Sub-total	<u>—</u>	<u>—</u>	<u>1,778</u>	<u>0.36</u>	<u>12,590</u>	<u>1.79</u>
Dual-branded self-operated retail stores						
Third party e-commerce platforms	2,852	0.87	9,639	1.99	31,376	4.47
Others	<u>1,339</u>	<u>0.41</u>	<u>26,670</u>	<u>5.50</u>	<u>5,551</u>	<u>0.79</u>
Total	<u>327,078</u>	<u>100.00</u>	<u>484,939</u>	<u>100.00</u>	<u>701,880</u>	<u>100.00</u>

Note: Our customers consist of end customers and distributor customers. Our end customers include retail customers that purchase products directly from us through our self-operated retail stores and third party e-commerce platforms. Our distributor customers purchase products from us and then sell to the end customers in general through retail stores operated by them.

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Since the commencement of our business in 2007, we have set to build our sales network predominantly by opening self-operated retail stores as:

- we have total control over store setting and service quality as well as direct contact with customers which allows us to make accurate and timely decisions as well as implement focused and coordinated brand building and marketing activities, sales promotions and pricing strategies; and
- we have full control in determining the most appropriate locations for our new stores after considering local customer profiles and our stage of development.

Our sales network

Retail store breakdown by geographical region

The following table illustrates the number of retail stores of our brands in the PRC as at 31 December 2011, 2012 and 2013 respectively including both self-operated retail stores and retail stores operated by distributors:

Region	As at 31 December		
	2011	2012	2013
	<i>No. of retail stores</i>	<i>No. of retail stores</i>	<i>No. of retail stores</i>
Central PRC ¹	12	17	24
Eastern PRC ²	46	66	86
North Eastern PRC ³	10	12	17
North Western PRC ⁴	10	10	16
Northern PRC ⁵	10	25	39
South Western PRC ⁶	18	24	39
Southern PRC ⁷	13	23	33
Total	119	177	254

Notes:

- 1 *Central PRC includes Henan, Hubei and Hunan.*
- 2 *Eastern PRC includes Shandong, Jiangsu, Zhejiang, Anhui, Shanghai and Fujian.*
- 3 *North Eastern PRC includes Jilin, Heilongjiang and Liaoning.*
- 4 *North Western PRC includes Shaanxi, Ningxia, Qinghai, Gansu and Xinjiang.*
- 5 *Northern PRC includes Tianjin, Beijing, Inner Mongolia, Hebei and Shanxi.*
- 6 *South Western PRC includes Guizhou, Chongqing, Yunnan, Tibet and Sichuan.*
- 7 *Southern PRC includes Guangxi, Hainan and Guangdong.*

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The following map shows the approximate locations of our retail stores in our sales network in the PRC as at 31 December 2013.



The following table sets out the number of retail stores in our sales network in the PRC by city type and brand as at 31 December 2013 including both self-operated retail stores and retail stores operated by distributors:

City Type	<i>Koradior</i>	<i>La Koradior</i>	<i>Dual-branded</i>	<i>Total</i>
Tier 1 cities	51	3	7	61
Tier 2 cities	79	3	20	102
Tier 3 cities	74	3	5	82
Tier 4 cities	9	—	—	9
Total	213	9	32	254

It is our strategy to establish our initial presence in Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Xi'an, Chongqing and some other Tier 2 cities of the PRC by locating retail stores at prime retail locations of those cities. As soon as we are able to identify substantial demand and growth potential for our products through our initial retail stores in the particular city, we will then expand our sales network by opening up further retail stores in various strategic locations of such city to penetrate

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our presence in such city. As at 31 December 2013, there were 20, 20, 8, 13, 12, 11 and 17 retail stores in our sales network in Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Xi'an and Chongqing respectively.

Retail store breakdown by sales channel

	Self-operated retail stores			Retail stores operated by distributors	Total
	Department store	Shopping mall	Outlet		
2011					
Beginning	75	1	—	1	77
Opened	33	6	—	9	48
Closed	(6)	—	—	—	(6)
Ending	<u>102</u>	<u>7</u>	<u>—</u>	<u>10</u>	<u>119</u>
2012					
Beginning	102	7	—	10	119
Opened	54	5	1	7	67
Closed	(6)	(1)	—	(2)	(9)
Ending	<u>150</u>	<u>11</u>	<u>1</u>	<u>15</u>	<u>177</u>
2013					
Beginning	150	11	1	15	177
Opened	64	16	5	8	93
Closed	(9)	(1)	—	(6)	(16)
Ending	<u>205</u>	<u>26</u>	<u>6</u>	<u>17</u>	<u>254</u>

There were closure of 6, 6 and 9 self-operated retail stores in department stores, nil, 1 and 1 self-operated retail stores in shopping malls and nil, 2 and 6 retail stores operated by our distributors for the year ended 31 December 2011, 2012 and 2013 respectively due to the unsatisfactory performance of those retail stores.

Self-operated retail stores

Types of retail stores

(a) Department store retail stores

We lease concession space for display and sale of our products in well-known department stores in the respective cities of the PRC. The average floor area for a retail store in department stores is approximately 92 sq.m.. As at 31 December 2013, in our sales network, there were 205 self-operated retail stores in department stores in 24 provinces, autonomous regions and municipalities in the PRC with the majority located in prime locations in most of the provincial capital cities. Among them, there

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were 173 under our *Koradior* brand, 8 under our *La Koradior* brand and 24 were dual-branded. As at 31 December 2013, there were 17 retail stores operated by our distributors, all of which were under our *Koradior* brand.

(b) Shopping mall retail stores

Our shopping mall retail stores excluding outlets have an average floor area of approximately 140 sq.m.. As at 31 December 2013, all of our retail stores in shopping malls are self-operated, 18 of which were under our *Koradior* brand, 1 under our *La Koradior* brand and 7 were dual-branded.

(c) Outlets

We offer discounted clearance products and off-seasons products through our outlets. As at 31 December 2013, we had 6 outlets in the PRC, all of which are located in shopping malls and the average floor area of an outlet is approximately 125 sq.m.. As at 31 December 2013, all our outlets are self-operated, 5 of which under our *Koradior* brand and 1 was dual-branded.

Selection of store location

We generally seek to open retail stores in high-end shopping malls and establish retail stores in well-known department stores in prime locations of the respective cities. For example, we have entered into cooperation agreements with well-known department stores in the PRC such as Beijing Shin Kong Place (北京新光天地), Hangzhou Tower (杭州大廈), Shanghai Diyi Babaiban (上海第一八佰伴), Yinzuo Department Store (銀座百貨), Tianhong Department Store (天虹百貨), Chengdu Wangfujing (成都王府井) and Nanjing Golden Eagle Xinjiekou Store (南京金鷹新街口店).

We have established 32 dual-branded retail stores offering *Koradior* and *La Koradior* branded products in major cities such as Shanghai, Shenzhen and Chongqing as at 31 December 2013 and plan to open more dual-branded retail stores in the next few years. We also plan to open stand-alone shops on streets in central business districts with strong pedestrian traffic.

Store design and appearance

Design and layout of our retail stores follow guidelines set by our headquarters and are readjusted every season based on the featured themes. Under the guidelines, all our retail stores for each brand must present a consistent visual image, particularly through the design and colour of products, shop set up, merchandise and window and model display.

Store operation

In general, we have an average of 6 sales staff in each self-operated retail store. In order to improve sales skills of our sales staff, we continuously organised various trainings on how to offer dressing assistance to our customers and improve communication with customers. On offering effective assistance to our customers with clothing selection, we also train our sales staff during off-peak hours to enhance their product familiarity and matching skills. Furthermore, we encourage our sales staff to present multiple styles to our customers and show them how to mix and match our products and reward our sales staff based on transactions processed.

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To better manage our retail stores, we generally allocate a supervisor for every 5 to 10 self-operated retail stores in department stores and a supervisor for every 3 to 5 self-operated retail stores in shopping malls. In addition, we separately assign a senior supervisor for every 10 to 20 self-operated retail stores.

Agreement with department stores and shopping malls

We generally enter into cooperation agreements with department stores which govern the operation of our self-operated retail stores. Generally, the department stores charge around 20% to 30% of the sales turnover of our self-operated retail stores as commission where, in some cases, subject to an agreed monthly or annual minimum commission amount based on an agreed minimum sales turnover target of the relevant self-operated retail stores. The percentage of our sales turnover charged by the department stores and shopping malls had remained stable during the Track Record Period.

On the other hand, we enter into lease agreements with some shopping malls, pursuant to which, these shopping malls charge rent. The rental expense for our self-operated retail stores in shopping malls is generally the higher of: (i) a fixed specified rent or (ii) a variable rent based on the turnover of the self-operated retail stores. The variable rental payment will be a percentage of the turnover and such percentage of turnover generally is approximately 20% of the monthly turnover of the relevant self-operated retail store on average during the lease period. We also enter into cooperation agreements with some shopping malls, the terms of which are similar to that with department stores.

Concession fees paid to department stores and shopping malls during the Track Record Period are set out below.

	For the year ended 31 December		
	2011	2012	2013
	<i>(in RMB'000)</i>	<i>(in RMB'000)</i>	<i>(in RMB'000)</i>
<i>Department stores</i>			
Minimum commission	358	1,726	3,982
Excess of commission paid over minimum commission	83,803	116,229	163,554
Sub-total	84,161	117,955	167,536
<i>Shopping malls</i>			
Minimum commission	497	1,715	5,443
Excess of commission paid over minimum commission	2,628	3,608	8,384
Sub-total	3,125	5,323	13,827
Total (Note)	87,286	123,278	181,363

Note: This represents the amount of gross concession fees before any deduction of any fee or charge paid to department stores and shopping malls.

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Rental expenses paid to shopping malls during the Track Record Period are set out below.

	For the year ended 31 December		
	2011	2012	2013
	<i>(in RMB'000)</i>	<i>(in RMB'000)</i>	<i>(in RMB'000)</i>
Fixed specified rent	439	1,189	5,061
Variable rent	—	1,153	1,318
Total	<u>439</u>	<u>2,342</u>	<u>6,379</u>

Analysis of expiration and renewal of our cooperation agreements and lease agreements as at 31 December 2013 are set out below:

(i) *Cooperation agreements*

Expiring in	Number of agreements	GFA	Amount of revenue recognised during the year ended 31 December 2013
		<i>(in sq.m.)</i>	<i>(in RMB'000)</i>
< 1 year	209	19,013	597,184
1 year to 2 years	6	792	8,859
> 2 years	8	1,361	11,906

Total GFA of the above self-operated retail stores under cooperation agreements with department stores or shopping malls as at 31 December 2013 amounted to approximately 21,166 sq.m.

Analysis of renewal of our cooperation agreements expiring within one year as at 31 December 2013.

Number of agreements expected not to be renewed	6
Total number of agreements to be expired within 1 year	209
Percentage of agreements expected not to be renewed	2.87%

As at 30 April 2014, 85 out of the above 209 cooperation agreements were expired, of which 83 were renewed and the remaining two were not.

Generally, such agreements are not expected to be renewed due to (i) the non-alignment of the positioning of our brands as a result of a change in the image of the department stores or shopping malls; (ii) changes to the location of the retail stores; or (iii) performance of such retail stores does not meet the standard set by our Group's internal evaluation.

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(ii) *Lease agreements*

Expiring in	Number of agreements	GFA <i>(in sq.m.)</i>	Amount of revenue recognised during the year ended 31 December 2013 <i>(in RMB'000)</i>
< 1 year	3	385	5,600
1 year to 2 years	8	1,693	11,689
> 2 years	3	376	1,585

Total GFA of the above self-operated retail stores under lease agreements with shopping malls as at 31 December 2013 amounted to approximately 2,454 sq.m..

Analysis of renewal of our lease agreements expiring within one year as at 31 December 2013.

Number of agreements expected not to be renewed	Nil
Total number of agreements to be expired within 1 year	3
Percentage of agreements expected not to be renewed	Nil

As at 30 April 2014, none of the 3 lease agreements were expired.

Sales proceeds are usually first collected by department stores or shopping malls and are generally paid to us within 60 days from the date of revenue recognition, after deducting monthly rental expense or a commission, where applicable, and any other relevant operating fees. The department stores and shopping malls are not entitled to unilaterally terminate the agreements unless we breach our contractual obligations.

Key terms of agreements with department stores or shopping malls are set out below:

- Deposit — Different agreements adopted various deposit policies. For department stores, some require a fixed amount of RMB5,000 or RMB10,000 while others do not require deposit; shopping malls normally require a fixed amount of deposit or an amount equivalent to the aggregate of rent and property management fees for around three months. Such deposits are payable before the commencement of business and refundable after termination of agreement.

- Renovation and maintenance — Design and layout needs to be approved by the designated property management companies of the landlords before renovation begins and are required to comply with their management policies or guidelines before we carry out maintenance; we will be responsible for the renovation costs and any subsequent maintenance costs.

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- Sales proceeds and rent and other operating expenses settlement — Proceeds from end customers will be passed to department stores and some of the shopping malls and paid back to us after deducting, where applicable, rental and other operating expenses generally within 60 days after the date of revenue recognition. For self-operated retail stores in certain shopping malls, proceeds are collected by us.
- Duration — The term of our arrangements generally ranges from 12 months to 24 months for self-operated retail stores in department stores and from 12 months to 36 months for self-operated retail stores in shopping malls respectively.
- Management of self-operated retail stores — We are required to comply with department stores' requirements concerning our staff, products, sales, stores, information, complaints handling, compliance and safety. For instance, we will be penalised for any products with quality issues. During the Track Record Period, we have not been penalised for quality issues. We are obliged to appoint our own staff at the department stores according to the requirements of the relevant department stores.
- Termination — Agreements can generally be terminated upon expiration or mutual agreement with the department stores or shopping malls; under certain agreements, in case of breaches by us including our failure to pay rent and other operating expenses, the department stores and shopping malls are entitled to terminate the agreements unilaterally; and where our retail stores cannot meet the minimum sales turnover as specified under the relevant agreements, the department stores are entitled to relocate our retail stores or terminate our agreements.

E-commerce

Coincide with the increase in popularity of online shopping using the Internet and mobile apps, we make use of third party e-commerce platforms as a channel to reach out and sell our products under *Koradior* brand to our end customers, especially those who are used to the lifestyle of satisfying their daily needs through shopping online. We have established our e-commerce team in 2011 which consisted of 4 members and we have formally established our e-commerce department in 2012 and upgraded it into an independent business unit in 2013 in developing and grow our e-commerce business. In order to capture the growth in sales through third party e-commerce platforms, we have been increasing our effort in developing our e-commerce business and have expanded our e-commerce team to support our growth. As at the Latest Practicable Date, our team is comprised of 17 experienced members, headed by Mr. Wu Ting, our e-commerce director, who has over 12 years of experience in the ladies fashion industry and has been with us since the commencement of our business in 2007, to manage our e-commerce business. Our e-commerce team gathers information and feedback on customer preference and work with our design and product development team to develop products that capture the latest ladies fashion trend. It also aims to enhance sales through deepening and broadening customer reach and its collaboration with other departments.

We have started to sell our products through third party e-commerce platform in Tmall since 2011 under which we operate a flagship store under <http://koradior.tmall.com> and now are also the authorised merchant on the following third party e-commerce platforms including Dangdang, VIP.com and Wangfujing. Most of our products sold on third party e-commerce platforms are off-season products and the others are online exclusive products which designs are based on modifying the designs of our previous best selling items. Various types of clothing including one-piece dresses, coats, shirts, short

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skirts, leather coats and trench coats are available on those third party e-commerce platforms for customers. In general, third party e-commerce platforms will be responsible for delivery of product to the end-customers. Third party e-commerce platforms generally charge a fixed service fees and commission based on the actual sales turnover. As advised by our PRC legal advisers, our sales through third party e-commerce platforms have been in compliance with the relevant laws in the PRC.

For the years ended 31 December 2011, 2012 and 2013, sales via third party e-commerce platforms for our *Koradior* products accounted for 0.87%, 1.99% and 4.47% of our total sales, respectively, among which, over 80% of sales was generated from Tmall, which has therefore become the predominant e-commerce platform we have used. During the Track Record Period, our sales of *Koradior* products via third party e-commerce platforms increased from RMB2.85 million for the year ended 31 December 2011 to RMB31.38 million for the year ended 31 December 2013, with a CAGR of 231.68%.

We believe e-commerce business allows us to keep up with change in buying behaviour and pattern of our customers and thereby satisfying the needs of different customers. We are aiming to develop an e-commerce platform business with our own features and quality, in particular, the sale of certain of our products that are exclusively for e-commerce platforms. To support this, we will expand our e-commerce team and upgrade our computer software and hardware in order to provide better online sales services in the PRC. Third party e-commerce platforms enable us to access a significantly broader customer base with different shopping behaviour. We plan to use the information gathered from third party e-commerce platforms in our designs and establish a designated design team to design and develop new product lines tailor-made for e-commerce platform customers in the PRC. We also intend to offer our products in more third party e-commerce platforms, including platforms accessible through mobile terminals.

We do not have the intention to use any third party e-commerce platforms operated by overseas operators or sell our products overseas through any existing third party e-commerce platforms located in the PRC in the near future. It is our existing policy that our products that are sold through various PRC-based platforms such as Tmall, Dangdang, VIP.com and Wangfujing are only sold and delivered to end-customers located in the PRC and it is expected that we will continue to do so in the future.

Retail stores operated by distributors

Our distributors purchase products from us for resale to the end customers and are responsible for their own profit and loss. All of our distributors are self-employed Independent Third Parties with relevant retail and management experience in the PRC. We do not have any ownership interests and management position in our distributors and we are not in any agency relationship with them. The use of distributors is to allow us to expand our sales network to remote regions such as Harbin, Urumqi, Ankaang, Panjin and Zhangjiakou more cost effectively, which we believe is in line with industry practice. As at 31 December 2011, 2012 and 2013, we had 10, 15 and 17 distributors respectively (all of which operated our *Koradior* brand only), generating 1.71%, 3.13% and 2.32% of our revenue respectively. As at 31 December 2013, our distributors operated a total of 17 retail stores covering 17 cities of the PRC.

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Selection of distributors

Factors considered in selecting our distributors include location, retail and management experience, financial resources (including a minimum capital and liquidity requirement), knowledge of our brands and gross floor areas. Sales to our top five distributors accounted for about 1.21%, 1.98% and 1.15%, respectively, of our total sales for the three years ended 31 December 2011, 2012 and 2013, respectively. The number of retail stores operated by our top five distributors was 5, 5 and 5, respectively, as at 31 December 2011, 2012 and 2013. Sales to our largest distributor accounted for 0.39%, 0.70% and 0.31% of our total sales for the three years ended 31 December 2011, 2012 and 2013, respectively. We have more than 3 years of relationship on average with our top five distributors. Our Directors confirmed that none of our Directors, or their respective associates, or any Shareholder holding more than 5% of the issued Shares had any interests in any of these top five distributors throughout the Track Record Period. During the Track Record Period, we had no material disputes with our distributors.

Our Directors are of the view that there is no competition between our self-operated retail stores and those operated by our distributors, the latter of which are mostly located in Tier 3 cities and Tier 4 cities and account for a relatively small proportion of our sales. To avoid overlapping of distributors and the risk of competition between our distributors within our sales network, only one distributor is assigned to a particular city and each distributor is only permitted to sell our products inside its defined geographical area. As such, our Directors believe that there is currently no over-concentration of retail stores within our sales network.

Management of distributors

In our distribution business model, our distributors are principally responsible for selecting and ordering products and overseeing the operation of retail stores. We will terminate the distributorship agreement with distributors with unsatisfactory performance.

Our sales team is responsible for monitoring our distributors' performance. We are responsible for coordinating marketing and promotional activities to ensure brand image consistency and provide in-store marketing support such as the provision of display items. All stores operated by our distributors bear the same decoration, the cost of which is borne by our distributors.

We require our distributors to pay for their purchase in full before delivery. As advised by our PRC legal advisers, our relationship with distributors is seller and buyer relationship. Our distributors are required to check products upon receipt. Revenue from wholesale to distributors is recognised when goods are delivered, that is when the distributors accepted the related risks and rewards of ownership. For further details, please refer to the paragraph headed "Financial Information — Critical accounting policies, estimates and judgments — Revenue recognition" of this prospectus. Defective products can be returned to us, if our distributors report the defects formally to us. Any notification of defective products shall be made within the specified period. During the Track Record Period and up to the Latest Practicable Date, the amount of our products that have been returned from distributors was insignificant.

We generally require our distributors to report sales status and inventory levels to us on a monthly basis and will analyse such by comparing to historical sales and inventory levels achieved by the respective stores. We believe the amount of orders placed by our distributors corresponds to the actual

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sales and inventory status of our distributors. By reviewing sales and the inventory data and making reference to the orders placed by our distributors, our Directors believe that our distributors have not accumulated stock in an amount which exceeds their actual sales operation.

Our sales team carries out periodic and ad hoc inspections to ensure the quality of services among retail stores operated by our distributors. We identify and inform distributors of any non-conforming individual retail stores and direct them to rectify any problem within a certain period of time.

Agreement with distributors

Major terms of distributorship agreements

Key terms of our agreements with distributors are summarised below:

- Geographic exclusivity — Our distributors have the exclusive right to sell our products as specified in their respective distributorship agreements with us within their defined geographic area and during the subsistence of the distributorship agreements.
- Product exclusivity — Distributors are required to sell only our products at their retail stores for our brands and are not permitted to sell other products.
- Minimum purchase targets — Our distributors are generally required to place orders within 3 months from the agreement date and are required to meet minimum purchase targets of approximately RMB500,000 per year in general. The minimum purchase targets depend on the respective size of each distributor and made with reference to their respective sales performances in the previous year. In addition, we are entitled to terminate our agreements if our distributors fail to place any orders within the specified period from the date of our agreements.
- Placing order — Our distributors are required to participate in our sales fairs. Generally, our distributors place most of their orders at our sales fairs, with the remaining replenishment orders being subsequent orders. Our distributors who place their orders will usually obtain a discount, which is around 60% off the suggested retail price in general. Upon the placing of orders, we will notify our distributors to collect our products. If our distributors fail to collect such products, we are not required to reserve the products to such distributors and if the specified period for collection has lapsed, we are entitled to treat such products as return products.
- Pricing and discount — Our distributors are required to follow our uniform suggested retail price for selling our products. We maintain standard pricing policies with our distributors in the PRC. Our distributors shall adhere to our promotional activities.
- Use of brand names — We authorise our distributors to use our brand names in relation to their distribution of our products in their defined geographic area for the purposes under our agreements.

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- Store size — The size of our distributor's retail stores is expected to be at least 80 sq.m., depending on the location of the retail stores. Our distributors are required to open new retail stores upon our request and if they fail, we may engage other distributors and terminate our relationship with the distributors.
- Duration — The term of our arrangements generally ranges from 12 months to 24 months.
- Payment, credit terms and delivery — We require full payment from our distributors before delivery.
- Store design — Our distributors are required to adhere to our designated renovation and design standards for our retail stores at the costs of our distributors.
- Sales report — Our distributors are required to provide us with the operating statistics of their retail stores, such as sales reports and inventory reports on a monthly basis. We may unilaterally terminate our agreements if our distributors fail to provide such information as required.
- Return and exchange of products — Our distributors are not allowed to return unsold products they purchased from us upon the termination of our agreements, except that defective products can be returned to us if our distributors report the defects formally to us. Our distributors are required to check the products upon receipt and any notification of defective products shall be made within 3 days in general after the receipt of our products or such other period as we would otherwise agree. Distributors are allowed to exchange certain products purchased from us for any other products of equivalent value (usually products from the current collections will be exchanged for other products of the same collections) and as long as there is sufficient inventory requested, subject to the maximum rate of exchange of the purchase amount which is generally 20% within 90 days in general after the receipt of our products. However, there are also products which are specified to be not subject to exchange such as leather and fur apparels, accessories and discounted products. Other than defective products, only products which fulfil specified conditions are subject to exchange or return. Such conditions include the labels and packaging of the products shall be intact and the products shall not be in any way damaged or contaminated and shall be in the state where resale of which will not be affected. All returns or exchanges shall be subject to prior approval of our Group.

The value of exchanged products (net of tax) were RMB0.69 million, RMB1.79 million and RMB1.76 million for the year ended 31 December 2011, 2012 and 2013, respectively, representing approximately 12.43%, 11.77% and 10.83% of wholesale to distributors, which is consistent with the industry norms, according to Frost & Sullivan. As an effort to optimise their product offerings, our distributors usually exchange certain products based on feedback obtained from their customers. As (i) the value of exchanged products accounted for only 0.21%, 0.37% and 0.25% of our revenue for the year ended 31 December 2011, 2012 and 2013, respectively, (ii) the amount of products can be exchanged has been capped at 20% of purchases by the distributors; (iii) revenue recognised from wholesale to distributors is not affected by the subsequent exchange of products and (iv) off-season products (including

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exchanged products collected from distributors) can be sold online or via our outlets, our Directors consider the exchange of products by our distributors does not have any negative implications on our operations.

- Termination — We reserve the right to terminate our distributorship agreement if our distributors, among others, (i) fail to meet the purchase target; (ii) sell products of other brands within the defined geographic area or counterfeit products; (iii) fail to comply with our pricing and discount guidelines; (iv) fail to adhere to our designated retail store renovation and design standard; or (v) use our brand names other than for performance of our agreement.
- Renewal — We are not subject to a commitment to renew our agreements with our distributors. We will consider factors including performance, brand management and customer demand.

Based on the fact that our distributors and us are independent entities and our distributorship agreements expressly stipulates that our distributors shall be responsible for their own liabilities and indebtedness in relation to the distribution of our products within their defined geographic area, we are not liable for any losses or damages arising during the delivery of our products to the distributors. Under the relevant PRC laws, where product liability arose from our Group's fault, our Group shall be responsible for the product liability claim, and where the product liability arose from the distributors' fault or other third parties' fault, distributors or other third parties shall ultimately be responsible for the product liability claim.

Sales network expansion plan

The successful implementation of our expansion plan depends on a series of factors, including, among others, capacities and potential growth of local markets, preferences and purchasing power of targeted customers and their demand for our products, our funds available and our ability to secure prime locations for retail stores in department stores or shopping malls. We intend to further expand our sales network by establishing 37 and 75 self-operated retail stores and 6 and 20 retail stores operated by distributors, respectively in the second half of 2014 and for the year ending 31 December 2015,

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respectively. The table below sets forth the number of retail stores that we plan to open by geographical regions for the period indicated. We will continuously review the sales and operation performance of retail stores and from time to time adjust the actual number, locations and timing of new retail stores to be established.

	For the six months ending 31 December 2014	For the year ending 31 December 2015
<i>Self-operated retail stores</i>		
Central PRC ¹	6	12
Eastern PRC ²	14	20
North Eastern PRC ³	2	4
North Western PRC ⁴	2	4
Northern PRC ⁵	7	14
South Western PRC ⁶	4	17
Southern PRC ⁷	2	4
<i>Retail stores operated by distributors</i>	6	20

Notes:

- 1 *Central PRC includes Henan, Hubei, Hunan and Jiangxi.*
- 2 *Eastern PRC includes Shandong, Jiangsu, Zhejiang, Anhui, Shanghai and Fujian.*
- 3 *North Eastern PRC includes Jilin, Heilongjiang and Liaoning.*
- 4 *North Western PRC includes Shaanxi, Ningxia, Qinghai, Gansu and Xinjiang.*
- 5 *Northern PRC includes Tianjin, Beijing, Inner Mongolia, Hebei and Shanxi.*
- 6 *South Western PRC includes Guizhou, Chongqing, Yunnan, Tibet and Sichuan.*
- 7 *Southern PRC includes Guangxi, Hainan and Guangdong.*

Initial set-up costs

Our expected average cost of establishing a new self-operated retail store mainly includes costs for store decoration and renovation, rental expenses and initial inventories. Our expected average cost of establishing a new self-operated retail store in a department store or shopping mall mainly includes deposits, expected costs for store renovation and decoration as well as initial inventories. The table

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below sets forth the expected average cost of establishing each type of self-operated retail stores for the second half of 2014 and the year ending 31 December 2015, respectively.

	For the six months ending 31 December 2014 RMB'000	For the year ending 31 December 2015 RMB'000
<i>Self-operated retail stores</i>		
Department store retail stores	~1,000	~1,000
Shopping mall retail stores	~1,300	~1,300

We estimate that the total costs to be incurred for establishing new self-operated retail stores to be approximately RMB124.70 million for the second half of 2014 and the year ending 31 December 2015.

We will use 36.65% of the net proceeds from the Global Offering to finance our expansion for the second half of 2014 and 2015. We will also use our internal funds generated from operation and bank borrowings to fund the expansion plan where necessary.

Breakeven and payback

Breakeven of a new self-operated store is reached when its monthly gross profit is at least equal to its monthly expenses incurred (mainly including commission, rental expenses, staff cost and utility expenses, excluding tax and depreciation). Payback period for a new self-operated retail store represents the time that it takes for the accumulated profit, less accumulated expenses and initial set-up costs (including store decoration, furniture, computer equipment and staff and other operating costs) from the new retail stores to cover the relevant capital expenditures.

The following table sets forth the estimated average breakeven period and the estimated average payback period for the new self-operated retail stores in department stores and shopping malls, based on our historical results of operations and experience.

	Estimated average breakeven period Year	Estimated average payback period Year
Department store retail stores	< 1	1.5
Shopping mall retail stores	< 1.5	2.0

Our terms of arrangements with department stores, shopping malls and distributors are generally 12 months to 36 months and we expect that we will generally be able to renew our arrangements. During the Track Record Period, we have opened 184 self-operated retail stores and closed only 23 of them during such period. We closed such retail stores primarily due to unsatisfactory performance. Based on this fact and our management's experience, our Directors are of the view that we generally maintained a

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stable relationship with department stores and shopping malls and were able to renew relevant arrangements with most of them. Furthermore, our Directors consider the impact of the closure of retail stores was generally insignificant to our business and would have not have any material impact to our financial condition and results of operations going forward.

Impact of our expansion plan

We believe we will be well-positioned to capitalise on the growing PRC high-end ladies-wear market with our predominant self-operated retail network which is in line with our historical results of operations and our management's experience. After our expansion, our working capital need will increase due to the increased operation scale of our business. In case that we fund the capital expenditure of our expansion by using proceeds from new bank loans, the net cash generated from financing activities will increase and the finance cost will increase accordingly. We plan to expand our team on management of sales channels to oversee and monitor our expansion plan. We believe, with our retail management systems for our retail network, we are able to manage our expanded sales network and operation scale.

We expect that our expansion plan will have the following impact to our operations:

- *Inventory balance and working capital:* When we open new self-operated retail stores in new market, we generally need to maintain certain level of inventory at such new retail stores in order to meet customers' demand.
- *Gross profit margin:* The gross profit margin of sales by self-operated retail stores is generally higher than our wholesales to distributors. We plan to continue to expand our sales network through the opening of self-operated retail stores and do not expect a material change in our gross profit margin as a result of our expansion plan.
- *Cost structure:* The initial set-up costs of self-operated retail stores in department stores are lower than those of shopping mall retail stores. This is primarily because with respect to self-operated retail stores in department stores, the costs to renovate the store is generally lower than that for shopping mall retail stores since the average floor area for retail stores in department stores is generally smaller than that of retail stores in shopping malls.
- *Risk profile:* In addition to the factors stated above, local market capacities and potential growth and targeted customers' purchasing power and demand for our products could also affect risks relating to the establishment of new retail stores.

We continuously review the sale and operation performance of retail stores and strategically establish the retail stores that our targeted customers' purchasing power, preferences and demand. Depending on local market conditions, set-up costs and actual payback and breakeven periods, we will review our expansion from time to time. After due and careful inquiry, our Directors are of the view that the expansion plan would not have any significant financial and operational impact on our business.

Customers' demand for our products and competition analysis

Our Directors have considered a series of factors on whether there will be sufficient overall demand for our products to warrant the establishment of new retail stores according to the expansion plan and set out below the major factors:

- *Historical growth in our revenue:* Our revenue increased from RMB327.08 million for the year ended 31 December 2011 to RMB484.94 million for the year ended 31 December 2012 to RMB701.88 million for the year ended 31 December 2013, representing a CAGR of 46.49%.
- *Historical and forecasted growth in the PRC's high-end ladies-wear market:* According to the Frost & Sullivan Report, the retail revenue of PRC's high-end ladies-wear market has grown at a CAGR of 23.05% during 2009 to 2013. The market is estimated to grow rapidly at a CAGR of 20.36% from 2013 to 2018.

Based on our historical results of operations and experience, after having considered a series of factors, our Directors are of the view that there will be sufficient demand for our products in our target cities, which warrant our expansion plan. We will also closely monitor the coverage of sales network and consider the performance of our competitors in locations where we will establish our new retail stores. We believe that we have distinguished ourselves from our competitors based on our competitive strengths of (i) precise positioning to capture market share in the fast-growing but highly fragmented high-end ladies-wear fashion market; and (ii) our predominantly self-operated sales network with over 90% of retail stores being self-operated enables us to quickly respond to customer demand, obtain timely feedback from our customers and adjust our product design, marketing and pricing strategies. For details, please refer to the paragraph headed "Industry Overview — Key advantages of our *Koradior* and *La Koradior* brands over our competitors" of this prospectus. Our Directors believe that based on the above, we will be able to maintain a sustainable development of our business and implement our expansion plan accordingly. We intend to continue to leverage our competitive strengths to drive and manage our growth in the future.

Sales fairs and product orders

We generally present our new collections to some of our store managers and distributors via sales fairs, which is held twice a year and about three months before the launching of the fall/winter and spring/summer collections.

During the sales fairs, our design team will introduce the concept of the new collections, product mix, production techniques, fabrics used and the theme of our advertising campaigns to our store managers and distributors.

Product orders are generally required to be confirmed during the sales fair. Our sales team generally assists store managers and distributors to make product orders for our new collections by making recommendations on product mix, size range, purchase quantities and display set-up.

After we receive product orders during sales fair, our management will start analysing product orders and determining the actual type and quantity of products to be ordered based on our understanding of the customer preference, market trend as well as the theme that we would like to

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promote in the forthcoming season. We will place orders with our selected OEM contractors for mass production. Generally, the initial orders account for as much as 70% to 80% of estimated needs, which left 20% to 30% of our orders flexible for adjustment and satisfied by rapid response on sale status. We offer our products to our distributors at a pre-determined discount to suggested retail prices.

Pricing

The retail price range of our products is typically determined by our product management team based on the following factors:

- current demand and customers' perceived value of our products;
- expected profit margin of each individual product; and
- price of our competitors' products.

All our self-operated retail stores will follow our nationwide retail pricing policy while retail stores operated by our distributors are required to follow the same nationwide retail pricing policy pursuant to the terms of the distribution agreements entered into by us and our distributors. Our products in our self-operated retail stores are sold at the suggested retail price while we offer our products to our distributors at pre-determined discount to suggested retail prices.

CUSTOMERS

Our customers consist of end customers and distributors that purchase products from us and sold to end customers. During the Track Record Period, our top five customers were all our distributors that are Independent Third Parties, details of which are set out in the paragraph headed "Business — Sales and distribution — Our sales network — Retail stores operated by distributors" of this prospectus. None of our Directors, senior management or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or any of our subsidiaries, or any of their respective associates, had any interest in any of our top five customers, for each of the years ended 31 December 2011, 2012 and 2013. Our largest customer accounted for 0.39%, 0.70% and 0.31% of our sales revenue in 2011, 2012 and 2013. Our five largest customers contributed in aggregate 1.21%, 1.98% and 1.15% of our sales revenue in 2011, 2012 and 2013, respectively.

MARKETING AND PROMOTION

We have a dedicated marketing team to coordinate our marketing and promotional activities. As at 31 December 2013, our marketing team consisted of 15 members who worked with the design teams to ensure effectiveness of our marketing and promotion initiatives.

Our marketing and promotional activities include national advertising campaigns, sponsorships and fashion shows. As we believe our targeted customers, being affluent ladies between the age of 30 and 45, are frequent travelers and thereby users of airports, the use of airport billboard advertisement is the most effective and targeted avenue to market our brands and products. We also maintain direct in-store marketing to tie in with the aforementioned activities.

During the three years ended during the Track Record Period, we have spent approximately RMB14.71 million, RMB23.26 million and RMB22.26 million in our marketing and promotional activities, representing approximately 4.50%, 4.80% and 3.17% of our revenue respectively.

Advertising Campaigns

We generally organise our advertising campaigns with the release of our seasonal collections. As at the Latest Practicable Date, our advertisements can be found in the arrival and/or departure halls of Shanghai Hongqiao and Pudong International Airports and Shenzhen International Airport. We intend to promote our *Koradior* brand in both indoor and outdoor billboard advertisements in other airports in the PRC. We also place brand imaging advertisements in selected top nationwide circulated fashion/lifestyle magazines and publications, such as “Harper’s Bazaar (時尚芭莎)” and “Cosmopolitan Bride (時尚新娘)”.

Sponsorship

We also participate in the apparel sponsorship in nationally broadcast promotional events and television shows. For example, in 2010, we sponsored the handmade customised ball gowns designed by our design consultant, Ms. Fang Ying in the “Miss Chinese Comos Pageant (中華小姐環球大賽)” organised by Phoenix Television. In December 2013, we also sponsored the ball gowns in the event of “Wedding Awards of the Year (婚尚盛典)” held in Beijing by “Cosmopolitan Bride (時尚新娘)” and a number of celebrities from the PRC and Korea also participated such event and were dressed in our *Koradior* branded products. As an enterprise with a sense of social responsibility, we donated over 3,000 apparel products to Shenzhen Social Donation Receiving and Managing Service Centre* (深圳市社會捐助接收管理服務中心) in the name of Shenzhen Koradior for supporting those who suffered in the Qinghai Yushu earthquake in 2010.

Fashion Shows

We also participate in fashion shows with heightened media coverage to raise awareness of our brands among the fashion industry. In October 2012, we participated in the China International Fashion Week (中國國際時裝周), which has been regarded as an influential event in the fashion industry in the PRC and organised a fashion show to showcase our 2013 spring/summer collections. We have invited models to perform in our catwalks, wearing our branded apparels and accessories. Various celebrities were also dressed in our branded apparels and participated in our fashion show. The event was reported in over 15 media channels including Xinhua net, sina.com, vogue.com and sohu.com.

Website, microblog and other social media channels

We focus on promotional activities through new media, which suits the lifestyles of our targeted customers. Customers can access our official company website (www.koradior.com), microblog (<http://weibo.com/koradior2011>) (微博公眾號) and WeChat (微信公眾號), a mobile text and voice messaging communication service, our online stores at Tmall, Dangdang, VIP.com and Wangfujing and to obtain more information about our brands, store locations, latest products and promotional events.

Customer services

VIP membership program

In order to encourage customers spending and develop customer loyalty which is important in the high-end fashion industry, we have a VIP membership program. Our VIP member benefits include coupons, gifts and special services such as clothing alteration, customisation and image consultancy including mix and match of the wardrobe of our VIP members. Each of our customers receives a VIP point card tied to one of our brands when they meet the specified minimum purchase. According to the number of points accumulated through their purchases, we reward them with cash coupons and gifts. For each of the years ended 31 December 2011, 2012 and 2013, we had over 18,000, 22,000 and 28,000 members respectively in our VIP membership program who purchased at our retail stores.

We divide our VIP members into two categories: (i) active VIP members and (ii) dormant VIP members. Members who can maintain repeated purchase within the specified period will be entitled to the most benefits. Members who has no repeated purchase beyond 400 days will lose their membership. In third party e-commerce platforms, for instance, on Tmall, we maintain a separate VIP program. Under our Tmall VIP membership program, our VIP members are divided into four levels according to their purchase amount. Customers spending not less than RMB2,000 are eligible to join our VIP membership program as senior members and are entitled up to approximately 2% discount of the retail price and free shipping on the designated membership day for each month. Our diamond VIP members, whose accumulated purchase reached RMB30,000 or above, are our most prestigious members and are entitled to 12.00% discount. We will also call our VIP members regularly to gather feedback from them and inform them of our latest promotional activities.

We keep records for our VIP members and evaluate their spending habit to formulate proper strategy to promote our brands and products. Upon purchase, we usually contact our VIP members to follow-up on their views or needs in respect of our products and offer after-sales services such as products mix and match, maintenances tips and services and beauty updates.

We analyse information about our VIP members which helps us effectively plan our products and marketing and promotional activities tailor-made for each of our VIP members.

Other services

We also provide services such as made-to-order for exceptional sizes or specific colours of our existing products as well as adding accessory parts as desired. However, this is not applicable to all of our products. We will first conduct an evaluation on cost effectiveness before accepting such orders. Also, at our retail stores, we offer simple makeup services in promotion activities which match our products to enhance the overall look of our customers.

Sales return policy

As advised by our PRC legal advisers, our sales return policy is in line with the Consumer Protection Law and the Administrative Measures for Online Trading promulgated by the SAIC on 26 January 2014 and became effective on 15 March 2014, with respect to return policies on merchandise in the PRC. For our products sold through third party e-commerce platforms, online consumers are given the rights to return the products within seven days of receipt without giving a reason. For products sold

to end customers from our self-operated retail stores, although it is not required under PRC laws to allow return of products other than for quality reasons, where end customers want to return products for reasons other than quality, we may, on a case by case basis, allow return of products. During Track Record Period, we had no material sales returns from end customers and distributors for defective products or any other reasons, and no material complaint or claim had been brought against us for product defects or any other reason. Our sales and marketing team is also trained to deal with potential customer complaints, including quality certification of any alleged defects in the merchandise.

PRODUCTION OUTSOURCING AND PROCUREMENT

We have been outsourcing the production of all our products to domestic OEM contractors since the commencement of our business in 2007. We believe this asset-light strategy allows our management to devote our resources to higher value-added activities, namely brand promotion, design, marketing, quality control and customer services. Our suppliers consist of OEM contractors and raw material suppliers. Our top five suppliers accounted for 34.13%, 37.04% and 34.44% of our total purchases for the years ended 31 December 2011, 2012 and 2013 respectively. Our single largest supplier accounted for 9.02%, 11.07% and 13.08% of our total purchases for the years ended 31 December 2011, 2012 and 2013 respectively.

Production outsourcing

The aggregate amount incurred to our OEM contractors for purchases of apparel products and subcontracting fee were RMB70.16 million, RMB110.80 million and RMB146.00 million for each of the three years ended 31 December 2011, 2012 and 2013, respectively. Our amount paid to the OEM contractors are determined with reference to publicly available raw material prices, the scale and reputation of the OEM contractors, product delivery time and price quotes offered by comparable OEM contractors. As at 31 December 2013, we engaged 95 OEM contractors to manufacture our products. Our major OEM contractors are enterprises with extensive experience in the production of ladies apparel and accessories. As at the Latest Practicable Date, we have on average more than 4 years of relationship with our top five OEM contractors and 7 years of relationship with one of our top five OEM contractors. We did not experience any labor strikes of or disputes with our OEM contractors during the Track Record Period.

For better control over cost and quality, we usually purchase materials and accessories ourselves for further processing by our OEM contractors. For raw materials the quantity purchased of which is not large enough for us to enjoy bulk purchase discounts, we will ask our OEM contractors to source the relevant raw materials based on our specifications.

We carefully select our OEM contractors based on certain assessment criteria, such as their track record, technical competence, industry knowledge, timely delivery, product quality and stability, after-sales services and quality control mechanism. Within one month after the production process of each collection, we also evaluate the performance of our existing OEM contractors and remove any unqualified OEM contractors. We will involve the selected OEM contractors for the upcoming collection in the design stage. In addition, we generally require our OEM contractors to keep confidential of any of our commercial secrets known or used during our cooperation period. Our OEM contractors shall be liable for all our losses arising from their breach of confidentiality obligations. We are also entitled to retrieve our products and/or materials with such OEM contractors and claim damages against such OEM contractors pursuant to our agreements.

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We work with our OEM contractors in creating our samples, finalising production specifications, determining production schedules and setting up cost control plans. We also specify requirements for the quality of raw materials procured for their production. The turn-around time from order to delivery of the accessory products generally ranges from about 30 to 45 days and that of clothing products generally ranges from about 1 to 2 months, depending on their production capacities. Our OEM contractors will perform the packaging and post-finished processing for the end products, such as molding, ironing, adding buttons and other components and branding tags and our quality control team will monitor the process.

Our quality control team is responsible for ensuring quality control of our finished products manufactured by OEM contractors. During various stages of the production process, we send our quality control team to our OEM contractors' production facilities to carry out regular inspections. Members of our quality control team have an average of 5 years of relevant experience.

Our OEM contractors are prohibited from producing or otherwise duplicating our products, samples, logos or trademarks without our consent and are liable for damages and breach of contracts.

Set out below are the material terms of the framework purchase agreements we generally enter into with our OEM contractors:

- *Quality* — OEM contractors are required to (a) manufacture our products according to our prototypes and (b) obtain our approval of product samples before carrying out volume production. Our quality control team will inspect the finished products before delivery.
- *Price, types and quantities* — The agreements typically set out the price, types and quantities of each of our products required.
- *Delivery* — OEM contractors are generally required to deliver the finished products to our warehouse. We are entitled to damages of approximately 0.50% to 2.00% of the consideration of the agreements per day beyond the specified date of delivery.
- *Payment* — We generally settle the agreement price monthly.
- *Product defects* — OEM contractors are required to indemnify our losses for products which materially deviate from our prototypes and guidelines.
- *Term* — The agreements generally do not have a fixed term.
- *Termination* — We have the rights to terminate the agreement with OEM contractors at any time during the term of the agreements.
- *Confidentiality and non-competition* — OEM contractors are prohibited from disclosing our commercial secrets to any other third party or sub-outsourcing under any circumstances without our prior consent. Any use of our trademarks or trading of our products by our OEM contractors are prohibited unless it is in accordance with the agreements.

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We enter into agreements with OEM contractors on an individual transaction basis. We have not encountered any material disruption to our business as a result of failure to obtain outsourced products. We have not experienced and do not envision that we will experience any material difficulties in obtaining the required outsourced products.

Our top five OEM contractors to whom we outsource accounted for approximately 53.85%, 52.77% and 51.80% of our total purchase of outsourced products and sub-contracting fees for the years ended 31 December 2011, 2012 and 2013 respectively. Our largest OEM contractor to whom we outsource accounted for 16.87%, 21.41% and 23.97% of our total purchase of outsourced products and sub-contracting fees for the years ended 31 December 2011, 2012 and 2013 respectively. During the Track Record Period, our largest OEM contractor is our connected person, namely Yingjia Fashion. Except for Yingjia Fashion, all other OEM contractors in the Track Record Period are Independent Third Parties. Yingjia Fashion is wholly-owned by Ms. Chen Lingmei, Mr. Jin Jingquan and Mr. Jin Rui. Except for Yingjia Fashion, none of our Directors, their associates, or any shareholders who, to the knowledge of our Directors owns more than 5% of our issued share capital, had any interest in any of our top five OEM contractors to whom we outsource, during the years ended 31 December 2011, 2012 and 2013. Our Directors believe that there is currently no concentration risk of OEM contractors because our OEM contractors can be replaced easily and our continue engagement of those OEM contractors was due to the longstanding relationship with our top five OEM contractors.

Raw materials

The principal raw materials used in our products are fabrics. During the Track Record Period, we also sourced fabrics for some of our OEM contractors from various domestic fabrics manufacturers and merchants which also provide fabrics sourced from overseas. All our raw materials suppliers are Independent Third Parties. Total purchase of raw materials were RMB60.98 million, RMB103.44 million and RMB121.44 million for each of the three years ended 31 December 2011, 2012 and 2013.

For the three years ended 31 December 2011, 2012 and 2013, our five largest raw material suppliers collectively accounted for about 43.43%, 44.26% and 38.51% of our total purchase of raw materials respectively. Our five largest raw material suppliers supplied us with fabrics. The duration of our relationship with these suppliers ranges from 2 to 4 years. Our single largest raw material supplier accounted for about 13.22%, 20.78% and 10.87% of the total purchase of raw materials for the year ended 31 December 2011, 2012 and 2013. Our Directors believe that there is currently no concentration risk of suppliers. All of our five largest raw material suppliers are Independent Third Parties and none of our Directors or their respective associates, or any shareholders who, to the knowledge of our Directors owns more than 5% of our issued share capital as at the Latest Practicable Date had any interest in any of our five largest raw material suppliers during the Track Record Period.

We select our raw materials suppliers based on factors such as certification in respect of quality and environment, technical knowledge, timely delivery and quality of after-sales services. We also select certain suppliers through an open tender process. Potential suppliers are required to submit, among others, sample materials and certificates evidencing their standards in quality and environment such as ISO14001:2000 certificates. We will conduct site visits and make a decision based on various factors. We keep reviewing the performance of our suppliers and classify them into different categories according to their quality. We will also review our classification twice a year.

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We usually do not enter into long-term contracts with our suppliers. However, we have entered into some legally binding framework agreements with our suppliers under which we do not fix contract term and prices when we enter into the agreements but there is a commitment by our suppliers to put us in priority among their customers and supply raw materials to us if prices can be mutually agreed between us and the suppliers when we place an order. Each supplier is generally subject to an annual evaluation according to the criteria as set out in our contracts. Under the agreements with our suppliers (including framework agreements), costs of raw materials are determined on a case-by-case basis and purchases orders are placed based on our on-going requirements. Our suppliers may revise their costs within the specified price quotation period. If the quoted price is not competitive, we have the right to terminate our contracts unilaterally. Where there are fluctuations in prices of raw materials in the market, under our contracts, we are entitled to obtain new price quotations and/or renegotiate the price to be charged by our suppliers. In general, due to our relationship with our suppliers, we can obtain the raw materials at a competitive price. Where the quality of the raw materials fails to meet the requirement under our contracts, we are entitled to return such products and require our suppliers to provide another batch of products or perform rectification. We are also entitled to terminate our contracts unilaterally should there be a deficiency in quality. Our suppliers are liable and shall indemnify us for any costs, losses or liabilities arising thereunder. In particular, our suppliers shall indemnify us for any losses arising from complaints from customers on quality issues caused by our suppliers and we are entitled to impose penalties in such incidents. We also have strict evaluation system in managing our suppliers. In our contracts, we specify our evaluation criteria which include raw material quality, delivery, pricing and services as well as the relevant weighting for each criteria. We rely on the evaluation to consider whether to renew our contracts.

During the Track Record Period, we have not encountered any material disruptions to our business as a result of shortage of raw materials. We have not experienced and do not envision that we will experience any material difficulties in sourcing raw materials for our suppliers. Depending on the price fluctuations of raw materials, we may need to adjust the retail price of our products to pass on the increase in purchase costs to our customers. However, there is no assurance that we can pass increases in raw materials costs onto our customers in a timely manner or at all, which could result in an adverse impact on our profit margins. For details, please refer to the paragraph headed “Risk Factors — Risks Relating to Our Business — Fluctuations in the price, availability and quality of raw materials could cause production delays and increase in costs of goods sold. The cost of products manufactured by outsourced OEM contractors may also expose us to an increase in our total cost of sales”.

Quality control

As at 31 December 2013, our quality control team had 19 members who have an average of 5 years of experience in respect of quality control of apparel products and inspection of raw materials in the ladies-wear industry in the PRC and is headed by our quality control manager who has over 7 years of experience in respect of quality control of apparel products. Our quality control team checks the quality of products at the various stages described below once orders are confirmed and weekly checks are conducted where necessary. Our quality control system is based on national and industry standards, such as Administrative Measures for Product Quality Spot Inspection (產品品質監督抽查管理辦法), FZ/T01053-2007, GB18401-2011, GB20400-2006, GB5296.4-2012, QB/T 1615-2006, GB/T 2822-2006, QB/T 2856-2007, QB/T 2954-2008, Q/KLDEFS 001-2011, Q/KLDEFS 002-2011 and Q/KLDEFS 003-2013, and are updated continuously to reflect any changes of such standards.

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Our quality control team carry out checking on each order and we will only order from suppliers who can satisfy our quality standards.

Quality checks are carried out at the following stages of production:

Pre-production stage

We inspect raw materials upon arrival and require our suppliers to submit quality inspection reports prepared according to the relevant national standards by organisations recognised by the authority in the PRC upon delivery of the raw materials. We have engaged three qualified institutions that are Independent Third Parties, namely Chintesta (Shenzhen) Testing Services Co., Ltd (中紡標(深圳)檢測有限公司), Shenzhen Academy of Metrology and Quality Inspection (深圳市計量質量檢測研究院) and Guangzhou Nonwovens Quality Testing Centre (廣州市無紡布產量質量檢驗中心) to conduct quality test on fabrics supplied by our suppliers based on the applicable national standards for each order. Only qualified materials will be delivered to our OEM contractors for production. We also carry out regular check on the component in certain materials such as fabrics to ensure they pass the relevant national standards. Any quality issues will generally be communicated to the procurement team.

Production stage

Production will only commence after the prototypes are approved. Our design team will sign on the approved prototypes and split the approved prototypes into two and send one of the split parts back to our OEM contractors and the remaining part to the responsible person in the quality control team to ensure the identification of the approved prototypes. In particular, in respect of the quality control on colour, our design team will give specific instructions to OEM contractors which are relatively new to us. The design team will evaluate and adjust our order for any material deviation. Quality checks are carried out during the production process. Our quality control team will also conduct on-site quality control supervision and guidance at the production facilities of our OEM contractors. Immediate action will be taken to resolve any quality problem.

Post-production stage

We inspect all our finished products before delivery according to quality standards set out in agreements with our OEM contractors. Only qualified products will be delivered to our warehouse. OEM contractors are responsible for costs incurred to rectify defects. In addition, we carry out regular checks on the components in the finished products to ensure they pass the relevant national standards. We require our OEM contractors to provide quality certification of products supplied to us according to our specified standards.

Warehouse stage

Quality checks are also carried out at our warehouse and our OEM contractors will be required to rectify any defects. If we receive any complaints on the quality of our products, comprehensive quality check will be performed on same batch of products. During the Track Record Period, we did not experience any material recalls of our products as a result of quality issues.

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In September 2012, Shanghai Municipal Bureau of Quality and Technical Supervision (上海市質量技術監督局) conducted a random quality check on two dresses at our self-operated retail store in Shanghai First Ba Bai Ban* (上海第一八佰伴) and found that such dresses failed to pass its Formaldehyde standard. Therefore, in September 2012, we engaged Shenzhen Academy of Metrology and Quality Inspection (深圳市計量質量檢測研究院) to conduct testing on the Formaldehyde content for the same SKU at our warehouse. The results of such testing showed that our product was in compliance with the Formaldehyde standard. We provided such results to the Shanghai Municipal Bureau of Quality and Technical Supervision* (上海市質量技術監督局) and submitted a written objection to their findings and applied for an appeal. Although the Shanghai Municipal Bureau of Quality and Technical Supervision* (上海市質量技術監督局) maintained their position in respect of the check in September 2012, as at the Latest Practicable Date, no litigation or claim is known to our Directors to be pending or threatened against us, nor have there been any penalties against us in relation to such quality check.

MANAGEMENT INFORMATION SYSTEM

We believe that a well-implemented information system is important in improving our operational efficiency and managing our fast-growing network of retail stores. We maintain an ERP system which integrates the internal and external management information across various aspects of our business operations, including procurement, inventory management, sales and distribution.

Since 2011, we maintained a centrally-administered ERP management information system. All of our self-operated retail stores are equipped with our ERP system which enables us to analyse and record sales details and to track inventory on a timely basis. Through the ERP system, sales information from each self-operated retail store is collected and uploaded to the host system of the respective sales region as well as our headquarters. It is designed to provide comprehensive coverage of various aspects of our business, including product cataloging, supply chain management, product orders, sales, procurement, logistics, inventory management, retail sales management, business data analysis and decision-making support.

Each of our self-operated retail stores is required to input management data relating to logistics, retail sales and inventory to our ERP system for analysis. We then use the ERP system to analyse these data when required. Our ERP system enables us to establish a uniform data reporting system and better understand the sales performance, revenue generated and sales productivity levels from each of our self-operated retail stores so that we can quickly implement strategies in response to market conditions. Timely feedback of data from our retail stores allows us to make our sales forecasts and provide purchase guidance to our store managers and distributors in a more reliable and efficient manner.

We intend to upgrade and enhance our ERP system to enable us to manage information relating to our management, finance, inventory, supply chain, distribution, track each of our products from delivery to and storage in our warehouse to its eventual sale and provides full coverage of our retail stores including retail stores operated by our distributors. As a result of this enhanced ERP system, we are able to manage our design, research and development, product procurement and merchandising, warehousing, logistics, sales to distributors, marketing, retail, sales management, inventory, finance and human resources all under one integrated system. We believe such integrated ERP system will be able to improve the communication and coordination among various links in our value chain, enable us to

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strengthen the cooperation among our suppliers, enhance the competitiveness of our products and shorten the time-to-market of our products. We also believe that further enhanced ERP system will help us obtain and process market data on an expedited basis and support our decision making process.

INVENTORY MANAGEMENT

We have inventory control measures in place to help us maintain an adequate inventory level and closely monitor inventories, including inventory levels, inventory age and inventory composition. Our inventories consist of (i) raw materials, mainly fabrics and other auxiliary materials we purchase for further processing by our OEM contractors; (ii) work in progress, which represents raw materials we provided to our OEM contractors but still in production process at year end; and (iii) finished goods in our warehouse and self-operated retail stores.

Inventory turnover days

For the three years ended 31 December 2011, 2012 and 2013, our average inventory turnover days were 94.57 days, 112.21 days and 172.39 days, respectively, while the balance of our inventory as at 31 December 2011, 2012 and 2013 accounted for approximately 33.93%, 41.95%, 40.16% of our total current assets. For detailed analysis on our inventory level, please refer to the paragraph headed “Financial Information — Net Current Assets — Inventories” of this prospectus.

Increasing level of slow-moving and obsolete inventory in the future may result in reduced sales and pressure on our operating cash flow. For further details, please refer to the paragraph headed “Risk Factors — Risks Relating to Our Business — Our inventory may become obsolete” of this prospectus.

Inventory control and liquidity management

We conduct regular stock counts on our self-operated retail stores every month and review retail prices of our products every April and September. Excess inventory will first be re-allocated among different self-operated retail stores. To minimise the risk of building up aged inventories, it is our policy that our store managers regularly monitor the obsolescence of inventories at different self-operated retail stores. We also conduct spot checks and physical stock counts at self-operated retail stores to identify obsolete or damaged products. Before introducing any collection for the next season, the inventories for the last season will be returned to our warehouse. We will evaluate their salability for next year and, if appropriate, relaunch them in the next year or deliver them to our outlets or third party e-commerce platforms for clearance sale.

We determine our target level of inventories and have implemented various policies to monitor such target level, which include: (i) placing orders with our suppliers and OEM contractors after we have received confirmed product orders from our store managers and distributors or based on the demand forecast from our store managers and distributors and the anticipated opening time of new retail stores; (ii) applying around 70% to 80% of the estimated level of raw materials required for each SKU while the remaining raw materials will be applied according to the performance after the launch of the relevant SKU; (iii) improving the turnaround time for the replenishment order of best-selling products based on the feedback received from our store managers and distributors and the sales records of our retail stores; and (iv) reallocating the inventories to other appropriate self-operated retail stores based on the evaluation of the sales reports of our retail stores.

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We believe the above measures can help us maintain an appropriate inventory level which can support our business development and at the same time promote proper working capital management.

Provision for inventories

We review our inventories on hand every day through our ERP system and identify obsolete and slow-moving inventories. Inventories are carried at the lower of cost and net realisable value. Our management, based on their understanding of the products and the overall market environment, assesses the potential decline of selling prices of inventories over their ages in formulating the inventory provisioning policy. Provision is made for our finished goods with reference to inventory aging: 20% for finished goods aged between one year and two years, 50% for those aged between two and three years, and 80% for those aged between three and five years and 100% for those over five years. Carrying amount of off-season products is adjusted downward accordingly. Full provision will also be made for inventory items which are damaged. Inventory provision made for each of the years ended 31 December 2011, 2012 and 2013 amounted to RMB0.32 million, RMB0.78 million and RMB0.30 million, respectively. Finished goods aged over 1 year accounted 16.78%, 12.60% and 8.90% of total finished goods as at 31 December 2011, 2012 and 2013, respectively.

Warehousing and delivery

We currently lease one warehouse in Shenzhen. All of our finished products are delivered by our OEM contractors to our warehouse for our products to be reallocated among our retail stores. We deliver our products to our self-operated retail stores and retail stores operated by our distributors through third-party logistics companies which bear the risks and losses associated with the delivery of our products. As at 31 December 2013, we engaged 3 logistics companies in the PRC, all of which are Independent Third Parties, and we did not experience any material loss in the delivery of our products during the Track Record Period. Through our enhanced ERP system, we intend to better facilitate management in our warehouse by increasing logistics efficiency and usable space as well as supply chain management.

CASH AND CREDIT CONTROL

For our self-operated retail stores, end customers generally pay by cash or debit cards or credit cards. Such sale proceeds generated are generally paid to us by the department stores and certain shopping malls within 60 days after the date of revenue recognition, after deducting the monthly rental expenses, concession commissions and/or operating expenses. The department stores and shopping malls are required to list out details of any deductions for our verification.

We attach high importance to our working capital management and maintain a minimum cash reserve level necessary to fulfill our working capital requirements. To maintain adequate cash liquidity, we keep contact with banks which enables us to obtain funds support from them timely.

We require our distributors to pay for their purchases in full before delivery. During the Track Record Period, we did not make any provisions for bad and doubtful debts.

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In addition, we have adopted and implemented strict internal control procedures and accountability system for handling cash, which include the following:

- different personnel are responsible for issuing invoices to customers and receipt of payments at the cashier at each retail store;
- designated sales personnel at each self-operated retail store are required to check sales receipts against sales and cash proceeds each business day, perform daily reconciliation of sales and actual cash proceeds, and record the results in our management information system;
- sales proceeds are required to be deposited timely by the staff designated by the store manager into a designated bank account which is separated from the expenses and any other deductions;
- our sales team is responsible for reconciling our records and records of the department stores and shopping malls; and
- our finance team is responsible for investigating on any discrepancies in reconciliation.

During the Track Record Period, we did not experience any material default in collecting the sales proceeds for our self-operated retail stores.

AWARDS AND RECOGNITION

We have been well recognised in the market and our brands and products and design team have won the following awards and recognitions in the PRC:

- 2014:
Koradior brand was awarded ZOJE The 10th China National Garment Association Award — Style Award* (中捷第十屆中國服裝品牌年度大獎 — 風格大獎) by China National Garment Association (中國服裝協會)

Koradior brand was awarded The 2nd Top 10 Creative Brands* (第二屆十大年度創意品牌) by Shenzhen Creativeness Selection Committee* (深圳創意影響力評選活動組委會)
- 2013:
Shenzhen Koradior was ranked 63rd in 2012 Top 100 Enterprises by sales margin of China Apparel Industry* (2012年中國服裝行業百強企業排名 — 銷售利潤率) by China National Garment Association (中國服裝協會)
- 2010:
Koradior brand was awarded Familiar/favourite brand amongst female consumers in China* 中國女性消費者熟悉／喜愛的品牌 by China Female Consumer Summit Forum Organising Committee (中國女性消費者高層論壇組委會)

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RISK MANAGEMENT

We are devoted to establishing risk management systems that we consider to be appropriate to manage risks in our business operations, and we are dedicated to monitoring these systems for effectiveness and modifying them as necessary as our business grows to maintain effectiveness. The following table sets out some of the primary risks our business faces and our existing risk management measures to manage these risks.

Risk Identified	Our Risk Management Measures and Procedures
Protection of product design	<ul style="list-style-type: none">● We require our designers and design consultants to sign confidentiality agreements upon joining our Company and/or entering into agreements with us.
Limited control over our distributors	<ul style="list-style-type: none">● We have a standardised distributor selection process, in which more important distributors must meet more stringent standards.● We train our sales and marketing team to conduct rigorous evaluation of potential distributors.● We have a system of accessing the credit history of our distributors to ensure that they are of good financial health.
Quality of outsourced production	<ul style="list-style-type: none">● We have established internal standards for selecting and evaluating our OEM contractors.● We require our OEM contractors to keep our commercial secrets confidential and hold them liable for all financial losses should they disclose our commercial secrets to any third party under any circumstance without our prior consent.● We inspect products at multiple stages in the production process, including prototypes and fabric printing as well as final products.

There are various other risks to our business and industry. For further details, please refer to the section headed “Risk Factors” of this prospectus. Our directors and senior management are responsible for reviewing the abovementioned policies and practices in respect of risk management. For details on qualifications and experiences of our Directors and senior management, please refer to the section headed “Directors, Senior Management and Employees”.

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CORPORATE GOVERNANCE

Our Company recognises the importance of good corporate governance in management and internal control procedures and will adopt the following measures to safeguard the interests of our Shareholders:

- *Abstaining from voting when a director has a material interest.* Our Articles provide that, except in certain limited circumstances, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director has a material interest, nor shall such Director be counted in the quorum present at the meeting. As such, our Controlling Shareholders shall not vote or be counted in the quorum in respect of any proposals involving the Controlling Shareholders or any of their affiliates.
- *Balanced composition of our Board.* We are committed to the principle that our Board should include a balanced composition of executive and independent non-executive Directors. We believe our independent non-executive Directors are of sufficient experience, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public shareholders. For detailed information, please refer to the section headed “Directors, Senior Management and Employees” of this prospectus.
- *Connected transactions.* We intend to ensure that any transaction that is proposed between us and connected persons will comply with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent shareholders’ approval requirements of those rules.
- *Corporate governance to manage conflicts of interest.* We have adopted corporate governance measures to protect our Shareholders and to manage potential conflicts of interest with Controlling Shareholders. For detailed information, please refer to “Relationship with Controlling Shareholders — Corporate Governance Measures to Avoid Conflict of Interest” of this prospectus.
- *Corporate governance to prevent recurrence of non-compliance incidents.* In the future, we will only enter into lease agreements after the lessor has provided all relevant title documents and the lessor is willing to undertake to provide valid title certificates or register the lease in accordance with the applicable laws. Before signing the lease agreements, we will consider seeking advice from external legal advisers.
- *Compliance with Hong Kong securities laws and regulations.* Our Company has appointed Haitong International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules from the Listing Date till the date on which our Company distributes its annual report in respect of its financial results for the first full financial year. In addition, if our independent non-executive Directors consider it necessary or desirable, we may also engage professional advisers at the cost of our Company to advise them on matters relating to ongoing compliance with the Listing Rules issues and other applicable securities laws and regulations in Hong Kong.

Our Directors confirmed that during the Track Record Period we did not identify any material internal control weaknesses or failures.

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COMPETITION

The PRC high-end ladies-wear market is fragmented and highly competitive but the demand for high-end ladies-wear has been growing steadily in recent years. We believe the principal competitive factors in the high-end ladies-wear market include brand image, design capability, marketing positioning, sales network and customer loyalty. According to Frost & Sullivan, being sixth in terms of retail revenue for 2013 within the high-end ladies-wear market, we face competition from both international and domestic brands. Nevertheless, we believe our market-driven business model which allows us to understand and address the needs and preferences of ladies customers in our product offerings and our strong retail management allow us to differentiate ourselves from our competitors and continue to compete effectively in the market. After considering factors such as market positioning, major types of products, targeted customers and store locations of other players in the market, we believe that our comparable competitors are mainly domestic high-end ladies-wear brands. According to Frost & Sullivan, domestic brand owners will continue to compete on brand image, design capability, market positioning, sales network, retail point management as well as customer loyalty in the PRC high-end ladies-wear market. For further details on the risks associated with the competition we face, please refer to the paragraph headed “Risk Factors — Risks relating to the Industry — We face intense competition in the ladies-wear industry in the PRC” of this prospectus.

EMPLOYEES

As at 31 December 2013, we had total of 1,726 full-time employees in the PRC. The following table sets forth a breakdown of our employees by department as at 31 December 2013:

	Number of employees
Management, administration and finance	49
Product design and research and development	88
Sales and marketing	1,523
Procurement, logistics and quality control	<u>66</u>
Total	<u><u>1,726</u></u>

Welfare Contribution

Under the relevant PRC laws and regulations, we are required to contribute towards various government sponsored employee benefits plans, including social insurance and housing provident funds, in amounts equal to predetermined percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government where we operate our business from time to time.

With respect to social insurance, we have contributed relevant local social insurance during the Track Record Period. We have obtained the confirmation from the relevant government authorities in Shenzhen which stated that we have no administrative punishment for non-compliance reasons during the Track Record Period.

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In respect of housing provident funds, we opened the housing provident funds account since December 2012 and started to pay the relevant housing provident funds since February 2013. Due to the underpaid amount to the housing provident funds account, we have made provisions of RMB0.62 million, RMB1.18 million and RMB0.11 million in 2011, 2012 and 2013 respectively. We have made provisions for the underpayments in our selling and distribution expenses and administrative and other operating expenses. As advised by our PRC legal advisers, our Group would not be subject to any potential penalty for the underpayment of housing provident funds, but may be demanded by the relevant authorities to pay the underpaid amount to the housing provident funds within a prescribed time limit, failing which the people's court may order for compulsory execution. We have obtained the confirmation from the relevant government authorities in Shenzhen which stated that as of the date of that confirmation, there has not been any penalty imposed on our Group for any violation of relevant laws and regulations. As at the Latest Practical Date, we had not received any notification from the relevant authorities demanding payment of the housing provident funds. Upon receipt of the request from the relevant authorities, if any, we intend to pay the outstanding housing provident funds accordingly. Our controlling shareholder, Mr. Jin, has committed to indemnify us against any costs, expenses, losses and liabilities arising from any contribution deficit (if any) during the Track Record Period.

Remuneration

We incurred staff costs of approximately RMB48.55 million, RMB79.51 million and RMB106.08 million for the three years ended 31 December 2011, 2012 and 2013, representing 14.84%, 16.39% and 15.11% respectively, of our revenue for those periods. In general, we review the performance of our employees annually, the results of which are used in his or her annual salary review and promotion appraisal. We are also very responsive to outstanding performance and may deviate from the annual salary review.

We believe we have a competitive remuneration system that is able to favourably reward our best performing employees and incentivise our employees to strive for better results. Our remuneration packages, include basic salary, bonuses and allowances. We place sizeable weight on performance in determining the remuneration. In addition, we have a remuneration system specifically designed for our design team and sales team.

For our design team, bonuses are paid each season to individual designers and teams based on their performance in respect of number of SKUs created, sales revenue and sales volume achieved, suitability for mix and match for individual SKUs, creativity and team work. We also rank and promote our designers based on sales revenue generated for their SKU and creativity.

For our sales team, we offer bonuses based on sales for individual sales personnel and the retail stores and other benefits such as team retreats and gifts. We also take into account sales growth for individual retail stores.

We have not experienced any strikes, work stoppages or significant labor disputes in the past and have not experienced any significant difficulties in recruiting or retaining qualified staff.

Training and recruitment policies

We are committed to employee development and have implemented various programs accordingly. All our newly recruited employees are required to participate in induction training. Our employees also participate in both internal and external training to enhance their industry, technical and product knowledge, as well as personal development. In general, each of our employees receives not less than 20 hours of training per year. Every year, we plan our training programs for every department according to their needs. To ensure our design and research and development team keep abreast of the latest market trend and recent technical development, their training includes attending market research conferences, sales fair planning training and prototype design breakthrough training. We also place particular importance on the training of our sales and marketing team. Apart from on-the-job training, our sales and marketing team receive training including sales personnel in retail stores and training covers areas such as management of distributors, effective planning on sales and distribution, communication skills of sales personnel, management of major customers and enhancement on brand loyalty, Feature Advantage Benefit (FAB) on different collections, display techniques and handling of complaints. We also specifically train our sales personnel on management of VIP customers to ensure our VIP customers receive personalised services. Our sales personnel at department stores will also receive training organised by the department stores. Such training will allow our sales personnel to better serve our customers by providing them with appropriate advice on the combination of apparels and accessories that best suits the taste, preference or occasion for a particular customer. In addition, to support the professional development of our management team members and employees, we provide continuous learning and career development opportunities. We believe that such training equips them with skills and knowledge to provide uniform and better service to our end customers.

We consider employees as our valuable assets and attach great importance to our recruitment. We have an experienced team of which members had more than 3 years of experience in human resources to oversee our recruitment process to ensure it is in line with our business strategy and growth.

ENVIRONMENTAL AND SAFETY MEASURES

We are subject to PRC environmental laws and regulations, which include the Environmental Protection Law of the PRC, Law of the PRC on the Prevention and Control of Water Pollution, Law of the PRC on the Prevention and Control of Atmospheric Pollution, Law of the PRC on the Prevention and Control of Pollution from Environmental Noise and Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge.

We do not own or operate any manufacturing facilities. We believe (i) our internal guidelines and policies are adequate to comply with all applicable PRC environmental laws and regulations and (ii) our annual cost of compliance with applicable rules and regulations during the Track Record Period and the expected cost of compliance going forward to be immaterial. Our business operation only discharges domestic wastewater and generates garbage as we outsource all of our production to our OEM contractors. During the Track Record Period, we did not receive any material claim from either the PRC government or any third party relating to any liability arising or relating to environmental or safety matters.

INTELLECTUAL PROPERTY RIGHTS

Patents

In order to protect our intellectual property rights, we have obtained 12 registered patents in the PRC for new types of fabrics and devices for fastening clothing that we developed. As at the Latest Practicable Date, we have also filed an application for patent of our invention in relation to fabrics post mercerizing process to the State Intellectual Property Office of the PRC.

Trademarks

In the PRC

As at the Latest Practicable Date, we have registered 24 trademarks in the PRC for our *Koradior* brand under different classes, respectively.

Among our registered trademarks in the PRC, Christian Dior Couture had raised challenges when we applied for the registration of *Koradior* trademark under class 25 in the PRC, alleging that the product category and appearance of our *Koradior* trademark was similar to that of Christian Dior Couture. After reviewing our application and objection by Christian Dior Couture, the Trademark Office of the State Administration for Industry & Commerce of the PRC decided to approve our application and we were granted the trademark certificate and became the registered owner of *Koradior* trademark.

As at the Latest Practicable Date, we have also applied for certain additional trademarks in the PRC which are material to our business. In June 2012, our agent has filed an application of *La Koradior* trademark under class 25 (application number: 11057492) for and on our behalf to the Trade Mark Office of the State Administration for Industry & Commerce in the PRC. In October 2013, Christian Dior Couture has raised challenges to our application and our Group had subsequently filed a reply to such challenge to Trade Mark Office of the State Administration for Industry & Commerce. As at the Latest Practicable Date, the relevant authority is considering the merits of the challenges of Christian Dior Couture and our reply.

Although we rely heavily on our *Koradior* brand, we have already successfully registered 24 trademarks in the PRC under different classes. The validity of those successfully registered trademarks is 10 years with the earliest expiry date being 20 February 2019. Our revenue from *Koradior* branded products were approximately RMB327.08 million, RMB477.74 million and RMB670.40 million, representing 100.00%, 98.52% and 95.51% of the total revenue from our Group for the three years ended 31 December 2011, 2012 and 2013 respectively.

La Koradior brand is a newly developed brand and was launched in September 2012. The Group's revenue arising from the sale of *La Koradior* branded products were nil, RMB7.20 million and RMB31.48 million, representing 0.00%, 1.48% and 4.49% of the total revenue from our Group for the three years ended 31 December 2011, 2012 and 2013 respectively.

In case that our Group's applications for the registration of our *La Koradior* and *Koradior elsewhere* trademarks in the PRC turned out to be unsuccessful, our Group has a contingency plan of using other trademark(s) to market and distribute the products originally under the *La Koradior* and *Koradior elsewhere* brands. As customers purchase our *La Koradior* and *Koradior elsewhere* products

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mainly due to the style, design and quality offered by those products, we believe that the use of other trademark(s) to market such products will not have any material adverse effect to our Company's business. Based on the above reasons, our Directors believe that if we fail to register any of our trademarks in the PRC, the potential impact on our operations and financial positions will be minimal.

Overseas

While our Group currently has no intention to expand our business overseas in future, we have applied for the registration of our *Koradior* trademarks in several regions overseas to allow flexibility for potential overseas operations in the future and to enhance protection of our intellectual property rights overseas, after considering the costs involved are not material. During the Track Record Period, Christian Dior Couture has raised challenges to our *Koradior* trademark application under class 25 in several countries or regions. We set out below details of our trademark applications overseas.

A. Applications succeeded

While we have generated all of our revenue in the PRC during the Track Record Period and do not have any intention to expand our business overseas, we have successfully registered our *Koradior* trademarks in South Korea and Taiwan, despite previous opposition raised by Christian Dior Couture.

B. Applications abandoned

We have applied for trademark registration for our *Koradior* brand in the following countries which were subsequently opposed by Christian Dior Couture: France, Russia, Spain, Italy, Switzerland, Germany, Belgium, the Netherlands, Luxembourg, Ukraine, Vietnam, the United Kingdom, Japan and Singapore.

As we have generated all of our revenue in the PRC during the Track Record Period and do not have any intention to expand our business overseas in future, our Directors decided not to further pursue trademark registration in the above countries.

C. Applications in progress

We have also applied for trademark registration for our *Koradior* brand in India and Indonesia and are waiting for response from the relevant government bureaus. While we have responded to the oppositions raised by Christian Dior Couture in the United States and Hong Kong and are waiting for further decisions to be made by the relevant government bureaus, we have no current intention to further pursue the trademark applications if the relevant applications were subsequently rejected.

As our Group's business has been operated in the PRC since establishment and our Group has generated all of its revenue during the Track Record Period in the PRC and does not have any intention to expand its business overseas in future, our Directors consider our Company's failure to register its trademarks overseas will not have any material adverse impact on our operation and financial position.

With respect to our plan to develop e-commerce business, we do not have any intention to use any third party e-commerce platforms operated by overseas operators or sell our products overseas through any existing third party e-commerce platforms located in the PRC in the near future. It is our existing policy that our products that are sold through various PRC-based platforms such as Tmall, Dangdang,

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VIP.com and Wangfujing are only sold and delivered to end-customers located in the PRC and it is expected that we will continue to do so in the future. Please also refer to the paragraph headed “Business — Sales and distribution — E-commerce” of this prospectus for details.

Other intellectual property rights

As at the Latest Practicable Date, we have registered 12 copyrights in the PRC for our signature patterns and our system for storage and retrieval management. We have also entered into employment contracts, confidentiality agreements and cooperation agreements, with our research and development personnel and parties we cooperate with in research and development activities to protect our intellectual property rights. In addition to trademarks, we rely on know-how and processes and other intellectual property rights in our operations.

For further details of the intellectual property rights of our Group, please see the paragraph headed “Statutory and General Information — Further information about our business — B. Our intellectual property rights” in Appendix IV of this prospectus. For risks associated with our intellectual property rights, please refer to the paragraph headed “Risk Factors — Risks Relating to Our Business — We may be affected by oppositions against our intellectual property rights application and may face legal proceedings against us for intellectual property rights infringement”. During the Track Record Period and up to the Latest Practicable Date, our Group had not been subject to any litigation, arbitration or claim alleging infringement of intellectual property rights owned by third parties or any administration punishment imposed by the relevant intellectual property authorities in the PRC, nor had we been aware of any litigation, arbitration or claim to be pending or threatened in relation to infringement of intellectual property rights against us.

PROPERTIES

As at the Latest Practicable Date, we owned 3 real properties, all of which are situated in the PRC. These self-owned real properties of a total gross floor area of approximately 1,427 sq.m. are used as our office units. Our PRC legal advisers have confirmed that we hold valid title certificates with respect to all of our real properties. As at the Latest Practicable Date, we leased 1 property with an aggregate gross floor area of 3,500.00 sq.m. located in the PRC which are used as warehouse from Yingjia Fashion, which is our connected person and seventeen properties with an aggregate gross floor area of approximately 2,928.31 sq.m. located in the PRC which are used as self-operated retail stores. We have also leased 2 office units used by Shenzhen Koradior with a total gross floor area of approximately 960 sq.m. in Shenzhen from Mr. Jin and Mr. Wang Sumin, the brother-in-law of Mr. Jin, who is our connected person. In respect of these leased properties and their leases, there are certain defects as follows:

- (i) six of our leased properties, which are respectively in Wuxi, Shenzhen, Chongqing, Linyi and Jinan with an aggregate GFA of approximately 893.27 sq.m. and for use as retail stores, lack relevant title certificates; and
- (ii) eleven of our leased properties with title certificates with an aggregate GFA of approximately 2,035 sq.m. and for use as retail stores, have not been registered with the relevant PRC governmental authorities.

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In respect of those leased properties without title certificates, the revenue contributed by our retail stores located therein for the years ended 31 December 2011, 2012 and 2013 were nil, RMB0.51 million and RMB3.33 million respectively, representing about 0.00%, 0.10% and 0.47% of our total revenue for the same period. As such, our Directors are of the view that these leased properties are not crucial, whether individually and collectively, to our Group's operation. Any dispute or claim in relation to the rights to lease and use the properties occupied by us, including any litigation involving allegations of illegal or unauthorised use of these properties, may require us to relocate our retail stores. If any of our leases were terminated as a result of any challenge by third parties or any failure of our lessors to renew the leases or obtain their legal title, we may need to seek alternative premises and incur additional costs for relocation. So far as our Directors are aware, there is no difference in the rental costs our Group would have to pay if those leased properties did not have defective titles. The lack of relevant title certificates for leased properties in Shenzhen and Jinan is because the relevant landlords are still in the process of obtaining relevant title certificates. For the leased property in Wuxi, we have requested for the relevant title certificates from the landlord but the landlord are yet to provide relevant title certificates.

In respect of those leases with title certificates but failure of registration with the relevant PRC governmental authorities, we, as the lessee, may be imposed of a fine between RMB1,000 and RMB10,000 according to the laws and regulations, and in Shenzhen, a fine equal to 10% of the total rental cost under the lease agreement may be imposed only under the circumstances that we are proved to be in fault on the failure of lease registration. The failure of lease registration is due to the fact that registration of lease agreements requires the landlords' cooperation, including submission of their personal identification and relevant building title certificate to local authorities, and therefore is beyond our unilateral control.

We have been advised by our PRC legal advisers, that the lack of registration of the leased properties will not affect the validity and enforceability of the lease agreements. For details of the risks to such defects, please refer to the paragraph headed "Risk Factors — Risks Relating to Our Business — We may be required to seek alternative premises and/or we may be required to pay penalties for some of our leased properties if our landlords do not have title thereto and for non-registration with the relevant PRC governmental authorities" of this prospectus.

Due to the low risk involved in relation to the abovementioned leased properties, we plan to remain at those properties during the existing terms, and upon the expiration of such terms may consider to relocate from such properties upon which, we will endeavour to relocate to properties owned by landlords who can provide valid title certificates and cooperate to register the relevant lease agreements.

Based on the above considerations, our Directors are of the view that the abovementioned leased properties used as retail stores are not crucial to our operations and thus our risk exposure is minimal. We believe that there are alternative properties at comparable rental rates readily available on the market if we need to relocate from such properties and the estimated total costs and expenses for such relocations will not be material.

As at the Latest Practicable Date, we have no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this prospectus any valuation report. According to section 6(2) of the Companies (Exemption of Companies and Prospectus from Compliance with Provisions) Notice, this prospectus is exempted

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from compliance with the requirements of sections 38(1) and 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all our Company's interest in land or buildings.

INSURANCE

Our Directors consider our insurance coverage to be adequate and customary for businesses of our size and type and in line with the standard commercial practice in the jurisdictions where we have operations. Our insurance coverage include inventory, property and car insurance. We generally do not maintain product liability insurance for our products, which is in line with the industry practice in the PRC. During the Track Record Period, we did not receive any material claim from end customers or customers relating to any liability arising or relating to the use of our products.

LICENSES AND PERMITS

Save for the obtaining of a business license, our PRC legal advisers have confirmed that we do not need to obtain and maintain any other licenses according to the relevant PRC laws and regulations in order to conduct our business and operations.

LITIGATION AND LEGAL COMPLIANCE

From time to time, we are subject to legal proceedings, investigations and claims arising in the ordinary course of our business. Our PRC legal advisers have advised that our Group has complied with relevant laws and regulations in all material aspects. As at the Latest Practicable Date, we were not involved in any litigation or arbitration proceedings pending or, to our knowledge, threatened against us or any of our directors that could have a material adverse effect on our business, financial condition or results of operations.

During the Track Record Period, we had total borrowings of RMB15.00 million which were unsecured and interest-free from an Independent Third Party. As at the Latest Practicable Date, such borrowings was fully repaid. As advised by our PRC legal advisers, such Independent Third Party as a lender in the granting of such borrowings to us is not a qualified lender pursuant to the Lending General Provisions (貸款通則) promulgated by PBOC in June 1996 and therefore did not comply with certain provisions of the Lending General Provisions (貸款通則). According to the Lending General Provisions (貸款通則), in the event that enterprises engage in borrowing and lending activities without authorisation, the PBOC may impose a fine on the lending party in an amount equal to one to five times of the illegal proceeds generated from the lending activity. However, our PRC legal advisers are of the view that there is no legal risk of PBOC imposing any penalty on such Independent Third Party or us as such Independent Third Party did not receive any interest income or fees from the lending of loan to us. Notwithstanding the above, our PRC legal advisers advised that such short term borrowings are in full compliance with the relevant laws and administrative regulations under PRC law and do not constitute significant non-compliance under PRC law because the Lending General Provisions (貸款通則) are departmental rules only and do not constitute PRC laws and administrative regulations.

Our Directors confirm that we will not have borrowing or lending activities with such Independent Third Party after the Listing.

FINANCIAL INFORMATION

You should read this section in conjunction with our consolidated financial information, including notes thereto, as set forth in Appendix I — “Accountants’ Report.” The financial information have been prepared in accordance with IFRS.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please see the section headed “Risk Factors” in this prospectus.

OVERVIEW

We are one of the leading and fast growing high-end ladies-wear companies in the PRC based on retail revenue for 2013, according to Frost & Sullivan, an independent market research firm. Our *Koradior* brand was ranked sixth in terms of retail revenue for 2013 within the high-end ladies-wear market in the PRC with a corresponding market share of 0.72% in 2011, 0.87% in 2012 and 0.98% in 2013. We engage in the design, promotion, marketing and sales of our self-owned branded products, *Koradior* and *La Koradior*, that target affluent ladies between the age of 30 and 45. As at 31 December 2013, we have built a nationwide network of 254 retail stores, strategically covering major cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Xi’an and Chongqing, of which 237 were operated by us. For each of the years ended 31 December 2011, 2012 and 2013, our annual growth rate of our comparable self-operated retail stores during comparable periods was 9.73% between 31 December 2011 and 2012 and 9.79% between 31 December 2012 and 2013.

We launched our *Koradior* brand in 2007, targeting high-end stylish and smart-casual ladies-wear market. Our *Koradior* brand is positioned to offer our customers feminine, stylish, chic and young-looking designs for all seasons. In response to our customers’ demand for high-end formal ladies-wear, we launched our *La Koradior* brand in September 2012. Our *La Koradior* brand is positioned to offer luxurious and elegant designs for all seasons and has a brand theme of “glamorous, distinctive and vibrant”. Our products include dresses, skirts, trousers, shirts, knitwear, vests, jackets, overcoats, scarves and accessories. Recognising our customers’ demand for designs for ladies-wear which are simple and relaxed yet feminine and stylish, we plan to launch a new brand *Koradior elsewhere* in the second half of 2014.

As at 31 December 2013, our products are designed by our research and design team of 61 members. Furthermore, we have engaged Italian designer Mr. Luigi Fabio Piras since October 2013 and “7th China Fashion Design — Golden Award” (第7屆中國時裝設計 — 「金頂獎」) winner, Ms. Fang Ying, since September 2009, as our design consultants. They introduce new trends, themes and colours of ladies-wear for our targeted customers every season. Our design team works with our suppliers, retail store managers and distributors to fine-tune our designs to suit the tastes of our customers.

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Our products are sold across a nationwide sales network, majority of which consisted of self-operated retail stores, covering 24 provinces, autonomous regions and municipalities in the PRC as at 31 December 2013. It is our strategy to establish our initial presence in Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Chongqing, Xi'an and some other Tier 2 cities by locating our self-operated retail stores at prime retail locations of those cities. As soon as we are able to identify substantial demand and growth potential for our products, we will then penetrate into other strategic locations in those cities. The use of distributors is to allow us to expand our sales network to remote regions such as Harbin, Urumqi, Ankang, Panjin and Zhangjiakou. As at 31 December 2013, in our sales network, there were 20, 20, 8, 13, 12, 11 and 17 retail stores in our sales network in Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Xi'an and Chongqing respectively. Currently, most of our retail stores in department stores are located in well-known department stores and shopping malls in the respective cities in the PRC. In order to further promote our brand image by showcasing a wider width of collections in their respective cities and create a unique experience to our customers, we have already established 32 dual-branded retail stores in cities including Shanghai, Shenzhen and Chongqing as at 31 December 2013 which offer both our *Koradior* and *La Koradior* branded products and the average space of the dual-branded retail stores is generally larger than our other single branded retail stores. We plan to open more retail stores, including multi-branded retail stores in the next few years.

As at 31 December 2013, there were 213 retail stores for *Koradior* brand of which 196 were operated by us and 17 were operated by our distributors; 9 retail stores for *La Koradior* brand and 32 dual-branded retail stores, all of which were operated by us. Out of the 237 self-operated retail stores, as at 31 December 2013, there were 205 retail stores in department stores with cooperation agreements and 32 retail stores in shopping malls with either cooperation agreements or lease agreements, of which 6 were outlets. For the years ended 31 December 2011, 2012 and 2013, sales generated by our self-operated retail stores for our *Koradior* and *La Koradior* products accounted for 97.01%, 89.38% and 92.42% of our total sales, respectively.

We have made use of third party e-commerce platforms as one of our sales channels. Our *Koradior* brand has been an authorised merchant in Tmall since 2011. Further, our *Koradior* brand products can also be purchased online on Dangdang, VIP.com and Wangfujing. During the Track Record Period, our sales of *Koradior* products via third party e-commerce platforms increased from RMB2.85 million for the year ended 31 December 2011 to RMB31.38 million for the year ended 31 December 2013, with a CAGR of 231.68%.

We have built our brands through our national advertising campaigns. We have put billboard advertisements in major airports in the PRC. As at the Latest Practicable Date, our advertisements can be found in the arrival and/or departure halls of Shanghai Hongqiao, Pudong and Shenzhen International Airports. We have placed brand imaging advertisements in selected nationwide circulated fashion and lifestyle magazines. We have adopted carefully-tailored marketing and promotional strategies with a view to maximising our exposure to our key target audience.

In order to allow us to focus our resources on key stages of our value chain, such as design, sales and marketing and customer services, we outsource the production of all our products to OEM contractors.

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Our revenue increased from RMB327.08 million for the year ended 31 December 2011 to RMB484.94 million for the year ended 31 December 2012 and to RMB701.88 million for the year ended 31 December 2013, representing a CAGR of 46.49% throughout the period. Our net profit increased from RMB19.44 million for the year ended 31 December 2011 to RMB27.81 million for the year ended 31 December 2012 and to RMB80.11 million for the year ended 31 December 2013, representing a CAGR of 102.99% throughout the period.

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on 23 March 2012. Following the completion of the Reorganisation on 15 November 2012, our Company became the holding company of companies now comprising our Group. The companies that took part in the Reorganisation were controlled by Mr. Jin before and after the Reorganisation and there were no changes in the business and operation of Shenzhen Koradior. The Reorganisation only involved inserting newly formed entities with no substantive operations as new holding companies of Shenzhen Koradior. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in International Financial Reporting Standard 3, Business Combinations with Shenzhen Koradior treated as the acquirer for accounting purposes.

The financial information in the Accountants' Report has been prepared as a continuation of the financial statements of Shenzhen Koradior with the assets and liabilities of Shenzhen Koradior recognised and measured at their historical carrying amounts prior to the Reorganisation.

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

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors, mainly including those set out below.

Brand recognition

We currently offer products under our two brands, *Koradior* and *La Koradior*. We believe the strong association of these brands with the feminine, stylish, chic and young-looking styles has helped us to attract our target end customers and position us as one of the leading Chinese high-end ladies-wear fashion brand. Market acceptance of our brand may affect the selling prices and market demand for our products, the profit margin we are able to achieve, and our ability to further grow our business. As a result, we believe that market recognition of our brand is critical to our success. We work with our retail store supervisors, store managers and our distributors to ensure that our brand culture is reflected at the retail level and that our unified brand image is maintained at all of the retail stores for our branded products. Beginning in 2012, we have started to establish a small number of dual-branded self-operated retail stores primarily to promote our brand image by showcasing a wider width of collections and create a unique experience to our customers. We intend to strengthen our promotional efforts and continue to devote significant resources to raise our brand profile through multiple advertising channels and platforms. We expect our target consumers will become increasingly brand conscious as the PRC ladies-wear market matures. Our success to grow our end customer base depends on our ability to continue to enhance the awareness of our brand and to maintain a consistent brand culture that appeals to potential

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customers. If we are unsuccessful in promoting our brands or fail to maintain our brand position, market perception and consumer acceptance of our brand may be eroded, and our business, results of operations and prospects may be materially and adversely affected.

Size and performance of our sales network

The growth of our revenue and profit depend on the size and performance of our sales network. We believe that a strategic network comprising a mix of retail stores operated by us and our distributors is crucial to our financial performance. The mix of retail stores operated by us and our distributors depends on a series of factors including capital expenditure, floor area, locations, types and performance of retail stores, targeted customers, as well as marketing strategies. Our ability to increase revenue is directly affected by the number, mix and performance of the retail stores operated by us and our distributors. The gross profit margin of sales from our self-operated retail stores was generally higher than the wholesale of our products to our distributors as the products in our self-operated retail stores are sold to end customers at suggested retail prices while the products are sold to our distributors at a pre-determined discount to suggested retail prices. The mix of retail stores operated by us and our distributors affect our overall gross profit margin. During the Track Record Period, we expanded our sales network and increased the total number of retail stores from 119 as at 31 December 2011 to 177 as at 31 December 2012 and further to 254 as at 31 December 2013 of which our self-operated retail stores has increased from 109 to 162 and further increased to 237 during the same period, while adjusting the mix of retail stores in accordance with our expansion plan. As a result, our revenue and profit increased accordingly. The total number of our self-operated retail stores increased to 254 as at 31 March 2014. Furthermore, we plan to establish 37 and 75 self-operated retail stores in the second half of 2014 and 2015, respectively.

Product mix and pricing strategy

Our revenue and profitability are affected by the retail pricing of our products, which, in turn, is determined by factors including general economic conditions and consumers' purchasing power in the PRC, our brand recognition, cost of sales and our competitors' pricing. Our brand recognition is a significant factor that we take into consideration in determining the suggested retail prices of our products. Our ability to continue to price our products at levels that reflect our brand equity is crucial to our financial performance. Our retail stores follow our nationwide retail pricing policy and sell our products at the suggested retail price. We offer our products to distributors at a pre-determined discount to the suggested retail price. The average selling price of our products has a direct impact on our revenue and profitability. We consider the following factors in determining our pricing strategy: (i) current demand and customers' perceived value of our products; (ii) expected profit margin of each individual product; and (iii) price of our competitors' products. We are able to further increase the price of our products as a result of our increased brand recognition and product maturity.

Our product mix also has an impact on our results of operations. We offer a wide range of ladies-wear under *Koradior* and *La Koradior* brands. These brands have their own brand concepts and positioning, target different customers' needs and command different selling prices. Our products include apparel and accessories. These product lines have different profit margins. If the sales mix of our product lines or brands changes, our revenue and profitability will be affected. We intend to further

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diversify our product portfolio and develop additional products that we believe will have higher market demand and help to increase our sales and revenue. We plan to continuously enhance our product mix and our profitability.

Competition

Our ability to differentiate ourselves from our competitors also directly affects our financial condition and results of operations. The ladies' fashion wear industry in the PRC is highly competitive with an increasing number of local and international players, who compete in, among other things, product mix, product design, sales network coverage, and marketing and promotion. Local brands have advantages in better understanding of the domestic customers' preferences and sales network and are increasingly competitive in high-end ladies-wear markets. Many of our competitors have greater financial resources and operational experience as well as more extensive sales network than us. We must continue to meet those competitive challenges by implementing business strategies to develop new products and meet the latest fashion trends and customer preferences. We believe that the intense competition in the PRC ladies' fashion wear industry will continue in the future and our business and results of operations will be significantly affected by our ability to remain competitive in this industry. For further details, please refer to the paragraph headed "Risk Factors — Risks Relating to the Industry — We face intense competition in the ladies-wear industry in the PRC".

Cost of sales and operating expenses

During the Track Record Period, we outsourced the production of all of our products to domestic OEM contractors. Cost of inventories sold were RMB118.95 million, RMB179.68 million and RMB215.20 million for the years ended 31 December 2011, 2012 and 2013 respectively. As outsourced production currently represents substantially all of our total costs, any material changes will significantly affect our results of operations. In particular, as our outsourced production costs reflect the cost of raw materials and labor costs incurred by our OEMs for the manufacture of our products, changes in the cost of raw materials and labor will affect our outsourcing costs. We either supply our OEMs with raw materials or require the OEMs to procure raw materials from suppliers approved by us.

In recent years, the cost of outsourced products and the price of raw materials and staff salaries have increased due to various factors, including inflation. Our performance in the future will continue to depend on our ability to pass such increases to our end customers and our ability to find and manage qualified OEM contractors who meet our standards at commercially acceptable prices as well as attracting and retaining staff at a competitive salary and to negotiate a competitive concession rate with department stores and shopping malls. For further details, please refer to the paragraph headed "Risk Factors — Risks Relating to Our Business — Fluctuations in the price, availability and quality of raw materials could cause production delays and increase in costs of goods sold. The cost of products manufactured by outsourced OEM contractors may also expose us to an increase in our total cost of sales".

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Seasonality and weather conditions

Our business and operating results are subject to seasonal fluctuations. We typically achieve higher revenue from the sales of our autumn/winter collections and lower revenue from the sales of our spring/summer collections due to the higher average unit selling price of our autumn/winter apparel compared with that of our spring and summer apparel. We also record higher sales to distributors typically before holiday and festive seasons such as the Chinese New Year and the Chinese National Day holidays. Chinese New Year's Holiday typically falls between late January and mid-February. Our quarterly operating results may also fluctuate from period to period based on changes in fashion trends, consumer demand and the seasonality of consumer spending on ladies' apparel. As a result, any comparison of our sales and operating results between different periods within a single financial year, or between different periods in different financial years, are not necessarily meaningful and cannot be relied on as indicators of our performance. Our results of operations are likely to continue to fluctuate due to seasonality. A warm winter may affect the sales of our winter products, while a cool summer may affect the sales of our summer products. Please refer to the paragraph headed "Risk Factors — Risks Relating to the Industry — Our sales volume is sensitive to seasonality effects and weather patterns" for more details.

Economic growth, urbanisation, consumer spending and taxation in the PRC

Our financial condition and results of operations are affected by the macro-economic conditions and increasing urbanisation and consumer spending in the PRC. We have all of our operations and make all of our product sales in the PRC. The PRC has experienced significant economic growth in recent years, achieving a CAGR for its nominal GDP of approximately 13.66% from 2009 to 2013 according to the National Bureau of Statistics China. The economic growth in the PRC has driven urbanisation, per capita urban household disposable income and consumer spending, which, in turn, affect the market demand for our products and our results of operations. According to Frost & Sullivan, from 2009 to 2013, China's total urban population increased from 645.31 million to 731.11 million, and its urbanisation rate increased from 48.34% to 53.73%. From 2009 to 2013, per capita urban household annual disposable income increased from RMB17,175 to RMB26,955, representing a CAGR of 11.93% for this period. We believe that consumer spending is driven by per capita urban household disposable income. The total retail sales of consumer goods in the PRC increased to RMB23,781 billion in 2013 from RMB13,268 billion in 2009, representing a CAGR of 15.71%, according to Frost & Sullivan. Furthermore, we believe that consumers in the urban areas of China tend to spend more on branded lifestyle products as their disposable income increases. As China is expected to have an urban population of 833.40 million with an urbanisation rate of 59.75% and a per capita urban household annual disposable income of approximately RMB43,815 by 2018, our results of operations will continue to benefit from this economic growth. Our profitability and financial performance is also affected by the changes in tax rates, particularly the applicable tax rates in the PRC as we carry out all of our business and derive all of our revenue and profits from the PRC. A change in the tax rate on various tax paid in the PRC may have a material effect on our results of operations.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on our financial position and operating results. Some of the accounting policies require us to apply estimates and judgments on matters that are inherently uncertain. Set forth below are discussions of the accounting policies applied in preparing our financial information that we believe are most dependent on the application of these estimates and judgments, and, in addition, certain other accounting policies that we believe are material to an understanding of our financial information.

Revenue recognition

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

(i) Sale of goods — retail

Our Group operates a chain of retail stores selling ladies-wear. Sales of goods are recognised when our Group sells a product to the customer. Experience is used to estimate and provide for sales returns at the time of sale. Revenue represented the sales value of goods sold less returns, discounts and VAT.

(ii) Sale of goods — wholesale

Revenue from wholesale is recognised when the customer has accepted the related risks and rewards of ownership. Revenue represented the sales value of goods sold less returns, discounts and VAT.

(iii) Sale of goods — third party e-commerce platforms

Our Group operates several online stores selling ladies-wear. Revenue from third party e-commerce platforms is recognised when goods are delivered, that is when the customer has accepted the related risks and rewards of ownership. Experience is used to estimate and provide for sales returns at the time of sale. Revenue represented the sales value of goods sold less returns, discounts and VAT.

(iv) Interest income

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

(v) Government grants

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

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Unconditional discretionary government grants from the local municipal government authorities are recognised in the profit or loss as other revenue when the amount is received.

Inventories and net realisable value of inventories

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Our management, based on their understanding of the products and the overall market environment, assesses the potential decline of selling prices of inventories over their ages in formulating the inventory provisioning policy. Provision is made for our finished goods with reference to inventory aging: 20% for finished goods aged between one year and two years, 50% for those aged between two and three years, and 80% for those aged between three and five years and 100% for those over five years. Carrying amount of off-season products is adjusted downward accordingly. Full provision will also be made for inventory items which are damaged.

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

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect our Group's net assets value. Our Group reassesses these estimates annually.

Trade and other receivables and impairment of trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

We estimate the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgments. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different

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from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. We reassess the impairment allowances annually.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

No depreciation is provided in respect of construction in progress.

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

- Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.
- Leasehold improvements: Shorter of 1–5 years or remaining term of the lease
- Motor vehicles: 5 years
- Furniture, fixtures and equipment: 3–10 years

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

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

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Our Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expenses to be recorded during any reporting period. The useful lives are based on our Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

We confirm that the relevant estimates or underlying assumptions made in the past have been generally in line with actual results during the Track Record Period and that we have consistently applied these estimates or underlying assumptions during the Track Record Period. We have not experienced any material change of useful lives of our property, plant and equipment. We are of the view that the estimates of useful lives are not likely to have material change.

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RESULTS OF OPERATIONS

The following table sets forth selected items of our income statement for the periods indicated:

Consolidated statements of profit or loss

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	327,078	484,939	701,880
Cost of sales	<u>(119,266)</u>	<u>(180,457)</u>	<u>(215,495)</u>
Gross profit	207,812	304,482	486,385
Other revenue	81	852	1,935
Other net loss	(2)	(48)	(77)
Selling and distribution expenses			
— Fees paid to department stores and shopping malls	(93,555)	(134,285)	(200,740)
— Other selling and distribution expenses	(69,033)	(105,381)	(138,560)
Administrative and other operating expenses	<u>(18,255)</u>	<u>(26,394)</u>	<u>(38,095)</u>
Profit from operations	27,048	39,226	110,848
Finance costs	<u>(1,418)</u>	<u>(2,081)</u>	<u>(2,408)</u>
Profit before taxation	25,630	37,145	108,440
Income tax expense	<u>(6,188)</u>	<u>(9,333)</u>	<u>(28,328)</u>
Profit for the year	<u><u>19,442</u></u>	<u><u>27,812</u></u>	<u><u>80,112</u></u>

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DESCRIPTION OF PRINCIPAL COMPONENTS OF PROFIT OR LOSS

Revenue

Revenue analysis by sales channel

	Year ended 31 December					
	2011		2012		2013	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<i>Self-operated retail stores</i>						
— Department store retail stores	306,400	93.68	409,256	84.39	586,722	83.59
— Shopping mall retail stores	10,910	3.33	23,047	4.75	48,137	6.86
— Outlets	—	—	1,157	0.24	13,838	1.97
Sub-total	317,310	97.01	433,460	89.38	648,697	92.42
E-commerce	2,852	0.87	9,639	1.99	31,376	4.47
Wholesales to distributors	5,577	1.71	15,170	3.13	16,256	2.32
Others	1,339	0.41	26,670	5.50	5,551	0.79
Total	<u>327,078</u>	<u>100.00</u>	<u>484,939</u>	<u>100.00</u>	<u>701,880</u>	<u>100.00</u>

We generate revenue primarily from (a) retail sales to end customers in our self-operated retail stores; (b) sales on third party e-commerce platforms; (c) wholesales to our distributors, who in turn sell our products to end customers through the retail stores operated by them; and (d) others which were mainly derived from staff sales or direct sales through promotional activities outside our retail stores. Revenue represents net invoiced value of goods sold, after allowances for returns, trade discounts and VAT.

Sales generated by our self-operated retail stores accounted for about 97.01%, 89.38% and 92.42% of our total revenue during the Track Record Period as it is our strategy to grow our business and sales network predominantly through expanding the number of our self-operated retail stores. In 2013, business with 6 distributors were terminated while 8 new distributors added, resulting in a net increase of 2 distributors. As it takes time for the newly joined distributors to reach the level of sales volume achieved by existing distributors, wholesales to distributors increased slightly by only 7.16% in 2013.

Increase in revenue from e-commerce was primarily due to an increase in sales of our products through online retail stores, which was driven by an increase in expenditure on advertising and promotion through e-commerce platforms and search engines in the PRC as well as, our effort in developing our online retail stores through expanding our e-commerce team and establishing a business division dedicated to the e-commerce business.

Others mainly consist of staff sales and our direct sales of products through special promotional activities outside our retail stores.

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Sales volume and average selling price

	Year ended 31 December		
	2011	2012	2013
Self-operated retail stores			
Sales volume ('000)	264	320	438
<i>Overall</i>			
Average selling price (RMB) ¹	1,201	1,354	1,480
Average tag price ²	1,801	2,071	2,309
 <i>Winter clothes</i>			
Average selling price (RMB) ¹	2,016	2,109	2,295
Average tag price ²	3,024	3,226	3,579
 <i>Summer clothes</i>			
Average selling price (RMB) ¹	949	1,047	1,095
Average tag price ²	<u>1,424</u>	<u>1,601</u>	<u>1,708</u>
 Third party e-commerce platforms			
Sales volume ('000)	7	22	62
Average selling price (RMB) ¹	<u>398</u>	<u>445</u>	<u>504</u>
 Wholesales to distributors			
Sales volume ('000)	11	24	23
Average selling price (RMB) ¹	<u>499</u>	<u>628</u>	<u>712</u>

Note:

1. *Average selling price represents average price to end-customers or distributors (i) excluding VAT from tag price and (ii) after relevant discount offered to end-customers and distributors.*
2. *Average tag price includes VAT and before any discount offered to end-customers and distributors.*

The average selling price of our products via third party e-commerce platforms was lower than that of our self-operated retail stores because our e-commerce revenue primarily represents sales of our off-seasons products at discounted prices. The average selling price of our products to our distributors were lower than that of our self-operated retail stores as we sell our products to distributors at a discount to the selling price of products sold via our self-operated retail stores. The average selling price of our self-operated retail stores increased from RMB1,201 in 2011 to RMB1,480 in 2013, representing a CAGR of 11.01% and our average selling price to our distributors increased from RMB499 in 2011 to RMB712 in 2013, representing a CAGR of 19.45%.

The continuing expansion of our retail sales network is one of the factors contributing to the increase in sales volume for both self-operated retail stores and wholesales to distributors during the Track Record Period. In addition, recognition of our brand has been enhanced with the improvement in customer services, promotion campaigns and wider product offerings. These factors resulted in the increase in sales volume and average selling price which in turn contributed to growth in comparable retail store sales during comparable periods.

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Effective average monthly revenue per retail store

	Year ended 31 December		
	2011	2012	2013
Self-operated retail stores			
<i>Department store</i>			
Number of retail stores	102	150	205
Effective average monthly revenue per retail store (RMB'000) ¹	273	286	279
<i>Shopping mall</i>			
Number of retail stores	7	11	26
Effective average monthly revenue per retail store (RMB'000) ¹	312	233	201
<i>Outlets</i>			
Number of retail stores	—	1	6
Effective average monthly revenue per retail store (RMB'000) ¹	—	289	322
Sub-total			
Number of retail stores	109	162	237
Effective average monthly revenue per retail store (RMB'000) ¹	274	282	272
Wholesales to distributors			
Number of distributors	10	15	17
Effective average monthly revenue per distributor (RMB'000) ¹	<u>89</u>	<u>94</u>	<u>79</u>

Notes:

1. *Effective average monthly revenue per retail store/distributor is derived by total revenue from retail stores/distributors divided by the number of full calendar months in which the same retail stores/distributors operated during the period.*

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Growth in comparable self-operated retail store sales during comparable periods

	Year ended 31 December		
	2011	2012	2013
Self-operated retail stores			
<i>Department store</i>			
Number of comparable stores ¹	N/A	67	90
Average revenue per comparable store			
— Current year (RMB'000)		3,797	4,118
— Prior year (RMB'000)		3,460	3,761
Growth in comparable retail store sales during comparable periods		9.75%	9.51%
<i>Shopping mall</i>			
Number of comparable stores ¹	N/A	1	5
Average revenue per comparable store			
— Current year (RMB'000)		7,038	3,938
— Prior year (RMB'000)		6,455	3,413
Growth in comparable retail store sales during comparable periods		9.03%	15.41%
<i>Outlets</i> ²	N/A	N/A	N/A
<i>Sub-total</i>			
Number of comparable stores ¹	N/A	68	95
Average revenue per comparable store			
— Current year (RMB'000)		3,844	4,109
— Prior year (RMB'000)		3,504	3,742
Growth in comparable retail store sales during comparable periods		9.73%	9.79%

Notes:

1. *Comparable retail store sales refer to turnover generated from our self-operated retail stores existing at the end of the relevant financial year, which have been operating for at least 24 months immediately prior to the end of that financial year. For example, the comparable self-operated stores for 2011 and 2012 are stores that were open throughout both 2011 and 2012. Difference between number of comparable stores and total number of stores is attributable to stores opened or closed during the periods under comparison.*
2. *No comparable stores sales growth is computed for outlets as none of them has been operating for 24 months or more as of 31 December 2013.*

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(a) Self-operated retail stores

Despite the rapid increase in number of retail stores in department stores, effective average monthly sales per retail store in department store during the Track Record Period has remained relatively stable (increase by 4.76% in 2012 and decreased by 2.45% in 2013), demonstrating our ability to manage the rapid growth and expansion of our self-operated retail stores and distribution network effectively.

The rapid increase in number of retail stores in shopping malls resulted in the drop in effective average monthly sales per retail store in shopping mall throughout the Track Record Period. It is because shopping mall is a relatively new shopping channel for consumers in the PRC and it generally takes longer time, as compared to retail stores in department stores, for new retail stores in shopping mall to reach the level of revenue achieved by existing stores.

Growth in comparable retail store sales during the Track Record Period was primarily attributable to increase in both sales volume and average retail price, which was in turn driven by higher recognition of our brand, our wider product offering as well as enhanced customer services through training provided to our store staff.

(b) Wholesales to distributors

Increase in average monthly sales per distributor in 2012 was consistent with the increase in sales volume to distributors in the year. In 2013, business with 6 distributors were terminated while 8 new distributors were added. As it takes time for the newly joined distributors to reach the level of sales volume achieved by existing distributors, average monthly sales per distributor in 2013 dropped accordingly.

Cost of sales

Our cost of sales consists primarily of cost of inventories sold and write down of inventories.

We outsource the production of all our products to OEM contractors. For better control over cost and quality, we usually purchase materials and accessories ourselves for further processing by our OEM contractors. For raw materials the quantity purchased of which is not large enough for us to enjoy bulk purchase discounts, we will ask our OEM contractors to source the relevant raw materials based on our specifications. As a result, our cost of inventories sold comprised cost of raw materials and processing fees paid to OEM contractors as well as cost of finished goods purchased from OEM contractors.

The inventory provision costs represent provisions and allowances we make for obsolete and slow-moving inventories.

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The following table sets forth our cost of sales for the periods indicated:

	Year ended 31 December					
	2011		2012		2013	
	<i>RMB'000</i>	<i>% of total cost of sales</i>	<i>RMB'000</i>	<i>% of total cost of sales</i>	<i>RMB'000</i>	<i>% of total cost of sales</i>
Cost of inventories sold	118,948	99.73	179,677	99.57	215,195	99.86
Write down of inventories	<u>318</u>	<u>0.27</u>	<u>780</u>	<u>0.43</u>	<u>300</u>	<u>0.14</u>
Total	<u><u>119,266</u></u>	<u><u>100.00</u></u>	<u><u>180,457</u></u>	<u><u>100.00</u></u>	<u><u>215,495</u></u>	<u><u>100.00</u></u>

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin for the periods indicated:

Year ended 31 December					
2011		2012		2013	
<i>Gross profit (RMB'000)</i>	<i>Gross profit margin (%)</i>	<i>Gross profit (RMB'000)</i>	<i>Gross profit margin (%)</i>	<i>Gross profit (RMB'000)</i>	<i>Gross profit margin (%)</i>
<u>207,812</u>	<u>63.54</u>	<u>304,482</u>	<u>62.79</u>	<u>486,385</u>	<u>69.30</u>

Our gross profit increased from RMB207.81 million for the year ended 31 December 2011 to RMB304.48 million for the year ended 31 December 2012, and further to RMB486.39 million for the year ended 31 December 2013. Our gross profit margin was 63.54%, 62.79% and 69.30% for the year ended 31 December 2011, 2012 and 2013 respectively. The increase in gross profit was mainly driven by our increased revenue.

The slight decrease in gross margin in 2012 was resulted from increase in (i) direct sales of products through promotional activities during which our products were sold at lower prices, as compared to those at self-operated retail stores, with an aim to promote our brand; and (ii) wholesales to distributors, the gross margin of which was lower as products were sold to our distributors at a discount to our retail prices.

The rise in gross margin in 2013 was primarily resulted from (i) the rise in average selling price of our products, (ii) cost of outsourced products remained relatively stable, and (iii) the shift in product mix towards products of higher margin such as dress, skirts and blouses and placing less emphasis on products of lower margin such as sweater, leather and fur apparel.

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During the Track Record Period, the gross profit margin of our sales through third party e-commerce platforms and wholesales to distributors were relatively low compared to that of retail sales in our self-operated retail stores, primarily because we generally sold certain out-of-season products through our e-commerce platforms at discounted prices to attract online customers and we sell to our distributors at a wholesale price which represents a discount to our retail price.

Selling and distribution costs

The following table sets forth a breakdown of our selling and distribution costs for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fees paid to department stores and shopping malls (including concession fees, rent, management fees, service charge and other expenses)	93,555	134,285	200,740
Salaries and staff benefits	38,064	61,445	85,035
Advertising and brand building and promotion expenses	14,714	23,261	22,261
Depreciation of leasehold improvements and decoration costs	12,311	12,407	19,917
Travelling and transportation expenses	1,847	3,239	4,028
Utilities and telecommunications expenses	1,356	2,038	3,917
Others	741	2,991	3,402
Total	162,588	239,666	339,300

Selling and distribution costs consist primarily of (i) fees paid to department stores and shopping malls for self-operated retail stores in department stores and store space in shopping malls; (ii) salaries and staff benefits for our sales and marketing staff; (iii) advertising and brand building and promotion expenses; (iv) renovation and decoration costs for self-operated retail stores; (v) travelling and transportation expenses; and (vi) utilities and telecommunications expenses.

For the year ended 31 December 2011, 2012 and 2013, our selling and distribution costs were 49.71%, 49.42% and 48.34% of our total revenue, respectively. Our selling and distribution costs increased during the Track Record Period mainly due to (a) the increase in fees paid to department stores and shopping malls as a result of our increase in sales; (b) the increase in salaries and staff benefits due to an increase in sales and marketing staff as a result of our expanded retail network and increase in basic salary of sales personnel and sales commissions; (c) the increase in advertising and brand building and promotion expenses, including placing billboard advertisements in airports; and (d) the increase in depreciation of leasehold improvements and decoration costs as we expand our retail network. The biggest component of our selling and distribution costs during the Track Record Period was store concession fees. The store concession fees were mainly calculated monthly as certain percentages of the gross sale proceeds from self-operated retail stores in department stores and self-operated retail stores in shopping malls. For the year ended 31 December 2011, 2012 and 2013, the

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amount of fees we paid to department stores and shopping malls was RMB93.56 million, RMB134.29 million and RMB200.74 million respectively. The increase in our fees paid to department stores and shopping malls during the Track Record Period was generally in line with the increase in our revenue from retail sales in department store retail stores.

Administrative and other operating expenses

The following table sets forth a breakdown of our administrative and other operating expenses for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and staff benefits	10,481	18,061	21,047
Legal and listing expenses	744	262	5,043
Research and development costs	1,778	1,624	4,198
Depreciation charge	2,145	2,573	2,978
Rental expenses and management fees	665	1,420	2,222
Office expenses	406	816	1,016
Travelling and entertainment expenses	1,089	1,034	797
Utilities and telecommunications expenses	251	248	369
Others	696	356	425
Total	18,255	26,394	38,095

Administrative and other operating expenses consist primarily of (i) salaries and staff benefits for our administrative staff; (ii) depreciation charge; (iii) research and development costs, primarily cost of raw materials consumed in developing new SKUs; (iv) rental expenses and management fees; and (v) legal and listing expenses.

For the year ended 31 December 2011, 2012 and 2013, our administrative and other operating expenses were approximately 5.58%, 5.44% and 5.43% of our total revenue respectively. Our administrative and other operating expenses increased from the year ended 31 December 2011 to the year ended 31 December 2013 mainly due to (a) the increase in salaries and benefits for our administrative staff as we expanded our business and increased the head-count of our administrative staff; (b) the increase in research and development costs primarily driven by the increasing number of SKUs developed; (c) the increase in rental expenses and management fees as we expand our floor space for our headquarters due to increase in head-count of our administrative staff; and (d) the legal and listing expenses recognised in relation to the Global Offering.

Finance costs

For the years ended 31 December 2011, 2012 and 2013, our finance costs were RMB1.42 million, RMB2.08 million and RMB2.41 million respectively. Finance costs mainly represent interest expenses on our banking borrowings.

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Income tax expenses

Our income tax expenses consist primarily of current tax and deferred tax. Current tax primarily comprises the PRC corporate income tax assessed on our PRC operating subsidiaries.

Our effective tax rate (income tax expense divided by profit before tax) for the year ended 31 December 2011, 2012 and 2013 was approximately 24.14%, 25.13% and 26.12% respectively. There is no material fluctuation in our effective tax rates, which are in line with the tax rate of 25% applicable to our PRC operating subsidiaries.

We have fully paid all relevant taxes during the Track Record Period.

REVIEW OF HISTORICAL OPERATING RESULTS

Year ended 31 December 2013 compared to year ended 31 December 2012

Revenue

Our revenue increased by RMB216.94 million, or 44.74%, from RMB484.94 million for the year ended 31 December 2012 to RMB701.88 million for the year ended 31 December 2013, primarily due to (a) growth of our comparable self-operated retail stores sales of 9.79% in 2013 driven by rise in the average selling price of our products from RMB1,354 per item for the year ended 31 December 2012 to RMB1,480 per item for the year ended 31 December 2013; (b) an increase in sales volume of products from approximately 320,000 units to approximately 438,000 units during the same period due to the expansion in our sales network from 177 as at 31 December 2012 to 254 as at 31 December 2013 of which self-operated retail stores increased from 162 to 237 during the same period; and (c) an increase in income via e-commerce platform due to our effort in developing our online retail stores through expanding our e-commerce team and establishing a business division dedicated to the e-commerce business.

In general, such growth in comparable self-operated retail stores sales were due to (i) higher brand recognition as a result of our promotion campaigns; (ii) enhanced customer services through training provided to our store staff; and (iii) the broadening of our product portfolio, which in turn contributed to the increase in sales volume and average selling price.

Cost of sales

Our cost of sales increased by 19.42% to RMB215.50 million for the year ended 31 December 2013 from RMB180.46 million for the year ended 31 December 2012, primarily due to the increase in the cost of outsourced production as a result of the growth of our sales.

Gross profit and gross profit margin

Our gross profit increased by 59.74% to RMB486.39 million for the year ended 31 December 2013 from RMB304.48 million for the year ended 31 December 2012 primarily due to increase in our revenue and also the improvement in gross margin as explained below.

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The rise in gross margin in 2013 was primarily resulted from (i) the rise in average selling price of our products, (ii) cost of outsourced products remained relatively stable, and (iii) the shift in product mix towards products of higher margin such as dress, skirts and blouses and placing less emphasis on products of lower margin such as sweater, leather and fur apparel.

Other revenue

Our other revenue increase by 127.11% to RMB1.94 million for the year ended 31 December 2013 from approximately RMB852,000 for the year ended 31 December 2012, primarily due to the obtaining of RMB1.72 million one-off cash awards granted by local government for the year ended 31 December 2013.

Selling and distribution expenses

Our selling and distribution expenses increased by 41.57% to RMB339.30 million for the year ended 31 December 2013 from RMB239.67 million for the year ended 31 December 2012, primarily due to (a) the increase in store concession fee as a result of the increase in our sales; (b) the increase in salaries and benefits for our sales and marketing staff as we increased the head-count of our sales and marketing staff and increase in basic salary of sales personnel and sales commissions; and (c) the increase in renovation and decoration growth, in line with the expansion of our sales network as well as our business growth. Our self-operated retail stores increased from 162 as at the end of 2012 to 237 as at the end of 2013.

Administrative and other operating expenses

Our administrative and other operating expenses increased by 44.33% to RMB38.10 million for the year ended 31 December 2013 from RMB26.39 million for the year ended 31 December 2012, primarily due to (a) the increase in salaries and benefits for our administrative staff as we expand our business and increased the head-count of our administrative staff; (b) the increase in research and development costs primarily driven by increase in number of SKUs developed; and (c) the legal and listing expenses recognised in relation to the Global Offering.

Finance costs

Our finance cost increased by 15.71% to RMB2.41 million for the year ended 31 December 2013 from RMB2.08 million for the year ended 31 December 2012, mainly due to the increase in our average bank borrowings.

Income tax expense

Our income tax expense increase by 203.53% to RMB28.33 million for the year ended 31 December 2013 from RMB9.33 million for the year ended 31 December 2012, mainly due to our increased profit from operations. Our effective tax rate has increased slightly from 25.13% for the year ended 31 December 2012 to 26.12% for the year ended 31 December 2013 because costs were incurred in our Hong Kong operations and thereby leading to a lower consolidated profit before tax for the year ended 31 December 2013.

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Profit for the year and net profit margin

As a result of the foregoing factors and the economies of scale we were able to achieve through the sales network built in the past years, our profit for the year increased by 188.05% to RMB80.11 million for the year ended 31 December 2013 from RMB27.81 million for the year ended 31 December 2012. Our profit margin has increased to 11.41% for the year ended 31 December 2013 from 5.74% for the year ended 31 December 2012 because of the significant increase in revenue due to the expansion of our self-operated retail stores network and our ability to control our costs at a rate which was growing slower than our growth rate in revenue.

Year ended 31 December 2012 compared to year ended 31 December 2011

Our revenue increased by RMB157.86 million, or 48.26%, from RMB327.08 million for the year ended 31 December 2011 to RMB484.94 million for the year ended 31 December 2012, primarily due to (a) growth of our comparable self-operated retail stores sales of 9.73% in 2012 driven by rise in the average selling price of our products from RMB1,201 per item for the year ended 31 December 2011 to RMB1,354 per item for the year ended 31 December 2012; and (b) an increase in sales volume of products from approximately 264,000 units to approximately 320,000 units during the same period due to the expansion in our sales network from 119 as at 31 December 2011 to 177 as at 31 December 2012, of which self-operated retail stores increased from 109 to 162 during the same period.

In general, such growth in comparable self-operated retail stores sales, which in turn contributed to the increase in sales volume and average selling price were due to (i) higher brand recognition as a result of our promotion campaigns; (ii) enhanced customer services through training provided to our store staff; (iii) the introduction of a new brand, *La Korador*, which offer a different line of products for customers to choose from; and (iv) the broadening of our product portfolio.

Cost of sales

Our cost of sales increased by 51.31% to RMB180.46 million for the year ended 31 December 2012 from RMB119.27 million for the year ended 31 December 2011, primarily due to the increase in the cost of inventories sold as a result of the growth of our sales.

Gross profit and gross profit margin

Our gross profit increased by 46.52% to RMB304.48 million for the year ended 31 December 2012 from RMB207.81 million for the year ended 31 December 2011 primarily due to increase in our revenue, partially offset by slight decrease in our gross profit margin.

Our overall gross profit margin slightly decreased to 62.79% for the year ended 31 December 2012 from 63.54% for the year ended 31 December 2011 and was mainly attributable to our effort to increase sales through certain promotional sales activities outside our self-operated retail stores aiming at promoting our brand.

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Other revenue

Our other revenue increased by approximately 9.52 times to approximately RMB852,000 for the year ended 31 December 2012 from approximately RMB81,000 for the year ended 31 December 2011, primarily due to the obtaining of RMB600,000 one-off cash awards granted by local government for the year ended 31 December 2012.

Selling and distribution expenses

Our selling and distribution expenses increased by 47.41% to RMB239.67 million for the year ended 31 December 2012 from RMB162.59 million for the year ended 31 December 2011, primarily due to (a) the increase in store concession fees as a result of the increase in our sales; (b) the increase in salaries and staff benefits for our sales and marketing staff due to the expansion of work force and improvement in remuneration; and (c) the increase in advertising and brand building and promotion expenses, in line with the expansion of our sales network as well as our business growth. Our self-operated retail stores increased from 109 as at the end of 2011 to 162 as at the end of 2012.

Administrative and other operating expenses

Our administrative and other operating expenses increased by 44.59% to RMB26.39 million for the year ended 31 December 2012 from RMB18.26 million for the year ended 31 December 2011, primarily due to (a) the increase in salaries and benefits for our administrative staff as we expand our business and increased the head-count of our administrative staff; (b) the increase in rental expenses and management fees as we expand our floor space of our headquarters due to increase in head-count of our administrative staff and; (c) the increase in rental expenses as a result of the expansion of warehouse space.

Finance costs

Our finance cost increased by 46.76% to RMB2.08 million for the year ended 31 December 2012 from RMB1.42 million for the year ended 31 December 2011, mainly due to the increase in our average bank borrowings.

Income tax expense

Our income tax expense increase by 50.82% to RMB9.33 million for the year ended 31 December 2012 from RMB6.19 million for the year ended 31 December 2011, mainly due to our increased profit from operations. Our effective tax rate has increased from 24.14% for the year ended 31 December 2011 to 25.13% for the year ended 31 December 2012 because pursuant to the Corporate Income Tax Law in the PRC, the applicable corporate income tax rate was increased from 15% to 25% in a 5-year transitional period from 2008 to 2012. Therefore, the applicable Corporate Income Tax rate for years ended 31 December 2011 and 2012 was 24% and 25% respectively.

Profit for the year and net profit margin

As a result of the foregoing factors, our profit for the year increased by 43.05% to RMB27.81 million for the year ended 31 December 2012 from RMB19.44 million for the year ended 31 December 2011. Our profit margin has slightly decreased to 5.74% for the year ended 31 December 2012 from

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5.94% for the year ended 31 December 2011 because of our effort to increase sales through certain promotional sales activities outside our self-operated retail stores aiming at promoting our brand a direct sales channel which has a lower selling price than that offered in our retail stores and the demand of a higher store concession fees from department stores and shopping malls as we have been commencing our rapid expansion of our self-operated retail stores.

NET CURRENT ASSETS

The following table below sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at
	2011	2012	2013	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CURRENT ASSETS				
Inventories	37,504	73,447	130,109	127,954
Trade and other receivables	67,184	87,356	116,779	113,280
Cash and cash equivalents	<u>5,843</u>	<u>14,284</u>	<u>77,105</u>	<u>76,164</u>
Total current assets	<u>110,531</u>	<u>175,087</u>	<u>323,993</u>	<u>317,398</u>
CURRENT LIABILITIES				
Bank loans	—	30,000	55,000	75,000
Trade and other payables	52,302	124,671	133,290	79,774
Current tax payable	<u>7,650</u>	<u>11,229</u>	<u>21,639</u>	<u>16,021</u>
Total current liabilities	<u>59,952</u>	<u>165,900</u>	<u>209,929</u>	<u>170,795</u>
NET CURRENT ASSETS	<u>50,579</u>	<u>9,187</u>	<u>114,064</u>	<u>146,603</u>

Our net current assets, the difference between our total current assets and current liabilities, remained positive during the Track Record Period. As at 31 December 2011, 2012 and 2013 and as at 30 April 2014, we had net current assets of RMB50.58 million, RMB9.19 million, RMB114.06 million and RMB146.60 million respectively. The decrease in our net current assets from RMB50.58 million as at 31 December 2011 to RMB9.19 million as at 31 December 2012 was due to (i) increase in short term bank loan; (ii) the acquisition of Shenzhen Korador as part of the Reorganisation which resulted in a non-trade related short term payable of RMB40.16 million to Shenzhen Jinhxin. The subsequent increase in our net current assets to RMB114.06 million as at 31 December 2013 was due to the increase in cash flow from operations and capital contributions from new and existing shareholders.

As at 30 April 2014, our net current assets were RMB146.60 million, consisting of current assets of RMB317.40 million and current liabilities of RMB170.80 million. The decrease in total current assets as at 30 April 2014 compared to 31 December 2013 was primarily due to a decrease in trade

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receivables. The decrease in total current liabilities as at 30 April 2014 compared to 31 December 2013 was primarily due to a decrease in trade and other payables following the repayment of amount due to a Controlling Shareholder, partially offset by an increase in bank loans.

Inventories

The following table sets forth a summary of our inventories as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	9,102	17,525	29,696
Work in progress	456	1,219	2,206
Finished goods	<u>27,946</u>	<u>54,703</u>	<u>98,207</u>
	<u><u>37,504</u></u>	<u><u>73,447</u></u>	<u><u>130,109</u></u>

Our inventories consist of raw materials, work in progress and finished goods. Raw materials represent fabrics and other auxiliary materials that we purchase to our OEM contractors for their further processing. Work in progress represent raw materials we provided to our OEM contractors but still in production process at year end. Finished goods consist primarily of finished products in our warehouses and self-operated retail stores.

Our inventory of finished goods increased by 95.75% from RMB27.95 million as at 31 December 2011 to RMB54.70 million as at 31 December 2012, and further by 79.53% to RMB98.21 million as at 31 December 2013, primarily due to (i) the continuing expansion of our retail store network and (ii) extra finished goods manufactured to prepare for planned launch of new brand *Koradior elsewhere* in the second half of 2014.

The following table sets forth the inventory average turnover days for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
Average inventory turnover days ⁽¹⁾	94.57	112.21	172.39

Note:

(1) *Average inventory turnover days is equal to the average inventory divided by the cost of sales and multiplied by 365 days. Average inventory equals inventory at the beginning of the year plus inventory at the end of the year and divided by two.*

Our average inventory turnover days increased from 94.57 days for the year ended 31 December 2011 to 112.21 days for the year ended 31 December 2012, and increased to 172.39 days for the year ended 31 December 2013, primarily because of (i) the continuing expansion of our retail store network and (ii) extra finished goods manufactured to prepare for planned launch of new brand *Koradior*

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elsewhere in the second half of 2014. The number of retail stores in our sales network increased from 119 as at 31 December 2011 to 177 as at 31 December 2012 to 254 as at 31 December 2013 of which self-operated retail stores increased from 109 to 162 and further to 237 during the same period.

Aging analysis of our inventories is set out below:

	Year ended 31 December 2011						
	Within			Above	Total	Inventory	Total
	1 year	1-2 years	2-3 years	3 years	before	provision	after
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	8,487	615	—	—	9,102	—	9,102
Finished goods	24,140	4,570	298	—	29,008	(1,062)	27,946
Work in progress	456	—	—	—	456	—	456
Total	<u>33,083</u>	<u>5,185</u>	<u>298</u>	<u>—</u>	<u>38,566</u>	<u>(1,062)</u>	<u>37,504</u>

	Year ended 31 December 2012						
	Within			Above	Total	Inventory	Total
	1 year	1-2 years	2-3 years	3 years	before	provision	after
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	15,242	2,107	176	—	17,525	—	17,525
Finished goods	49,421	6,004	1,120	—	56,545	(1,842)	54,703
Work in progress	1,219	—	—	—	1,219	—	1,219
Total	<u>65,882</u>	<u>8,111</u>	<u>1,296</u>	<u>—</u>	<u>75,289</u>	<u>(1,842)</u>	<u>73,447</u>

	Year ended 31 December 2013						
	Within			Above	Total	Inventory	Total
	1 year	1-2 years	2-3 years	3 years	before	provision	after
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	24,077	4,468	1,006	145	29,696	—	29,696
Finished goods	91,413	7,863	962	111	100,349	(2,142)	98,207
Work in progress	2,206	—	—	—	2,206	—	2,206
Total	<u>117,696</u>	<u>12,331</u>	<u>1,968</u>	<u>256</u>	<u>132,251</u>	<u>(2,142)</u>	<u>130,109</u>

Provision is made for our finished goods with reference to inventory aging and conditions of specific inventories.

For further details on our inventory management measures, please refer to the paragraph headed “Business — Inventory Management” of this prospectus.

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As at 31 March 2014, RMB64.28 million, or 49.43%, of our inventories as at 31 December 2013 has been utilised or sold.

Trade Receivables

Majority of the trade receivables are related to sales made through our self-operated retail stores. We enter into cooperation agreement or lease a number of self-operated retail stores with department stores and shopping malls in the PRC. Proceeds from our sales made in these leased retail stores and shops are collected by the department stores and shopping malls on our behalf. Once the monthly sale figures are agreed between us and the department stores and shopping malls, we then issue invoices, which generally fall within 30 days from the date of revenue recognition. Settlement in respect of these concession sales was made net of the commission and rental payable to the department stores and shopping malls and was generally expected within 60 days from the date of revenue recognition. There are minimal trade receivables from distributors. The following table sets forth a summary of the trade receivables as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	54,907	76,192	104,685

Our trade receivables increased by 38.77% from RMB54.91 million as at 31 December 2011 to RMB76.19 million as at 31 December 2012, further by 37.40% to RMB104.69 million as at 31 December 2013, as we expanded our retail network and increased the number of self-operated retail stores in department stores and shopping malls during the Track Record Period.

The following table sets forth the overall average trade receivable turnover days and our average trade receivable turnover days for retail stores in department stores and retail stores in shopping malls for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
Average trade receivable turnover days ⁽¹⁾	48.03	49.34	47.03

Note:

(1) *Average trade receivable turnover days is equal to the average trade receivable divided by the revenue and multiplied by 365 days. Average trade receivable equals trade receivable at the beginning of the year plus trade receivable at the end of the year and divided by two.*

Our overall average trade receivable turnover days were maintained at a level of around 48 days and were in line with the payment terms of our arrangement with the department stores and shopping malls.

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The following table sets forth an aging analysis (based on date of revenue recognition) of our trade receivables as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	35,825	49,463	71,696
1 to 2 months	14,407	18,818	25,732
2 to 3 months	2,089	3,329	4,389
Over 3 months	<u>2,586</u>	<u>4,582</u>	<u>2,868</u>
	<u><u>54,907</u></u>	<u><u>76,192</u></u>	<u><u>104,685</u></u>

Department stores and shopping malls typically settle our receivables within 60 days from the date of revenue recognition. Our trade receivables aged more than 3 months consisted of receivables that department stores or shopping malls require a longer period to process the settlement of the concession sales. None of our trade receivables were aged more than 1 year during the Track Record Period.

Our senior management of the responsible department conducts regular reviews of overdue balances and is of the view that there is no significant concentration of credit risk as our trade receivables are related to a large number of diversified customers. For the year ended 31 December 2011, 2012 and 2013, no provision for impairment of trade receivables was recorded.

As at 31 March 2014, RMB103.09 million, or 98.47%, of our trade receivables as at 31 December 2013 had been settled.

Prepayment, deposits and other receivables

The following table sets forth a summary of the prepayment, deposits and other receivables included in current assets as at the dates indicated:

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deposits and prepayments	12,139	8,932	22,649
Amount due from a related party	—	2,000	—
Other receivables	<u>343</u>	<u>388</u>	<u>300</u>
	12,482	11,320	22,949
Less: Non-current deposits and prepayments	<u>(205)</u>	<u>(156)</u>	<u>(10,855)</u>
	<u><u>12,277</u></u>	<u><u>11,164</u></u>	<u><u>12,094</u></u>

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Our prepayments, deposits and other receivables primarily consist of (a) rental prepayments and deposits for our self-operated retail stores, offices and warehouses; and (b) prepayment to our raw materials suppliers and prepayments to our OEM contractors in relation to our outsourced production as we generally prepay our OEM contractors a certain percentage of our OEM fees.

Our deposits and prepayments decreased by 26.42% from RMB12.14 million as at 31 December 2011 to RMB8.93 million as at 31 December 2012 primarily due to the cessation of prepayments to Yingjia Fashion for outsourced production. Our deposit and prepayments increased by 153.57% to RMB22.65 million as at 31 December 2013 primarily due to a deposit of RMB7.93 million we paid to purchase residential flat for our employees under a scheme offered by Shenzhen Government to retain talented staffs. An amount due from a related party of RMB2.00 million was arisen as at 31 December 2012 due to the unpaid consideration from Shenzhen Jinhexin in respect of our disposal of 100% interest in Beijing Jinyueran on 25 October 2012.

Trade payables

Our trade payables consist primarily of payables to OEM contractors and raw materials suppliers. The following table sets forth a summary of the trade payables as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	11,573	28,692	38,632

Our trade payables increased by 147.92% from RMB11.57 million as at 31 December 2011 to RMB28.69 million as at 31 December 2012, and increased by 34.64% to RMB38.63 million as at 31 December 2013, primarily because of the increase in our purchase of raw materials and outsourced production to OEM contractors as a result of our expanded production as we usually pay them after we receive delivery of the manufactured products. The settlement period of trade payables during the Track Record Period was generally 60 days.

The following table sets forth an aging analysis (based on invoice date) of the trade payables of our Group as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	9,459	20,736	31,748
1 to 2 months	156	3,457	3,042
2 to 3 months	1,785	2,711	38
Over 3 months	173	1,788	3,804
	11,573	28,692	38,632

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The following table sets forth the overall average turnover days of our trade payables for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
Average trade payables turnover days ⁽¹⁾	27.86	40.72	57.02

Note:

(1) Average trade payables turnover days is equal to the average trade payables divided by the cost of sales and multiplied by 365 days. Average trade payables equals trade payables at the beginning of the year plus trade payables at the end of the year and divided by two.

We were generally granted a credit period of 60 days from our OEM contractors and raw materials suppliers. Our average turnover days of trade payables increased from 27.86 days for the year ended 31 December 2011 to 40.72 days for the year ended 31 December 2012, increased to 57.02 days for the year ended 31 December 2013, and was in line with our credit period granted by our OEM contractors and raw materials suppliers.

As at 31 March 2014, RMB28.42 million, or 73.56%, of our trade payables as at 31 December 2013 have been settled.

Other payables

The following table sets forth a summary of the other payables as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Receipts in advance	1,990	1,024	2,901
Amount due to Mr. Jin, one of the Controlling Shareholders	18,837	19,903	34,908
Amounts due to related parties	639	52,174	51
Other payables	785	1,392	10,584
Loan from a third party	—	—	15,000
Staff costs payable	10,092	10,166	15,129
VAT and other tax payables	<u>8,386</u>	<u>11,320</u>	<u>16,085</u>
Total	<u>40,729</u>	<u>95,979</u>	<u>94,658</u>

Our other payables consist primarily of (a) receipts in advance; (b) amount due to Mr. Jin, one of the Controlling Shareholders; (c) amounts due to related parties; (d) loan from a third party; (e) staff costs payable; and (f) VAT and other tax payables.

Our other payables increased by 135.65% from RMB40.73 million as at 31 December 2011 to RMB95.98 million as at 31 December 2012 primarily due to (a) an amount of RMB40.16 million due to Shenzhen Jinhexin, being the outstanding consideration arisen from the acquisition of the 100% equity

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interest in Shenzhen Koradior as part of the Reorganisation; and (b) an amount of RMB12.02 million due to Yingjia Fashion, being utilised for our general working capital purposes. Our other payables then decreased by 1.38% to RMB94.66 million as at 31 December 2013, primarily due to (a) an increase in the amount due to Mr. Jin, one of our Controlling Shareholders, as Mr. Jin has advanced an additional RMB15.00 million to us for our general working capital proposes; and (b) an increase in other payables as a result of a loan from a third party which was partially offset by decrease in amount due to Shenzhen Jinhexin.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

We finance our operations primarily with cash flows from operations, bank borrowings and capital contribution and advances from shareholders. Our primary uses of funds have been purchases of raw materials, payment to our OEM contractors and cash used to expand our sales network: including leasehold improvements, and to fund our working capital and repayment of advances of Mr. Jin, one of the Controlling Shareholders. Historically, we have financed our liquidity requirements through a combination of cash flows generated from our operating activities, bank loans and other borrowings, including financing provided by our shareholders, and capital injection from our Shareholders. In the future, our sources of capital will be expanded to cover net proceeds from the Global Offering and other funds raised from the capital markets from time to time. Our operating cash flows for the years ended 31 December 2012 and 2013 were positive and our operating cash flows for the year ended 31 December 2011 was negative. We have historically repaid or rolled over our bank borrowings when due. During the Track Record Period, we did not experience any significant difficulties in rolling over our bank loans. Taking into account our existing cash and cash equivalents of RMB77.11 million as at 31 December 2013, and the fact that we had positive net operating cash flow of RMB49.95 million for the year ended 31 December 2013 and the net proceeds expected to be received from the Global Offering, our Directors are satisfied that, after due and careful inquiry, we have sufficient working capital available to satisfy our requirements, including to fund our planned sales network expansion, for at least 12 months following the date of this prospectus.

The following table sets forth our cash flows for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows (used in)/generated from operating activities	(19,261)	11,518	49,947
Net cash flows used in investing activities	(14,375)	(16,478)	(21,898)
Net cash flows generated from financing activities	<u>36,912</u>	<u>13,427</u>	<u>34,782</u>
Net increase in cash and cash equivalents	3,276	8,467	62,831
Cash and cash equivalents at beginning of year	2,567	5,843	14,284
Effect of foreign exchange rate changes	<u>—</u>	<u>(26)</u>	<u>(10)</u>
Cash and cash equivalents at end of the year	<u><u>5,843</u></u>	<u><u>14,284</u></u>	<u><u>77,105</u></u>

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Net cash generated from operating activities

For the year ended 31 December 2013, we generated net cash inflow from operating activities before working capital changes of RMB127.76 million and a net cash inflow from operating activities of RMB49.95 million. The difference of RMB77.81 million mainly reflected (i) the increase in inventories of RMB56.66 million to support our higher level of sales, which was in turn driven by, among others, our retail network expansion, (ii) the increase in trade and other receivables from third parties of RMB33.34 million mainly due to increase in amount receivable from department stores and shopping malls as a result of increase in sales, partially offset by the increase in trade and other payables of RMB28.86 million as we increase our outsourced OEM production to OEM contractors as a result of expanded production.

For the year ended 31 December 2012, we generated net cash inflow from operating activities before working capital changes of RMB51.11 million and a net cash inflow from operating activities of RMB11.52 million. The difference of RMB35.59 million mainly reflected (i) the increase in inventories of RMB35.94 million to support our higher level of sales, which was in turn driven by, among others, our retail network expansion, (ii) the increase in trade and other receivables from third parties of RMB24.81 million mainly due to increase in amount receivable from department stores and shopping malls as a result of increase in sales, partially offset by the increase in trade and other payables of RMB20.74 million as we increase our outsourced OEM production to OEM contractors due to our expanded production.

For the year ended 31 December 2011, we generated net cash inflow from operating activities before working capital changes of RMB39.02 million and a net cash outflow from operating activities of RMB19.26 million. The difference of RMB58.28 million mainly reflected (i) the decrease in amounts due to related parties of RMB26.53 million as we repaid certain advances from Yingjia Fashion, (ii) the increase in trade and other receivables from third parties of RMB25.84 million mainly due to an increase in amount receivable from department stores and shopping malls as a result of increase in sales, (iii) the increase in inventories of RMB13.21 million to support our higher level of sales, which was in turn driven by, among others, our retail network expansion and (iv) the increase in prepayments of RMB6.55 million as we incurred a prepayment of RMB6.52 million to OEM contractors, partially offset by the increase in trade and other payables of RMB16.96 million.

Net cash used in investing activities

The principal items affecting net cash used in investing activities during the Track Record Period were our capital expenditures for leasehold improvements and disposal of a subsidiary.

Net cash used in investing activities was RMB21.90 million for the year ended 31 December 2013. The amount represented the leasehold improvements incurred as we set up new self-operated retail stores and partially offset by the disposal of a subsidiary when we transferred 100% of the equity interests in Beijing Jinyueran to Shenzhen Jinhexin at a consideration of RMB2.00 million.

Net cash used in investing activities was RMB16.48 million for the year ended 31 December 2012. The amount represented (i) the leasehold improvements incurred as we set up new self-operated retail stores; and (ii) the disposal of a subsidiary when we transferred 100% of the equity interests in Beijing Jinyueran to Shenzhen Jinhexin at a consideration of RMB2.00 million.

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Net cash used in investing activities was RMB14.38 million for the year ended 31 December 2011. The amount represented the leasehold improvements incurred as we set up new self-operated retail stores.

Net cash used in financing activities

Our financing activities during the Track Record Period mainly included capital injections from the Pre-IPO investors, proceeds from and repayments of bank borrowings and advances from and repayments to related parties.

Net cash generated from financing activities for the year ended 31 December 2013 amounted to RMB34.78 million. It consisted primarily of (i) proceeds from issue of shares to Pre-IPO investors of RMB34.61 million, (ii) bank borrowings, net of repayment, of RMB25.00 million, (iii) loan from a third party of RMB15.00 million and (iv) advance from related parties, net of repayment, of RMB2.74 million, partially offset by (i) consideration of RMB40.16 million paid to Shenzhen Jinhexin to acquire Shenzhen Korador as part of our reorganisation and (ii) interest paid of RMB2.41 million.

Net cash generated from financing activities for the year ended 31 December 2012 amounted to RMB13.43 million. It consisted primarily of (i) advance from related parties, net of repayment, of RMB11.80 million, (ii) proceeds from issue of shares to a Pre-IPO investor of RMB3.71 million, partially offset by interest paid of RMB2.08 million.

Net cash generated from financing activities for the year ended 31 December 2011 amounted to RMB36.91 million. It consisted primarily of (i) proceeds from bank loans of RMB30 million and (ii) advance from related parties, net of repayment, of RMB8.33 million, partially offset by interest paid of RMB1.42 million.

CAPITAL EXPENDITURE

Our capital expenditures during the Track Record Period primarily relate to the leasehold improvements on our self-operated retail stores and the purchase of motor vehicles. For the years ended 31 December 2011, 2012 and 2013, our total capital expenditures amounted to RMB14.41 million, RMB14.52 million and RMB16.18 million, respectively.

The planned capital expenditure for the establishment of new self-operated retail stores is approximately HK\$50.54 million and HK\$105.32 million for the six months ending 31 December 2014 and year ending 31 December 2015, respectively, primarily in relation to store decoration and purchase of furniture and equipment for each retail store. We plan to fund the establishment of new self-operated retail stores (including (i) capital expenditure for store decoration and purchase of furniture and equipment mentioned above, (ii) inventory, and (iii) rental prepayment) for the six months ending 31 December 2014 and year ending 31 December 2015 by using HK\$155.86 million of the net proceeds from the Global Offering.

Capital expenditure in relation to store decoration and purchase of furniture and equipment for each retail store will be capitalised under leasehold improvement and furniture, fixtures and equipment, respectively. We expect to incur depreciation charge after the establishment of new self-operated retail stores. Costs of leasehold improvement and furniture, fixtures and equipment are expected to be depreciated over lease terms and estimated useful life, respectively.

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INDEBTEDNESS

Bank borrowings and other indebtedness

	As at 31 December			As of
	2011	2012	2013	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Secured bank borrowings repayable within one year	—	30,000	25,000	25,000
Secured bank borrowings repayable more than one year	30,000	—	—	—
Unsecured bank borrowings repayable within one year	<u>—</u>	<u>—</u>	<u>30,000</u>	<u>50,000</u>
Sub-total	30,000	30,000	55,000	75,000
Unsecured borrowings repayable within one year	<u>—</u>	<u>—</u>	<u>15,000</u>	<u>15,000</u>
Total	<u><u>30,000</u></u>	<u><u>30,000</u></u>	<u><u>70,000</u></u>	<u><u>90,000</u></u>

As at 30 April 2014, the Latest Practicable Indebtedness Date (“**Latest Practicable Indebtedness Date**”) for the purpose of determining our indebtedness, we had the total bank borrowings of RMB75.00 million.

Our bank borrowings during the Track Record Period consisted of short-term bank borrowings for working capital purposes. They were denominated in RMB and were variable rate borrowings. The effective interest rates for our secured short-term borrowings were 6.405%, 6.405%, 6.60% and 6.60% per annum as at 31 December 2011, 2012 and 2013 and 30 April 2014 respectively.

Our total bank borrowings remained stable at RMB30.00 million as at 31 December 2011 and 2012 and increased to RMB55.00 million as at 31 December 2013 as we borrowed new bank borrowings of RMB65.00 million and repaid our existing bank borrowings of RMB40.00 million during the year. Our total bank borrowings increased to RMB75.00 million as at 30 April 2014 as we borrowed new bank borrowings of RMB20.00 million during the four months ended 30 April 2014. During the Track Record Period, our Group had short-term borrowings from banks as the credit facilities obtained from banks could enhance the financial flexibility and liquidity of our Group in funding our ongoing business expansion.

Mr. Jin provided guarantee to and pledged certain buildings owned by him to secure the banking facilities with the carrying amount of RMB30.00 million and RMB30.00 million as at 31 December 2011 and 2012 and the banking facilities granted by relevant banks amount to RMB30.00 million and RMB30.00 million as at the respective dates. The pledge of certain buildings owned by Mr. Jin for our bank borrowings were released during the year ended 31 December 2013. Mr. Jin has also provided guarantee to banking facilities granted by a bank which amount to RMB20.00 million as at 30 April

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2014. Mr. Jin and his spouse provided guarantee to the banking facilities with the carrying amount of RMB30.00 million and RMB50.00 million as at 31 December 2013 and 30 April 2014 and the banking facilities granted by relevant banks amount to RMB30.00 million and RMB50.00 million as at the respective dates. Upon completion of the Global Offering, all guarantee provided from Mr. Jin, one of the Controlling Shareholders and his spouse will be fully released and assumed by our group companies. The relevant loans will not be required to be repaid at the time such guarantee is released.

We also pledged the buildings in respect of our headquarters at 7/F, B Block, Hongsong Building, Terra 9th Road, Shenzhen, PRC with carrying value of RMB20.71 million, RMB19.79 million, RMB18.88 million and RMB18.58 million as at 31 December 2011, 2012 and 2013 and 30 April 2014 to secure banking facilities granted by relevant banks amounted of RMB30.00 million, RMB30.00 million, RMB25.00 million and RMB25.00 million as at the respective dates.

We are subject to certain conditions and covenants under the terms of our loan agreements with banks. In the loan agreements, we are required to inform or obtain a written consent from the banks upon occurrence of merger, consolidation, acquisition, split-up, share transfer, investment in a joint venture, sale or disposal of assets and restructuring. There are no specific provisions requiring us to obtain consent from any lender under the existing loan agreements with regard to the Global Offering.

During the Track Record Period, we had unsecured total borrowings of RMB15.00 million from an Independent Third Party which was established in the PRC on 15 August 2005 and is principally engaged in the trading of electronic products, building decorative materials and other domestic business. It is wholly-owned by a personal friend of Mr. Jin, our Controlling Shareholder. The loan was granted by the Independent Third Party at the request of Mr. Jin, our Controlling Shareholder. It was unsecured as the Independent Third Party was confident about the credibility of our management headed by Mr. Jin. No interest was charged as (i) it was a short-term loan, and (ii) any interest on inter-company borrowings without authorisation by PBOC will be subject to penalty under the Lending General Provisions (貸款通則).

Our borrowings from the above Independent Third Party during the Track Record Period consisted of short-term borrowings for working capital purposes. They were denominated in RMB and as at the Latest Practicable Date, they were fully repaid.

Our PRC legal advisers advised that such borrowings from the above Independent Third Party did not comply with certain provisions of Lending General Provisions (貸款通則), but they are in full compliance with the relevant laws and administrative regulations in the PRC and do not constitute significant non-compliance under PRC law because the Lending General Provisions (貸款通則) are departmental rules only and do not constitute PRC laws and administrative regulations.

During the Track Record Period and up to the Latest Practicable Date, our Directors are not aware of any other breach of financial covenants or any material default in payment of trade and non-trade payables and bank borrowings.

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Except as described above, as at the Latest Practicable Indebtedness Date, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

As at the Latest Practicable Indebtedness Date, we had unutilised unrestricted banking facilities of RMB45.00 million. Based on our good relationship with local banks, we believe that we are able to obtain additional banking facilities and draw additional bank loans where necessary.

Our Directors confirmed that there has not been any material change in our indebtedness and contingent liabilities since 30 April 2014 up to the date of this prospectus.

CONTRACTUAL OBLIGATIONS

Operating lease commitments

During the Track Record Period, we leased a number of properties under operating leases, including our office units and warehouse in Shenzhen and self-operated retail stores in the PRC. The term of the operating lease for our warehouse is approximately 3 years. The terms of the two operating leases for our office units are 3 and 4 years respectively. The terms of the operating leases for our 14 self-operated retail stores are generally 3 years on average. The table sets forth our future minimum lease payments payable under non-cancellable operating leases as of the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	4,970	6,440	20,787
After 1 year but within 5 years	<u>2,706</u>	<u>6,317</u>	<u>11,997</u>
	<u><u>7,676</u></u>	<u><u>12,757</u></u>	<u><u>32,784</u></u>

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FINANCIAL RATIOS

The table below sets forth a summary of our key financial ratios during the Track Record Period:

Financial Ratios	Formulae	As at/for the year ended 31 December		
		2011	2012	2013
Profitability ratios:				
1. Growth				
a. Revenue growth		—	48.26%	44.74%
b. Net profit growth		—	43.05%	188.05%
2. Profit margins				
a. Gross margin	a. Gross profit/Revenue x 100.00%	63.54%	62.79%	69.30%
b. Net profit margin before interest and tax	b. Net profit before interest and tax/Revenue x 100.00%	8.27%	8.09%	15.79%
c. Net profit margin	c. Net profit after tax/Revenue x 100.00%	5.94%	5.74%	11.41%
3. Return on equity				
a. Return on equity	a. Net profit/Average total equity x 100.00%	46.04%	58.40%	79.60%
b. Return on total assets	b. Net profit/Average total assets x 100.00%	16.73%	15.84%	27.76%
As at/for the year ended 31 December				
Financial Ratios	Formulae	2011	2012	2013
Liquidity ratios:				
1. Liquidity ratios				
a. Current ratio	a. Current assets/Current liabilities	1.84	1.06	1.54
b. Quick ratio	b. (Current assets — Inventories)/ Current liabilities	1.22	0.61	0.92
2. Turnover ratios				
a. Inventories turnover days	a. Average inventories/Cost of sales x (365 days)	94.57	112.21	172.39
b. Receivables turnover days (average collection period)	b. Average trade receivables/Revenue x (365 days)	48.03	49.34	47.03
c. Payables turnover days (average payment period)	c. Average trade payables/Cost of sales x (365 days)	27.86	40.72	57.02
Capital adequacy ratio:				
1. Gearing ratio	Total bank borrowing/Total equity x 100.00%	57.75%	69.30%	34.81%
2. Debt to net worth ratio				
a. Debt to equity ratio	a. Net debt (Total bank borrowings — bank balances and cash)/Total equity x 100.00%	46.50%	36.30%	net cash
b. Interest coverage ratio	b. Profit before interest and tax/interest	19.07	18.85	46.03

Current Ratio

We maintained a healthy liquidity position throughout the Track Record Period and our current ratio was 1.84, 1.06 and 1.54 as at 31 December 2011, 2012 and 2013, respectively. The decrease in current ratio from 1.84 as at 31 December 2011 to 1.06 as at 31 December 2012 was primarily due to the increase in an amount due to Shenzhen Jinhexin arisen from the acquisition of 100% equity interest in Shenzhen Korador as part of the Reorganisation. The increase in current ratio to 1.54 as at 31 December 2013 from 1.06 as at 31 December 2012 was mainly attributable to the increase in cash and

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cash equivalents balance due to increase in cash flow from operations and capital contribution from our new shareholders and increase in our inventory due to the expected increase in demand for our products from our expanded sales network.

Quick Ratio

Moving generally in line with our current ratio, our quick ratio was 1.22, 0.61 and 0.92 as at 31 December 2011, 2012 and 2013, respectively. The decrease in quick ratio from 1.22 as at 31 December 2011 to 0.61 as at 31 December 2012 was primarily due to the increase in an amount due to Shenzhen Jinhexin arisen from the acquisition of 100% equity interest in Shenzhen Koradior as part of the Reorganisation. The increase in quick ratio to 0.92 as at 31 December 2013 from 0.61 as at 31 December 2012 was mainly attributable to the increase in cash and cash equivalents balance due to increase in cash flow from operations and capital contribution from our new shareholders.

Gearing Ratio

Our gearing ratio was 57.75%, 69.30% and 34.81% as at 31 December 2011, 2012 and 2013, respectively. The higher gearing ratio as at 31 December 2012 was primarily due to the smaller equity base as a result of the change in capital structure of the Group due to the Reorganisation. The lower gearing ratios as at 31 December 2013 were mainly attributable to the increased equity base following the capital contributions.

Return on Equity

Our return on equity (“ROE”) was 46.04%, 58.40% and 79.60% for the year ended 31 December 2011, 2012 and 2013, respectively. The increase in ROE from 46.04% for the year ended 31 December 2011 to 58.40% for the year ended 31 December 2012, further to 79.60% for the year ended 31 December 2013, was due to an increase in profit attributable to equity holdings of our Company primarily as a result of the increase in revenue from our self-operated retail stores due to the growth in comparable retail stores sales during comparable periods and an expansion of our sales network and increase in products offering.

Return on Total Assets

Our return on assets (“ROA”) was 16.73%, 15.84% and 27.76% for the year ended 31 December 2011, 2012 and 2013, respectively. The decrease in ROA from the year ended 31 December 2011 to the year ended 31 December 2012 was mainly due to the increased inventories and trade receivables as we expand our business and sales network. The increase in ROA for the year ended 31 December 2013 was primarily due to the an increase in profit attributable to equity holdings of our Company primarily as a result of the increase in revenue from our self-operated retail stores due to the growth in comparable retail stores sales during comparable periods, and an expansion of our sales network and increase in products offering which has outstripped the increase in our total assets.

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Debt to Equity Ratio

Our debt to equity ratio has decreased from 46.50% as at 31 December 2011 to 36.30% as at 31 December 2012 to a net cash position as at 31 December 2013, primarily because our increase in balances of cash and cash equivalents which has exceeded the balances of interest-bearing debts as at 31 December 2013.

Interest Coverage Ratio

Interest coverage ratio decreased from 19.07 for the year ended 31 December 2010 to 18.85 for the year ended 31 December 2011, primarily due to the comparatively lower percentage increase in operating profit as compared with the percentage increase in interest cost but increased to 46.03 for the year ended 31 December 2013 primarily because of the comparatively higher percentage increase in operating profit as compared with the percentage increase in interest cost.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

CONTINGENT LIABILITIES

Except as disclosed in this prospectus, as at the Latest Practicable Date, we did not have any outstanding mortgages, charges, debentures, loan capital, bank borrowings, overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, guarantees or material contingent liabilities.

WORKING CAPITAL

We finance our operations primarily with cash flows from operations, bank borrowings and capital contribution and advances from shareholders. In the future, we expect to use funds from a combination of sources to finance our operations and potential further acquisitions, including borrowings and internally generated cash flow.

Taking into account our cash generated from operating activities, the estimated net proceeds available to us from the Global Offering and our available credit facilities maintained with our banks and financial institutions, our Directors confirm that we will have sufficient working capital available for our present requirements for the next 12 months from the date of this prospectus.

LISTING EXPENSES

Approximately RMB4.71 million of our listing expenses have been charged to our administrative and other operating expenses and reflected in our financial information for the Track Record Period. We expect to incur an additional RMB32.70 million in listing expenses in connection with the Global Offering and the Listing after the Track Record Period, of which RMB14.70 million is expected to be charged to our administrative and other operating expenses for the year ending 31 December 2014 and RMB18.00 million is expected to be charged to share premium. We do not expect such listing expenses to have a material impact on our results of operations for the year ending 31 December 2014.

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RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions, details of which are set out in note 23 headed “Material related party transactions” to the Accountants’ Report set out in Appendix I to this prospectus. We expected to continue transactions with Yingjia Fashion, Mr. Wang Sumin and Mr. Jin, one of the Controlling Shareholders. For more details of our continuing related party transactions after the Listing, please refer to the section headed “Connected Transaction” of this prospectus. Our Directors confirm that these related party transactions were conducted on normal commercial terms and/or terms that are no less favourable than terms available from Independent Third Parties which are considered fair and reasonable and in the interest of our Shareholders as a whole.

EVENTS AFTER THE BALANCE SHEET DATE

On 25 February 2014, our Company increased authorised share capital by creation of 78,000,000 shares of a nominal or par value of HK\$0.01 each and issued 76,206,780 shares of HK\$0.01 each, and repurchased 97,701 issued shares of US\$1.00 each and decreased authorised share capital by cancellation of 100,000 shares of US\$1.00 each.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are, in the normal course of business, exposed to market risk such as credit risk, liquidity risk and interest rate risk. Our risk management strategy aims to minimise the adverse effects of these risks on our financial performance.

Credit risk

Our credit risk is primarily attributable to trade and other receivables, and non-current rental deposits. We have a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Trade and other receivables

Our trade and other receivables primarily comprise of amounts receivable from department stores and shopping malls in the PRC with no recent history of material defaults. Our exposure to credit risk is influenced mainly by the individual characteristics of each department store and shopping mall and there is no significant concentration of credit risk. We performed credit evaluation which focuses on the customer’s history of making payments and current ability to pay. We do not obtain collateral from customers. We did not record significant bad debts losses during the Track Record Period.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets after deducting any impairment allowance. We do not provide any other guarantees which would expose us to credit risk.

Non-current rental deposits

Non-current rental deposits were paid to department stores and shopping malls. We consider that the amounts are fully recoverable considering their creditworthiness.

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Liquidity risk

Individual operating entities within our Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the management and our Directors when the borrowings exceed certain predetermined levels of authority. Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer terms.

The following table shows the remaining scheduled maturities at the respective balance sheet date of our bank borrowings and trade and other payables if such amounts are to be repaid over the agreed repayment schedules, which are based on scheduled undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date):

	At 31 December 2011			
	Contractual undiscounted cash outflow			
	Within	More than		Carrying
	1 year or	1 year but		amount
	on demand	less than	Total	amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans	1,938	30,478	32,416	30,000
Trade and other payables (excluded receipts in advance)	<u>50,312</u>	<u>—</u>	<u>50,312</u>	<u>50,312</u>
	<u>52,250</u>	<u>30,478</u>	<u>82,728</u>	<u>80,312</u>
	At 31 December 2012			
	Contractual undiscounted cash outflow			
	Within	More than		Carrying
	1 year or	1 year but		amount
	on demand	less than	Total	amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans	30,478	—	30,478	30,000
Trade and other payables (excluded receipts in advance)	<u>123,647</u>	<u>—</u>	<u>123,647</u>	<u>123,647</u>
	<u>154,125</u>	<u>—</u>	<u>154,125</u>	<u>153,647</u>

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At 31 December 2013 Contractual undiscounted cash outflow

	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	Total <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
Bank loans	58,630	—	58,630	55,000
Trade and other payables (excluded receipts in advance)	<u>130,389</u>	<u>—</u>	<u>130,389</u>	<u>130,389</u>
	<u><u>189,019</u></u>	<u><u>—</u></u>	<u><u>189,019</u></u>	<u><u>185,389</u></u>

Interest rate risk

Our interest rate risk arises primarily from bank borrowings. Borrowings issued at variable rates exposed us to cash flow interest rate risk. We normally borrow short-term bank loans which have short-term maturity within 1 year in order to limit our exposure to interest rate risk. Our Group's interest rate profiles as monitored by management is set out below.

Interest rate profile

The following table details the interest rate profile of our borrowings at the balance sheet dates:

	At 31 December					
	2011		2012		2013	
	Effective interest rate	Amount <i>RMB'000</i>	Effective interest rate	Amount <i>RMB'000</i>	Effective interest rate	Amount <i>RMB'000</i>
Variable rate borrowings:						
Bank loans	6.405%	<u>30,000</u>	6.405%	<u>30,000</u>	6.60%	<u>55,000</u>
Total borrowings		<u><u>30,000</u></u>		<u><u>30,000</u></u>		<u><u>55,000</u></u>

Sensitivity analysis

As at 31 December 2011, 2012 and 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decrease/increase our profit after tax for the year and retained profits by approximately RMB228,000, RMB225,000 and RMB413,000 respectively. Other components of equity would not be affected by the changes in interest rates.

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

Currency risk

Our businesses are principally conducted in RMB and most of our monetary assets and liabilities are denominated in RMB. Accordingly, the management considers our Group's exposure to currency risk is insignificant.

DISTRIBUTABLE RESERVES

As at 31 December 2013, we had RMB37.53 million of distributable reserves. The distributable reserves of our Company will be increased by any net profit earned, or decreased by any net losses incurred or any distributions made, in subsequent periods.

DIVIDEND POLICY

During the Track Record Period, we have not declared any dividends.

Our Board may declare dividends, if any, after taking into account our results of operations, cash flows and financial condition, operating and capital requirements and other factors as our Board may deem relevant at such time. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries and associated companies may enter into in the future.

Our Directors currently intend to declare in 2015 a dividend of about 30% of our annual net profit after tax attributable to owners of our Company in respect of the year ending 31 December 2014. Such intention does not amount to any guarantee, representation or indication that our Company must or will declare and pay dividends in such manner or at all. The amount of dividend to be declared by our Directors in the future beyond 2015 will depend upon (i) our overall results of operation, (ii) our financial position, (iii) our capital requirements, (iv) our shareholders' interests, (v) our future prospect, and (vi) other factors that our Directors deem relevant. See "Risk factors — Risks Relating to Our Business — Our Company's future dividend policy is subject to the discretion of our Directors".

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UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets was prepared in accordance with Rule 4.29 of the Listing Rules and is for illustration purpose only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets following the Global Offering.

The following unaudited pro forma adjusted consolidated net tangible assets is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Group derived from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, assuming that the Global Offering was completed on 31 December 2013 and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report.

	Consolidated Net Tangible Assets of our Company as at 31 December 2013 RMB'000 (Note 1)	Estimated Net Proceeds from the Global Offering RMB'000 (Note 2 & 4)	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets RMB'000	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets per Share RMB (Note 3)	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets per Share HK\$ (Note 4)
Based on an Offer Price of HK\$4.51 per Share	158,003	410,900	568,903	1.14	1.44
Based on an Offer Price of HK\$3.05 per Share	158,003	272,150	430,153	0.86	1.09

Notes:

- (1) *The consolidated net tangible assets of our Company as at 31 December 2013 is based on the consolidated net assets of our Company of RMB158.00 million as at 31 December 2013, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.*
- (2) *The estimated net proceeds from the Global Offering are based on the Offer Shares and the estimated Offer Prices of HK\$4.51 and HK\$3.05, respectively, after deduction of the underwriting fees and related expenses payable by our Company and does not take into account any shares that may be issued upon exercise of the Over-Allotment Option.*
- (3) *The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments for the estimated net proceeds from the Global Offering payable to our Company as described in note (2) and on the basis that 500,000,000 Shares were in issue assuming that the Global Offering was completed on 31 December 2013 (including Shares in issue as of the date of this prospectus and those Shares to be issued pursuant to the Global Offering and the Capitalisation Issue) without taking into account any Shares which may be offered for sale upon exercise of the Over-Allotment Option.*
- (4) *The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.2626 to RMB1.*
- (5) *No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group subsequent to 31 December 2013.*

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NO MATERIAL ADVERSE CHANGE

We are not aware of any material adverse change in our financial position since 31 December 2013 (being the date as at which our latest audited consolidated financial statements were prepared as set out in Appendix I to this prospectus) and no event has occurred since 31 December 2013 that would materially and adversely affect the financial information shown in the Accountants' Report set forth in Appendix I.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as at the Latest Practicable Date, there is no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

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CONTROLLING SHAREHOLDERS

The Controlling Shareholders of our Company are Mr. Jin, Kingstun Holdings and Koradior Investments. Mr. Jin set up Fiona Trust with his spouse, his children and himself as the beneficiaries and Standard Chartered Trust as the trustee. As a result, Fiona Trust holds the entire issued share capital of Kingstun Holdings, which in turn holds the entire issued share capital of Koradior Investments which is expected to hold approximately 65.25% of the issued share capital of our Company upon the completion of the Global Offering. Immediately after the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and none of the options to be granted under the Share Option Scheme are exercised), our Controlling Shareholders, Mr. Jin, Kingstun Holdings and Koradior Investments, will control the exercise of approximately 65.25% voting rights in the general meeting of our Company.

Our Directors have confirmed that to the best of their knowledge and belief, as at the Latest Practicable Date, none of our Controlling Shareholders and our Directors had any interests in any business, which competes, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective associates after completion of the Global Offering.

Management independence

Our Company's management and operational decisions are made by our Board and the senior management. Our Board comprises three executive Directors and three independent non-executive Directors. Mr. Jin, one of our Controlling Shareholders, is our chief executive officer, chairman and executive Director. Save for Mr. Jin, no other Controlling Shareholder holds any directorship in our Group.

Given such composition of our Board, our Group believes that the independent non-executive Directors will be able to exercise their independent judgment and will be able to provide impartial opinions in the decision-making process of the Board to protect the interests of our Shareholders.

Each of our Directors is aware of his fiduciary duties as a director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Since most of our senior management members have served our Group since the beginning of its business operation and have substantial experience in their respective expertise areas and/or in the industry in which our Company is engaged, our Group believes that they will be able to make business decisions that are in the best interest of our Group. Our Directors and all of our senior

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management team (other than Mr. Deng Shigang and Mr. Guo Zhongqiao who joined in 2012 and 2011 respectively) have been working for our Group during the Track Record Period and are expected to continue to work together to manage our business. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they and the senior management members are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders following the completion of the Global Offering.

Financial independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs and our Group's accounting and finance functions are independent of our Controlling Shareholders. Mr. Jin provided guarantee to and pledged certain buildings owned by him to secure the banking facilities with the carrying amount of RMB30.00 million and RMB30.00 million as at 31 December 2011 and 2012 and the banking facilities granted by relevant banks amount to RMB30.00 million and RMB30.00 million as at the respective dates. The pledge of certain buildings owned by Mr. Jin for our bank borrowings were released during the year ended 31 December 2013. Mr. Jin has also provided guarantee to banking facilities granted by a bank which amount to RMB20.00 million as at 30 April 2014. Mr. Jin and his spouse provided guarantee to the banking facilities with the carrying amount of RMB30.00 million and RMB50.00 million as at 31 December 2013 and 30 April 2014 and the banking facilities granted by relevant banks amount to RMB30.00 million and RMB50.00 million as at the respective dates. Upon completion of the Global Offering, all guarantee provided from Mr. Jin and his spouse will be fully released and assumed by our group companies. The relevant loans will not be required to be repaid at the time such guarantee is released.

Non-trade-related payables (including loans and advances) due to our Controlling Shareholders and their respective associates amounted to RMB19.48 million, RMB31.92 million and RMB34.96 million as at 31 December 2011, 2012 and 2013 respectively. All of such non-trade related payable have already been settled. Our Directors confirm that there are no outstanding loans or borrowing from our Controlling Shareholders and their respective associates as at the Latest Practicable Date. Our Directors also confirm that our Group does not intend to pledge, guarantee or provide financial assistance to or obtain any further borrowings from any of our Controlling Shareholders. Based on the foregoing, our Directors are of the view that our Group is financially independent from our Controlling Shareholders.

Operational independence

Our Group has established its own business independent of that of our Controlling Shareholders. Our Group has established its own organisational structure made up of individual departments, each with specific areas of responsibilities. Our Group has not shared any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and/or their respective associates during the Track Record Period. Our Group has established a set of internal controls to facilitate the effective operation of its business.

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Leasing of premises

In relation to our leasing of premises from our Controlling Shareholders and/or their respective associates, these lease agreements were entered into on normal commercial terms after arm's length negotiations and the rentals payable by our Group are fair and reasonable and are comparable to the market rental of the properties in the same area and of similar grading. Our Directors are of the view that even if these lease agreements are terminated and the relevant premises are no longer available to our Group, our Group would be able to find suitable premises from Independent Third Party landlords in the same area to satisfy its need for alternative premises for its business operation without undue delay or inconvenience.

Production outsourcing

We design, source, market and sell high-end stylish and smart-casual ladies-wear apparel. We have our own design team, and are able to design and offer our customers stylish and high-end designs for all seasons under our *Koradior* and *La Koradior* brands. Our products are sold across an extensive sales network in the PRC and we have independent access to our customers. We have independent access to production materials and independent access to outsourced OEM contractors to outsource our production. None of our Controlling Shareholders or their respective associates is a raw material supplier or intermediary for our raw material suppliers. Save for Yingjia Fashion, none of our Controlling Shareholders or their respective associates is our outsourced OEM contractors.

While Yingjia Fashion may remain as one of our OEM contractors because of our long-standing business relationship, we have been establishing access to an increasing number of Independent Third Party OEM contractors (2011: 44, 2012: 82, 2013: 94) to achieve a more diversified base of OEM contractors. In that regard, our Directors believe that since (i) we have already been outsourcing our production to Independent Third Party OEM contractors, and (ii) we can also outsource our production to other OEM contractors available in the market, we are able to operate independently.

For detail of the above connected transactions, please refer to the section headed "Connected Transactions" of this prospectus.

DEED OF NON-COMPETITION

The Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company, pursuant to which each of the Controlling Shareholders has unconditionally and irrevocably undertakes, jointly and severally, to our Company (for itself and as trustee for the benefit of each of the members of our Group from time to time) that he/it shall not, and shall use his/its best endeavours to procure each of their respective associates not on his/its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on or be engaged in, invest in, participate or attempt to participate in, render any services to, provide any financial support to or otherwise be concerned with or interested in (economically or otherwise), directly or indirectly, whether as a director or a shareholder (other than being a director or a shareholder of our Group), partner, agent or otherwise, in the design, promotion, marketing, sales and distribution of ladies-wear in the PRC as now engaged in by our Company and disclosed in this prospectus, or in any other business that may compete, directly or indirectly with such business ("**Restricted Activity**").

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The above non-competition undertaking does not prevent any of our Controlling Shareholders and/or his/its respective associates:

- from involving in the Restricted Activity derived from a Competing New Business Opportunity pursuant to paragraph (e) below; or
- from holding or being interested in shares or other securities in any company which conducts or is engaged in any Restricted Activity (a “**Subject Company**”), provided that
 - (i) such shares or securities are listed on a recognised stock exchange;
 - (ii) the aggregate equity interest or number of shares held by any of our Controlling Shareholders and his/its associates does not exceed 5.00% of the issued capital or issued shares of the Subject Company; and
 - (iii) any of our Controlling Shareholders and his/its associates do not have board or management control of the Subject Company.

The “control” stated in the Deed of Non-competition means (a) the power (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) to appoint and/or remove all or such of the members of the board of directors or other governing body of an entity or partnership as are able to cast a majority of the votes capable of being cast by the members of that board or body on all, or substantially all, matters, or otherwise to control or have the power to control the policies and affairs of that person; and/or (b) the holding and/or the possession of the beneficial interest in and/or the ability to exercise the voting rights applicable to shares or other securities in any person which confer in aggregate on the holders thereof more than 50.00% of the total voting rights exercisable at general meetings of that person on all, or substantially all, matters.

Further Undertakings from the Controlling Shareholders

Under the Deed of Non-competition, each of our Controlling Shareholders has further undertaken to us the following:

- (a) he/it shall provide, and shall use his/its best endeavours to procure his/its associates to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations, to enable them to review our Controlling Shareholders’ and their associates’ compliance with the Deed of Non-competition, and to enable the independent non-executive Directors to enforce the Deed of Non-competition, including but not limited to any decision described in paragraph (e) below or in relation to the Pre-emptive Right to restrict the transfer;
- (b) without prejudicing the generality of paragraph (a) above, each of our Controlling Shareholders (and on behalf of his/its associates from time to time) shall provide to us annually with an annual declaration for inclusion in our annual report, in respect of compliance with the terms of the Deed of Non-competition;

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- (c) each of our Controlling Shareholders has agreed and authorised our Company to disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, either through our annual report or by way of announcement;
- (d) during the Relevant Period (as defined below), in the event that our Controlling Shareholders or their associates are given any business opportunity relating to the Restricted Activity (the “**Competing New Business Opportunity**”), each of our Controlling Shareholders shall, and shall use his/its best endeavours to procure that his/its associates (other than members of our Group), inform us of any such Competing New Business Opportunity in writing with all available information as soon as practicable and shall use his or her best endeavours to assist us in obtaining such Competing New Business Opportunity on the same or more favourable terms;
- (e) where there is any Competing New Business Opportunity, all independent non-executive Directors but excluding any independent non-executive Directors with conflicted interests will form a committee (the “**Independent Board Committee**”) and in the event that the Independent Board Committee decides that our Group should not take up such Competing New Business Opportunity as referred to in paragraph (d) above within a commercially reasonable period and undertake by written notice, our Controlling Shareholders and their associates may take up such business opportunity and the involvement in the business derived from such Competing New Business Opportunity shall not be regarded as a breach of the Deed of Non-competition; and
- (f) each of our Controlling Shareholders agrees to indemnify us from and against any and all losses, damages, claims, liabilities, costs and expenses (including legal costs and expenses) where we may suffer or incur as a result of any failure to comply with the terms of the Deed of Non-competition by the relevant Controlling Shareholder or his/its associates (other than members of our Group).

Where our Controlling Shareholders and/or their associates has acquired the Restricted Activity pursuant to paragraph (e) above, each of our Controlling Shareholders and/or his/its associates shall provide our Group with pre-emptive right (the “**Pre-emptive Right**”) to acquire any such Restricted Activity under the same circumstances. Where the Independent Board Committee decides to waive our Pre-emptive Right by way of written notice, each of our Controlling Shareholders and/or his/its associates may offer to sell such Restricted Activity to other third parties on such terms which are no more favourable than those made available to our Group.

In deciding whether to exercise the above options, our Directors will consider various factors including the purchase price, the nature of the products and services and their values and benefits, as well as the benefit that they will bring to our Group.

Each of our Controlling Shareholders and/or his/its associates have further unconditionally and irrevocably undertaken that he/it and/or his/its associates will not take advantage of his/its connections with our Group and/or our Shareholders, or his/its position as a shareholder of our Group, to participate or be engaged in any activities which may be detrimental to the interests of our Group and our other Shareholders.

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Each of our Controlling Shareholders has further unconditionally and irrevocably undertaken that except with the prior written consent of our Group, our Controlling Shareholders shall not, and shall use his/its best endeavours procure their respective associates will not, directly or indirectly:

- (a) any time induce or attempt to induce any director, manager or consultant of any member of our Group to terminate his or her employment or consultancy (as applicable) with our Group, whether or not such act of that person would constitute a breach of that person's contract of employment or consultancy (as applicable); or
- (b) alone or jointly with any other person through or as director, manager, adviser, consultant, employee of or agent for or shareholder in any person, firm or company, in competition with any member of our Group, canvass, or solicit or accept orders from or do business with any person with whom any member of our Group has done business or solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Activity to cease to deal with our Group or reduce the amount of business which the person would normally do with our Group or seek to improve their terms of trade with any member of our Group.

For the purposes of the Deed of Non-competition only, the "Relevant Period" means the period commencing from the date on which the Deed of Non-competition becomes effective and shall expire on the earlier of (a) the date when each of our Controlling Shareholders and, as the case may be, any of their associates collectively, cease to hold, or otherwise hold, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a controlling shareholder) of the issued share capital of our Company and is not in a position to control the composition of a majority of our Board; or (b) the date on which our Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of our Shares); and "associates" has the meaning ascribed to it under Rule 1.01 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTEREST

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests between our Controlling Shareholders and our Group will be taken:

- (a) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- (b) our Company will disclose the decisions with basis on matters reviewed by the independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition and our Controlling Shareholders will make an annual declaration on compliance with their undertaking under the Deed of Non-competition either in the annual report of our Company or by way of public announcement;
- (c) the Independent Board Committee of our Company comprising all independent non-executive Directors will be responsible for deciding and given the authority to decide, without attendance by any Directors with beneficial or conflicting interest in the Competing New Business Opportunity referred to our Group by our Controlling Shareholders (or their

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associates other than members of our Group) and the exercise of the Pre-emptive Right under the Deed of Non-competition. The Independent Board Committee comprising all independent non-executive Directors of our Company, taken as a whole, has the relevant expertise and experience in deciding the Competing New Business Opportunity or the exercise of the Pre-emptive Right. For more details of expertise and experience of our independent non-executive Directors, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus. In addition, the Independent Board Committee may, at the costs of our Company and from time to time, engage independent financial adviser and other external professional advisers as they may consider necessary to advise them on the issues which relate to the above matters;

- (d) any transaction (if any) between (or proposed to be made between) our Group and connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review and independent Shareholders’ approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with relevant requirements under the Listing Rules;
- (e) in the event that there is conflict of interest in the operations of our Group and our Controlling Shareholders, any Director, who is considered to be interested in a particular matter or the subject matter, shall disclose his/her interests to our Board. Pursuant to the Articles of Association, should a Director have any material interests in the matter (other than certain matters permitted under note 1 to Appendix 3 to the Listing Rules), he/she shall not vote on the resolutions of the Board approving the same and shall not be counted in the quorum of the relevant Board meeting;
- (f) our Directors will ensure that any material conflict or potential conflict involving our Controlling Shareholders will be reported to our independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered and a board meeting (excluding Mr. Jin) will be held to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities; and
- (g) our Company has appointed Haitong International Capital Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to directors’ duties and internal control measures.

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

POTENTIAL COMPETITION WITH YINGJIA FASHION

Rule 8.10 of the Listing Rules sets out certain disclosure requirements where an applicant’s controlling shareholder or a director is interested in any business apart from the applicant’s business which competes or is likely to compete with the applicant’s business. As disclosed under the paragraph headed “Controlling Shareholders” in this section of the prospectus, to the best of the Directors’ knowledge and belief, none of our Controlling Shareholders and our Directors had interests in any business, which competes, or is likely to compete, either directly or indirectly, with our business which

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would require disclosure under Rule 8.10 of the Listing Rules. While, as at the Latest Practicable Date, none of our Controlling Shareholders and our Directors had any interests in Yingjia Fashion, according to public record, it is approximately 53.00% owned by Ms. Chen Lingmei, the mother of Mr. Jin (one of our Controlling Shareholders and Director). The following information on Yingjia Fashion is disclosed voluntarily for investors' information:

Information on Yingjia Fashion

a. Business

According to public record, Yingjia Fashion was founded in early 2001. It is a privately-owned company incorporated in the PRC, which primarily engaged in the production and processing of ladies-wear. It also sells ladies-wear via its self-operated retail stores and distributors in the PRC. While both our Company and Yingjia Fashion are engaged in the sales of ladies-wear in the PRC, to the best of our Directors' knowledge and belief, the business of Yingjia Fashion is different from that of our Company in the following aspects:

- Target customers of Yingjia Fashion are females between 40 and 55 years of age while that of our Company are females between 30 and 45 years of age;
- Yingjia Fashion's products tend to present a business/professional style while those of our Company tend to present a feminine style;
- Yingjia Fashion has its own manufacturing facilities in Shenzhen and Jiangxi while our Company does not have any manufacturing facilities and has outsourced all of our production activities to external manufacturers.

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As disclosed on the official website of Yingjia Fashion (<http://www.eeka.cn>), as at the Latest Practicable Date, Yingjia Fashion has in total 175 retail stores in the PRC. A comparison of geographical locations of retail stores operated by Yingjia Fashion and our Company is set out below:

	Yingjia Fashion	Our Company (note)
Anhui	2	4
Beijing	9	20
Chongqing	7	17
Fujian	5	7
Ganshu	1	—
Guangdong	18	28
Guangxi	3	5
Guizhou	—	5
Hebei	3	8
Heilongjiang	2	2
Henan	8	5
Hubei	6	9
Hunan	12	10
Jiangsu	23	23
Jiangxi	2	—
Jilin	1	2
Liaoning	4	13
Ningxia	—	1
Shaanxi	10	13
Shandong	10	19
Shanghai	14	20
Shanxi	6	5
Sichuan	18	17
Tianjin	2	6
Xinjiang	1	2
Zhejiang	8	13
Total	175	254

Note: Based on retail store information of our Company as of 31 December 2013

Based on addresses disclosed on the official website of Yingjia Fashion (<http://www.eeka.cn>), as at the Latest Practicable Date, retail stores of Yingjia Fashion can be found in approximately 30% department stores or shopping malls where our retail stores are located. To the best of our Directors' knowledge and belief, the fact that certain Yingjia Fashion's stores could be found in department stores or shopping malls where our retail stores are also located is largely due to the fact that high-end ladies-wear brands (including Yingjia Fashion) tend to set up retail stores in department stores or shopping malls in prime locations and it is common for retail stores of these brands to open in the same department store or shopping mall. This is consistent with the understanding of Frost & Sullivan.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

b. Financial performance

Since Yingjia Fashion is a privately-owned enterprise, we are not able to find any published financial information of Yingjia Fashion from the public domain and we have therefore requested Yingjia Fashion for its financial information. However, we have received feedback that the shareholders and management of Yingjia Fashion have confidentiality obligations owed to Yingjia Fashion and to other external parties and hence we have no access to financial information of Yingjia Fashion. Instead, as requested by our Company, Yingjia Fashion has confirmed that it was profit-making during each of 2011, 2012 and 2013.

c. Shareholding structure

When first incorporated, Yingjia Fashion was 60.00% and 40.00% owned by Mr. Jin and Mr. Jin Rui, respectively. In March 2007, Mr. Jin's interests in Yingjia Fashion were reduced to 15.00% as a result of dilution arising from capital injection by others, including Ms. Chen Lingmei, the mother of Mr. Jin. On 14 May 2012, Mr. Jin transferred his entire interests in Yingjia Fashion to Mr. Jin Rui. Mr. Jin no longer holds any interest, directorship or management role in Yingjia Fashion after the completion of such transfer.

According to public record, Yingjia Fashion was owned as to 53.00% by Ms. Chen Lingmei, Mr. Jin's mother, 29.00% by Mr. Jin Jingquan, Mr. Jin's father and 18.00% by Mr. Jin Rui, Mr. Jin's brother. Its legal representative is Ms. Chen Lingmei and its directors are Ms. Chen Lingmei (Chairman), Mr. Jin Jingquan and Mr. Jin Rui. Its registered capital is RMB180.00 million.

Independence

Our Group is capable of carrying on our business independently. None of our Controlling Shareholders, Directors and senior management and their respective associates (except for Ms. Chen Lingmei, Mr. Jin Jingquan and Mr. Jin Rui) is involved in the management and operation of Yingjia Fashion or is in any position to exercise any influence over the business decisions made by Yingjia Fashion. At the same time, none of the directors or shareholders of Yingjia Fashion is involved in our management and operations or is in any position to exercise any influence over our business decisions.

Although the processing fees we paid to Yingjia Fashion in 2013 accounted for 23.97% of our total purchase of outsourced products and sub-contracting fees in the year, our Directors are of the view that our business and Yingjia's business are not mutually reliant on each other on the following basis:

- (i) our business strategy is formulated independently by our Board and there is no overlapping of directorship between our Board and the board of directors of Yingjia Fashion. Our products are independently developed by the design team with the assistance of external consultants. Our Group has independent access to distributional channels such as department stores, shopping malls and distributors and carries out marketing and promotional activities independently. Our Group also has independent access to raw material suppliers, OEM contractors and funding. Our financial reporting and management functions are also carried out independently by our own professional team;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (ii) we have easy and convenient access to Independent Third Party processing service providers (2011: 44, 2012: 82, 2013: 94) which are readily available in the market at terms similar to those offered by Yingjia Fashion and plan to engage an increasing number of Independent Third Party processing service providers;
- (iii) decreasing proposed annual caps of our processing fees payable to Yingjia Fashion after listing (2014: RMB41.00 million, 2015: RMB36.00 million, 2016: RMB25.00 million); and
- (iv) in addition to engaging in provision of fashion processing services, Yingjia Fashion also has its own brands and engages in design, production and sales of its branded products, which accounts for a large proportion of its business.

After commencement of our Group's business, Mr. Jin has carried out our business independently. Furthermore, Mr. Jin reduced his interests in Yingjia Fashion to 15.00% in March 2007 and subsequently transferred his entire 15.00% interests in Yingjia Fashion to Mr. Jin Rui in May 2012, in order to eliminate the potential conflict as the shareholders of both our Company and Yingjia Fashion.

Given that (i) Mr. Jin has neither interests in Yingjia Fashion nor influence over the shareholders and the management of Yingjia Fashion in relation to the disposal of their equity interests in and/or businesses of Yingjia Fashion to our Group, and (ii) there is neither overlapping management and shareholding nor sharing of assets or resources between Yingjia Fashion and our Group, our Directors and the Joint Sponsors do not consider that any combination of the business of Yingjia Fashion and our Group for listing purpose is feasible or appropriate.

Extent of competition

The high-end ladies-wear market in the PRC is highly fragmented and competitive. According to Frost & Sullivan report, there are more than 500 high-end ladies-wear brands in the PRC and the top 10 brands in aggregate only accounted for 10.67% market share in terms of retail revenue in 2013. There is no single brand dominating the high-end ladies-wear market in the PRC.

Due to the independence of our Group's operations and the competition landscape of the ladies-wear industry, our Directors are of the view that the potential competition exerted by Yingjia Fashion on our Group, is no different from what our Group may experience from other Independent Third Party competitors and is not prejudicial to the interest of our Group.

Processing agreement with Yingjia Fashion

Pursuant to the processing agreement entered into between Shenzhen Koradior and Yingjia Fashion dated 15 March 2014 as supplemented by a supplemental agreement entered into between the same parties dated 9 June 2014, Yingjia Fashion has undertaken not to (i) use the product design, trademarks, labels and packaging of our Company for processing of products of Yingjia Fashion or other Independent Third Party; (ii) infringe or sell or deal with the trademarks of our Company; and (iii) disclose to the public, and to keep, all information in and relating to the processing agreement confidential. The confidentiality obligation of Yingjia Fashion under its subcontracting agreement with our Company is (a) in line with normal market practice, and (b) no different from those embedded in similar agreements our Company signed with other OEM contractors. Such agreement further stipulates that, in case of any infringement of our Company's trademarks, Yingjia Fashion will be required to pay

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

a compensation equivalent to 10 times of the tag price of the relevant products. To ensure Yingjia Fashion's compliance with the agreement and as part of our routine effort to collect updated market information, we, at least once a month, visit retail stores of other market players (including Yingjia Fashion) and will exercise our rights under the agreement if we identify any infringement of our trademarks or product design.

Corporate governance measures

As part of our internal corporate governance, all our Directors and employees will not disclose any confidential information or trade secrets to any Independent Third Party including Yingjia Fashion, unless such disclosure is made to professional advisers on a need-to-know and confidential basis or is otherwise required by the Government or any regulatory authorities under any applicable laws and regulations.

We have also adopted the following corporate governance measures:

- (i) Mr. Jin will declare his interests and will, together with his associates (as the case may be), abstain from voting at the board meetings and general meetings of our Company in respect of the processing services arrangement between Yingjia Fashion and our Group;
- (ii) the processing agreement between our Group and Yingjia Fashion will be subject to compliance with Chapter 14A of the Listing Rules and in particular, the approval of the independent Shareholders of our Company pursuant to Rule 14A.35 of the Listing Rules. The material terms of such processing agreement and the pricing policy adopted by our Group for such arrangement has been disclosed in the section headed "Connected Transactions";
- (iii) the terms of the processing transactions between Yingjia Fashion and our Group will be reviewed by the independent non-executive Directors on a semi-annual basis and their views in respect of these transactions will be disclosed to the Shareholders in compliance with the Listing Rules;
- (iv) the independent non-executive Directors will be provided with a report by the auditors of our Company on all the transactions conducted between our Group and Yingjia Fashion each year and the content of such report will be in compliance with the requirements under Rule 14A.38 of the Listing Rules; and
- (v) our Company's annual reports will contain summaries of the mechanisms in place in the relevant financial year and appropriate disclosure on how these mechanisms have operated during the same period.

Internal control procedures

Processing fees payable to our OEM contractors, including Yingjia Fashion, are determined on the basis of (i) number of procedures involved to process a particular product, (ii) per minute processing fee for a particular procedure, and (iii) time required (in terms of minutes) to complete a particular procedure in processing that product.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

To ensure future transactions with Yingjia Fashion will be on normal commercial terms, we have adopted the following internal control procedures:

- (i) we will develop our own estimate of processing fee based on factors mentioned above and obtain fee quotations from independent comparable OEM contractors for products which require processing services in similar quantities to determine if the price and terms offered by Yingjia Fashion are fair and reasonable and comparable to those offered by independent comparable OEM contractors;
- (ii) we will select the successful OEM contractor based on objective standards such as publicly available raw material prices, the scale and reputation of the relevant OEM contractor, price and quality of processing services and products, and product delivery time and services; and
- (iii) regular reports regarding our Group's purchase of processing services and other relevant information will be provided to the independent non-executive Directors who will conduct semi-annual review of the purchase terms (including whether these are based on factors mentioned above) and the fairness of our Group's basis of selecting its OEM contractors.

Our Directors believe that the above corporate governance measures and internal control procedures will ensure that our Group's transactions with Yingjia Fashion are and will be conducted on normal commercial terms and the terms are not and will not be prejudicial to the interests of our Company and our minority Shareholders.

CONNECTED TRANSACTIONS

Shenzhen Koradior, an indirect wholly-owned subsidiary of our Group has entered into the following transactions with certain parties who are connected persons of our Company.

Type of Transaction	Term	Applicable Listing Rule	Waiver Sought
1. Lease of office with Mr. Jin	From 1 March 2014 to 31 December 2015	Rule 14A.33(3)	None (De minimus transaction)
2. Lease of office with Mr. Wang	From 1 March 2014 to 31 May 2016	Rule 14A.33(3)	None (De minimus transaction)
3. Lease of warehouse with Yingjia Fashion	From 25 February 2014 to 31 December 2016	Rule 14A.34(1)	Reporting and announcement requirements
4. Processing agreement with Yingjia Fashion	From 15 March 2014 to 31 December 2016	Rule 14A.35	Reporting, announcement and independent Shareholders' approval requirements

The transactions above will continue after the Listing, thereby constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

Mr. Jin is our chief executive officer, chairman and executive Director and one of our Controlling Shareholders of our Company and is therefore a connected person of our Company under Rule 14A.11(1) of the Listing Rules. Mr. Wang Sumin (王素敏) (“**Mr. Wang**”) is the brother-in-law of Mr. Jin. Accordingly, Mr. Wang is an associate of Mr. Jin and therefore a connected person of our Company under Rule 14A.11(4)(c)(i) of the Listing Rules. As at the Latest Practicable Date, Yingjia Fashion is 53.00% owned by Ms. Chen Lingmei who is the mother of Mr. Jin. Accordingly, Yingjia Fashion is a connected person of our Company under Rule 14A.11(4)(b)(ii) of the Listing Rules by virtue of it being a company which the mother of Mr. Jin can exercise or control the exercise of more than 50.00% of the voting power at general meetings.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Set out below are the details of the exempted continuing connected transactions entered into between our connected persons and a member of our Group. Pursuant to Rule 14.07 of the Listing Rules, the applicable percentage ratios (other than the profits ratio) of the following exempted continuing connected transactions are on an annual basis, expected to be less than 5.00% and the annual consideration is expected to be less than HK\$1,000,000. By virtue of Rule 14A.33(3) of the Listing Rules, they are exempted from the reporting, announcement requirements and the independent shareholders' approval requirements.

CONNECTED TRANSACTIONS

Lease of office by Mr. Jin

On 1 March 2014, Shenzhen Koradior entered into a lease agreement with Mr. Jin, pursuant to which Shenzhen Koradior leased an office located at 7G, Zone B, Shum Yip Terra's Hongsong Building, Terra 6th Road North, Futian, Shenzhen, the PRC, with a total floor area of approximately 533 sq.m., from Mr. Jin at RMB64,002 per month. The annual rental will not be more than HK\$999,999 if converted into Hong Kong dollars. The term of the lease agreement commenced on 1 March 2014 and will end on 31 December 2015. Shenzhen Koradior may renew the lease agreement upon serving 90-days prior renewal request to Mr. Jin and upon entering into a new lease agreement after negotiation.

By entering into the above lease agreement, our Group will be able to continue to lease the office after the Listing to conduct its business operations without the need to find and relocate to alternative offices.

Lease of office by Mr. Wang

On 1 March 2014, Shenzhen Koradior entered into a lease agreement with Mr. Wang, pursuant to which Shenzhen Koradior leased an office located at 8/F, Zone B, Shum Yip Terra's Hongsong Building, Terra 6th Road North, Futian, Shenzhen, the PRC, with a total floor area of approximately 426 sq.m., from Mr. Wang at RMB51,173 per month. The annual rental will not be more than HK\$999,999 if converted into Hong Kong dollars. The term of the lease agreement commenced on 1 March 2014 and will end on 31 May 2016. Shenzhen Koradior may renew the lease agreement upon serving 90-days prior renewal request to Mr. Wang and upon entering into a new lease agreement after negotiation.

By entering into the above lease agreement, our Group will be able to continue to lease the office after the Listing to conduct its business operations without the need to find and relocate to alternative offices.

Our Directors consider that the office leases stated above are in our Group's ordinary and usual course of business, on normal commercial terms, and their terms are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

It is anticipated that, upon completion of the Listing, certain transactions between a member of our Group and Yingjia Fashion will continue and therefore will constitute non-exempt continuing connected transactions of our Company ("**Non-exempt Continuing Transactions**") for the purposes of the Listing Rules. Such Non-exempt Continuing Connected Transactions include (i) lease of warehouse by Yingjia Fashion and (ii) provision of processing services by Yingjia Fashion.

Lease of warehouse by Yingjia Fashion

Background

On 20 December 2010, Shenzhen Koradior, an indirect wholly-owned subsidiary of our Company, entered into a lease agreement with Yingjia Fashion for a term of two years commencing from 1 January 2011 to 31 December 2012, pursuant to which Shenzhen Koradior leased a warehouse located at Factory 1, Yingjia Factory Zone, North of Huawang Road, Dalang Avenue, Baoan District, Shenzhen, the PRC,

CONNECTED TRANSACTIONS

with a total floor area of approximately 2,000 sq.m., from Yingjia Fashion for storage purpose at RMB40,000 per month. Such lease agreement has already expired on 31 December 2012. On 20 December 2012, Shenzhen Koradior entered into a renewal lease agreement with Yingjia Fashion, pursuant to which Shenzhen Koradior leased a warehouse located at Factory 1, Yingjia Factory Zone, North of Huawang Road, Dalang Avenue, Baoan District, Shenzhen, the PRC (the “**Warehouse**”), with a total floor area of approximately 3,500 sq.m., from Yingjia Fashion for storage purpose at RMB77,000 per month. The term of the lease agreement commenced on 1 January 2013 and will end on 31 December 2014.

Future services

In anticipation of the Global Offering, Shenzhen Koradior entered into a lease agreement with Yingjia Fashion on 25 February 2014 (the “**Lease Agreement**”) which superseded the lease agreement dated 20 December 2012 between Shenzhen Koradior and Yingjia Fashion, pursuant to which Shenzhen Koradior agrees to continue to lease from Yingjia Fashion the Warehouse with a total gross floor area of approximately 3,500 sq.m. for storage purpose. The term of the lease granted under the Lease Agreement is valid from 25 February 2014 to 31 December 2016. The rental of the lease was based on the prevailing market rates, namely, the rental payments for the same or similar properties to be leased by an Independent Third Party in the same or similar region and after arm’s-length negotiations between Yingjia Fashion and our Group.

Under the Lease Agreement, Shenzhen Koradior has the option to sub-lease the whole or part of the warehouse during the initial term of the Lease Agreement to other party with prior written consent from Yingjia Fashion. As such, our Group has the flexibility to relocate to another premise if necessary.

Pursuant to the Lease Agreement, Shenzhen Koradior has a first right of renewal upon serving three-months’ prior written notice to Yingjia Fashion and upon entering into a renewal agreement after negotiation between the parties. Should there be any renewal of the term of the Lease Agreement, our Company will ensure compliance with all relevant requirements under Chapter 14A of the Listing Rules.

Reasons for and benefit of the entering into Lease Agreement

By entering into the Lease Agreement, our Group will be able to continue to lease the warehouse after the Listing to conduct its business operations without the need to find and relocate the relevant business operations to alternative properties or change the relevant logistics arrangements.

Historical transaction amounts

The historical transaction amounts under the warehouse leases between Shenzhen Koradior and Yingjia Fashion were RMB480,000, RMB480,000 and RMB924,000 for the three years ended 31 December 2011, 2012 and 2013 respectively.

Annual caps

Our Directors anticipate that the maximum annual amount of rentals payable to Yingjia Fashion under the Lease Agreement for the years ending 31 December 2014, 2015 and 2016 shall not exceed the cap of RMB924,000, RMB950,000 and RMB950,000 respectively.

CONNECTED TRANSACTIONS

In arriving at the above annual caps, our Directors have considered (i) the historical rental paid by Shenzhen Koradior to Yingjia Fashion; and (ii) the market rental of the properties in the same area and of similar grading as the Warehouse.

Our Directors, after reviewing the Lease Agreement, have confirmed that (i) the terms and conditions of the Lease Agreement are fair and reasonable to the parties thereto; (ii) the proposed annual rental pursuant to the Lease Agreement is comparable to the prevailing market rate and is fair and reasonable; and (iii) the above transaction is made in the ordinary course of business and on normal commercial terms.

Processing Agreement with Yingjia Fashion

Background

Since our Group does not have any in-house production facilities, since the commencement of our business in 2007, Shenzhen Koradior, a wholly-owned subsidiary of our Company, has outsourced the production of our products to third party OEM contractors, including Yingjia Fashion, as our Company believed such strategy would allow us to reduce the amount of fixed assets that it needs to carry on our balance sheet and would generate higher returns on our assets.

Future services

In anticipation of the Global Offering, on 15 March 2014, Shenzhen Koradior entered into a processing agreement with Yingjia Fashion, pursuant to which Yingjia Fashion agreed to provide certain processing and manufacturing services to Shenzhen Koradior, including but not limited to manufacturing products according to (i) the manufacturing standards and processing techniques stipulated by Shenzhen Koradior or (ii) standard samples provided and confirmed by the design team of Shenzhen Koradior and on 9 June 2014, the same parties entered into a supplemental agreement in relation to the pricing policy set out in the paragraph headed “Pricing Policy” below (the “**Processing Agreement**”). The Processing Agreement is for a term from 15 March 2014 to 31 December 2016 and renewable for a further period of three years at our option subject to compliance with applicable requirements of the Listing Rules. We have the right to terminate the agreement at any time before expiration of the Processing Agreement.

Pricing Policy

Processing fees payable to our OEM contractors, including Yingjia Fashion, are determined on the basis of (i) number of procedures involved to process a particular product, (ii) per minute processing fee for a particular procedure, and (iii) time required (in terms of minutes) to complete a particular procedure in processing that product.

CONNECTED TRANSACTIONS

Internal control procedures

To ensure future transactions with Yingjia Fashion will be on normal commercial terms, we have adopted the following internal control procedures:

- (i) we will develop our own estimate of processing fee based on factors mentioned above and obtain fee quotations from independent comparable OEM contractors for products which require processing services in similar quantities to determine if the price and terms offered by Yingjia Fashion are fair and reasonable and comparable to those offered by independent comparable OEM contractors;
- (ii) we will select the successful OEM contractor for individual transaction based on objective standards such as publicly available raw material prices, the scale and reputation of the relevant OEM contractor, price and quality of processing services and products, and product delivery time and services; and
- (iii) regular reports regarding our Group's purchase and other relevant information will be provided to the independent non-executive Directors who will conduct semi-annual review of the purchase terms (including whether these are based on factors mentioned above) and the fairness of our Group's basis of selecting its OEM contractors.

Our Directors believe that the above measures will ensure that our Group's transactions with Yingjia Fashion are and will be conducted on normal commercial terms and the terms are not and will not be prejudicial to the interests of our Company and our minority Shareholders.

The independent non-executive Directors and auditors of our Company will review whether the relevant continuing connected transaction has been entered into based on the principal terms and pricing policies as disclosed in this prospectus. The confirmations of our independent non-executive Directors and auditors will be disclosed annually, as required by the Listing Rules.

Reasons for and benefit of entering into the Processing Agreement

Taking into account our long term cooperation with Yingjia Fashion and their proven quality of services, our Directors consider the Processing Agreement with Yingjia Fashion can provide us with a stable supply of quality services and thus is beneficial to us.

Historical transaction amounts

For the three years ended 31 December 2011, 2012 and 2013, the VAT-inclusive processing fees incurred to Yingjia Fashion amounted to approximately RMB12.72 million, RMB27.75 million and RMB40.94 million (RMB10.88 million, 23.72 million and 34.99 million (net of VAT)), and accounted for approximately 15.50%, 21.41% and 23.97% of our total purchase of outsourced products and sub-contracting fees during the same periods, respectively.

The prices at which we procure the processing services from Yingjia Fashion were determined on the basis of (i) number of procedures involved to process a particular product, (ii) per minute processing fee for a particular procedure, and (iii) time required (in terms of minutes) to complete a particular procedure in processing that product.

CONNECTED TRANSACTIONS

Annual caps

To reduce our reliance on Yingjia Fashion to provide processing services, our Directors anticipate that the maximum amount of processing fees under the Processing Agreement shall not exceed the caps of RMB41.00 million, RMB36.00 million and RMB25.00 million (RMB35.04 million, RMB30.77 million and RMB21.37 million (net of VAT)), respectively, for each of the three years ended 31 December 2014, 2015 and 2016.

In arriving at the above annual caps, our Directors have considered (i) processing fees Shenzhen Koradior paid to Yingjia Fashion during the Track Record Period; and (ii) our access to an increasing number of Independent Third Party processing service providers.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Confirmation from our Directors

Our Directors are of the view that (i) the Non-exempt Continuing Connected Transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and the terms of the Lease Agreement and the Processing Agreement are fair and reasonable and are in the interests of our Company and our Shareholders as a whole; and (ii) the respective proposed annual caps set for the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Confirmation from the Joint Sponsors

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by our Company in relation to the Non-exempt Continuing Connected Transactions and have also conducted due diligence by discussing with our Company and our advisers and have obtained the necessary representations and information from our Company. On this basis, the Joint Sponsors are of the view that (i) the Non-exempt Continuing Connected Transactions have been and shall be entered into in the ordinary and usual course of business, on normal commercial terms, and the terms of the Lease Agreement and the Processing Agreement are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the respective proposed annual caps set for the Non-exempt Continuing Connected Transactions are fair and reasonable as far as our Shareholders are concerned and in the interests of our Company and our Shareholders as a whole.

Listing Rules Implications

As the Non-exempt Continuing Connected Transactions will continue after the Listing on a recurring basis and have been entered into prior to the Listing Date and have been fully disclosed in this prospectus and potential investors will participate in the Global Offering on the basis of such disclosure, our Directors consider that strict compliance with the announcement requirement and/or independent shareholders' approval requirements under the Listing Rules would be unduly burdensome and impractical. As such, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement as set out in Chapter 14A of the Listing Rules for the Lease Agreement and the announcement and independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules for the Processing Agreement subject to (i) the annual caps stated

CONNECTED TRANSACTIONS

above are not exceeded and (ii) that we will comply with Chapter 14A of the Listing Rules, in particular, Rule 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 in relation to the Non-exempt Continuing Connected Transactions.

The applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the Lease Agreement are, on an annual basis, expected to be more than 0.10% but less than 5.00% and the total annual consideration is expected to be HK\$1,000,000 or more. As such, pursuant to Rule 14A.34 of the Listing Rules, the transactions contemplated under the Lease Agreement are exempted from the independent shareholders' approval requirements but are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, the annual review requirements set out in Rule 14A.37 to 14A.40 and the requirements set out in Rule 14A.35(1) and 14A.35(2) of the Listing Rules.

The highest applicable percentage ratio (other than the profits ratio) of the transactions contemplated under the Processing Agreement is, on an annual basis, expected to be 25% or more and the total annual consideration is expected to be HK\$10,000,000 or more. As such, pursuant to Rule 14A.35 of the Listing Rules, the transactions contemplated under the Processing Agreement are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, the independent shareholders' approval requirement set out in Rule 14A.48, the annual review requirements set out in Rule 14A.37 to 14A.40 and the requirements set out in Rule 14A.35(1) and 14A.35(2) of the Listing Rules.

If any terms of the transactions under the Lease Agreement or the Processing Agreement are altered or if our Company enters into any new agreements with any connected persons (within the meaning of the Listing Rules) in the future, our Company must fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those existing as at the Latest Practicable Date on transactions of the kind to which the connected transactions referred to in this prospectus belong, including, but not limited to, requirements that these transactions be subject to reporting, announcement and/or independent shareholders' approval, our Company will take immediate steps to ensure compliance with such requirements within a reasonable time.

In addition, we will comply with all applicable rules as prescribed under Chapter 14A of the Listing Rules unless they are specifically exempted.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the Capitalisation Issue and completion of the Global Offering.

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>1,500,000,000</u>	Shares	<u>15,000,000.00</u>
<i>Issued and to be issued, fully paid or credited as fully paid share capital:</i>		
76,206,780	Shares in issue as at the date of this prospectus	762,067.80
298,793,220	Shares to be issued under the Capitalisation Issue	2,987,932.20
<u>125,000,000</u>	Shares to be issued pursuant to the Global Offering	<u>1,250,000.00</u>
<u>500,000,000</u>	Total	<u>5,000,000.00</u>

ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Global Offering have become unconditional. It takes no account of any Shares (a) which may be issued pursuant to the exercise of the Over-allotment Option; or (b) which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or (c) which may be allotted and repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below or otherwise.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank *pari passu* in all respects with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 6 June 2014, conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company under the Global Offering, our Directors were authorised to capitalise an amount of HK\$2,987,932.20 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 298,793,220 Shares for allotment and issue to Shareholder(s) whose name(s) appear(s) on the register of members of our Company at the close of business on 6 June 2014 (or as our Directors may direct) in proportion (as nearly as possible without involving fractions) to their then respective existing shareholdings in our Company and our Directors were authorised to allot and issue such Shares as aforesaid and to give effect to the Capitalisation Issue and the Shares to be allotted and issued shall rank *pari passu* in all respects with all Shares in issue.

SHARE CAPITAL

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 6 June 2014. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Other Information — Share Option Scheme” in Appendix IV of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the paragraph headed “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make an offer or agreement or to grant an option which would or might require the exercise of such powers, provided that the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted, issued and dealt with by our Directors other than pursuant to:

- (a) a rights issue;
- (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or in part of any dividend on Shares in accordance with our Articles of Association; or
- (c) the Global Offering,

shall not exceed the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering and Capitalisation Issue (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or the options to be granted under the Share Option Scheme); and
- (ii) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in the subsection headed “General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will expire:

- (1) at the conclusion of our next annual general meeting; or
- (2) at the end of the period within which we are required by any applicable laws or our Articles of Association to hold our next annual general meeting; or
- (3) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying such mandate given to our Directors,

whichever is the earliest.

SHARE CAPITAL

For further details of this general mandate, please see the paragraph headed “Statutory and General Information — Further Information About our Company — Written Resolutions of our Shareholders Passed on 6 June 2014” in Appendix IV of this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the paragraph headed “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10.00% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or the options to be granted under the Share Option Scheme).

This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Further Information About our Company — Share Repurchase Mandate” in Appendix IV of this prospectus.

This general mandate to issue Shares will expire:

- (i) at the conclusion of our next annual general meeting; or
- (ii) at the end of the period within which we are required by any applicable laws or our Articles of Association to hold our next annual general meeting; or
- (iii) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying such mandate given to our Directors,

whichever is the earliest.

For further details of this general mandate, please see the paragraph headed “Further Information About our Company — Written Resolutions of our Shareholders Passed on 6 June 2014” in Appendix IV of this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, the following persons will have an interest or a short position in the Shares or underlying shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10.00% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of shareholder	Nature of interest and capacity	Number of Shares held after the Global offering	Approximate % of shareholding after the Global offering
Mr. Jin (<i>Note 1</i>)	Founder of a discretionary trust	326,250,500	65.25%
Standard Chartered Trust (<i>Note 2</i>)	Trustee	326,250,500	65.25%
Kingstun Holdings (<i>Note 2</i>)	Interest in a controlled corporation	326,250,500	65.25%
Koradior Investments (<i>Note 1</i>)	Beneficial owner	326,250,500	65.25%
Ms. Jinny Chui (<i>Note 3</i>)	Interest in a controlled corporation	41,249,578	8.25%
Sisu Holdings Limited (<i>Note 3</i>)	Beneficial owner	41,249,578	8.25%

Notes:

1. *These shares are held by Koradior Investments. The entire issued share capital of Koradior Investments is wholly-owned by Kingstun Holdings, the entire issued share capital of which is in turn wholly-owned by Standard Chartered Trust (through its nominee SCTS Capital Pte Ltd) as trustee of the Fiona Trust. The Fiona Trust is a discretionary trust set up by Mr. Jin as settlor. The beneficiaries of Fiona Trust are Mr. Jin, his spouse and his children. Mr. Jin as founder of Fiona Trust is taken to be interested in the 326,250,500 Shares held by Koradior Investments by virtue of Part XV of the SFO.*
2. *Standard Chartered Trust (through its nominee SCTS Capital Pte Ltd), as trustee of Fiona Trust, which was established by Mr. Jin as settlor in favour of the beneficiaries of Fiona Trust, held 100% of the issued share capital of Kingstun Holdings, which in turn held 100% of the issued share capital of Koradior Investments.*
3. *Sisu Holdings Limited is wholly-owned by Ms. Jinny Chui, an Independent Third Party.*

For persons who are directly and/or indirectly interested in 10.00% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of any other members of the Company, please refer to the paragraph headed “Further Information about our Directors and Substantial Shareholders — Disclosure of Interests” in Appendix IV of this prospectus.

Save as disclosed herein, so far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares that may be taken up under the Global Offering and the Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, there are no other persons who will

SUBSTANTIAL SHAREHOLDERS

have beneficial interests or short positions in any Shares or underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10.00% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

Our Board of Directors consists of six Directors, three of whom are independent non-executive Directors. Our senior management consists of four members, being the sales director, design director, E-commerce director and operations director. The following table sets out certain information concerning our Directors and senior management members:

Name	Age	Position	Date of Appointment	Date of Joining	Roles and Responsibilities
Mr. JIN Ming (金明)	43	Executive Director, Chief Executive Officer and Chairman	23 March 2012	March 2007	overall corporate strategies, planning and business development of our Group
Ms. HE Hongmei (賀紅梅)	41	Executive Director and General Manager	5 March 2014	March 2007	overseeing the whole business unit, overall business planning and strategy execution of our Group
Mr. DENG Shigang (鄧仕剛)	41	Executive Director and Chief Financial Officer	5 March 2014	June 2012	overall financial management and operation of our Group
Mr. WONG Wai Kong (黃偉栢)	48	Independent Non-executive Director	6 June 2014	6 June 2014	participating in the decision-making of our Company's significant events; and advising on issues such as corporate governance, connected transactions, audit, remuneration and nomination of Directors and senior management
Mr. HUNG Man Sing (洪文星)	60	Independent Non-executive Director	6 June 2014	6 June 2014	participating in the decision-making of our Company's significant events; and advising on issues such as corporate governance, connected transactions, audit, remuneration and nomination of Directors and senior management
Mr. ZHONG Ming (鐘鳴)	44	Independent Non-executive Director	6 June 2014	6 June 2014	participating in the decision-making of our Company's significant events; and advising on issues such as corporate governance, connected transactions, audit, remuneration and nomination of Directors and senior management
Mr. GUO Zhongqiao (郭忠橋)	34	Sales director	1 November 2011	November 2011	overseeing sales and operation of our Group
Mr. HU Qi (胡琦)	35	Design director	15 March 2007	March 2007	overseeing design and development of ladies-wear for our Group
Mr. WU Ting (吳頌)	37	E-commerce director	1 February 2013	March 2007	overseeing operation, management and development of e-commerce of our Group
Ms. HU Lifen (胡麗芬)	43	Operations director	1 April 2013	March 2007	overseeing operations and management of our supply chain

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our Directors and the senior management of our Group do not have any relationships with one another, other than being our Directors and senior management of our Group.

Executive Directors

Mr. JIN Ming (金明), aged 43, is the founder and chief executive officer of our Group. He is also the chairman of our Board and was appointed as a Director on 23 March 2012 and re-designated as an executive Director on 5 March 2014. Mr. Jin has over 10 years of experience in the ladies-wear fashion and retail industry and is primarily responsible for our overall corporate strategies, planning and business development. In May 2001, Mr. Jin started working at Yingjia Fashion, our Connected Person and our largest OEM contractors as at the Latest Practicable Date, as a marketing manager, in which he has gained extensive management experience in the ladies fashion and retail industry. He was then responsible for retail channels' development and maintenance. In January 2003, he became the general manager of marketing of Yingjia Fashion and was put in charge of brand promotion, the development and maintenance of sales channel and retail activities. In March 2007, he was appointed as chairman of the board of our Group. Mr. Jin graduated from University of Science and Technology of China (中國科學技術大學) with a Bachelor Degree of Arts in English for Science and Technology* (科技英語) in Anhui Province in July 1992 and completed his Executive Master of Business Administration from China Europe International Business School (中歐國際工商學院) in Shanghai in October 2013. Mr. Jin is also the sole director of Koradior Investment, one of our Controlling Shareholders. For the past three years immediately preceding the date of this prospectus, Mr. Jin has not been a director of any listed company.

Ms. HE Hongmei (賀紅梅), aged 41, was appointed as one of our executive Directors on 5 March 2014. Ms. He is mainly responsible for overseeing the whole business unit, overall business planning and strategy execution. Ms. He joined our Group in March 2007 and has approximately 20 years' experience in the ladies-wear industry, including sales, business operation and procurement. Ms. He studied in Business and Enterprise Management* (商業企業管理) in Huangshi Finance and Trade School* (黃石市財貿學校大冶中等專業學校) in Huangshi, Hubei Province from September 1995 to July 1997. Before she joined Yingjia Fashion in 2001, she worked in Hubei Daye Textile Company* (湖北省大冶市紡織品公司) for nearly 6 years. In May 2001, Ms. He joined the customer service team of Yingjia Fashion and was promoted as the regional head in July 2002. Since March 2007, she started working for Shenzhen Koradior as the director of brand business department and became the general manager of Shenzhen Koradior in January 2009. For the past three years immediately preceding the date of this prospectus, Ms. He has not been a director of any listed company.

Mr. DENG Shigang (鄧仕剛), aged 41, was appointed as one of our executive Directors on 5 March 2014. Mr. Deng joined our Group in June 2012 as the Chief Financial Officer, responsible for the overall financial management and operation of our Group. Mr. Deng has over 15 years of experience in finance and accounting. From April 1999 to August 2000, he was the financial manager of Guangzhou Panyu MCP Industries Co., Ltd.* (廣州番禺美特包裝有限公司) which is a subsidiary wholly-owned by CPMC Holdings Limited (Stock code: 906). From January 2001 to July 2003, he was the financial manager of Ming Fai Enterprise (Shenzhen) Co., Ltd (明輝實業(深圳)有限公司), a subsidiary of Ming Fai International Holdings Limited (stock code: 3828). From August 2003 to April 2012, he was employed by a subsidiary of Kam Hing International Holdings Limited (stock code: 2307) in which his last position is Deputy General Manager, a company listed on the Stock Exchange which is engaged in the production and sale of garment and textile. He received his Bachelor of Economics Degree majoring

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

in Accounting and Auditing and Master of Business Administration from Sun Yat-sen University (中山大學) in Guangzhou, Guangdong Province in June 1995 and June 2001 respectively. He became a qualified member of The Chinese Institute of Certified Public Accountants in January 2001. For the past three years immediately preceding the date of this prospectus, Mr. Deng has not been a director of any listed company.

Independent Non-executive Directors

Mr. WONG Wai Kong (黃偉桃), aged 48, was appointed as an independent non-executive Director on 6 June 2014. Mr. Wong obtained a Bachelor Degree of Business Administration from the Hong Kong Baptist University in Hong Kong in November 1990, a Master Degree of Business Administration from the University of Sheffield in the United Kingdom in May 1995 and a Master Degree of Science in Business Information Technology from the Middlesex University in the United Kingdom in January 2003. Mr. Wong was admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants in December 2010 and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom in August 2003. Mr. Wong has over 15 years of experience in corporate finance, financial advisory and management, professional accounting and auditing. Mr. Wong has worked as an auditor in two international accounting firms for 5 years. He worked as a chief financial officer from December 2002 to September 2008 and has been an executive director since October 2008 in Kam Hing International Holdings Limited (stock code: 2307), a company listed on the Stock Exchange which is engaged in the production and sale of garment and textile. Save as disclosed above, for the past three years immediately preceding the date of this prospectus, Mr. Wong has not been a director of any listed company.

Mr. HUNG Man Sing (洪文星), aged 60, was appointed as an independent non-executive Director on 6 June 2014. Mr. Hung has been engaged in the fashion retail and manufacturing industry for nearly 30 years and obtained extensive experience in fashion retail management, producing technology innovation and supply chain management. Since June 1986, Mr. Hung has been the products manager of A.M.K. Garment Centre. In 1986, he joined Fun Corporation Limited as a senior consultant and promoted as a director in 1988. Since December 1992, he has also been the China business manager of United Colors of Benetton. From February 1992 to July 1997, he served as director of China Xiamen Benefun Corporation Group* (中國廈門奮發企業集團). In March 2001, he was employed as Chairman of CHM Clothing & Accessories Association Limited, taking responsibility for company's business and management in Hong Kong. In January 2006, Mr. Hung was appointed as Chairman of ZHK Cyber (International) Technology Holdings Limited and primarily responsible for the company's business and management within Hong Kong, China and Southeast Asia. From May 2005 to June 2008, Mr. Hung was the chairman of PNG Resources Holdings Limited, formerly known as LeRoi Holdings Limited (stock code: 221), a company listed on the Stock Exchange which was then engaged in the trading of fashion apparel to the PRC market. Since December 2010, he has been acting as a general manager of Amvescap Consultancy Limited* (中亞亞太(國際)顧問諮詢有限公司). In August 2007, he became a member of the Hong Kong Institute of Directors. For the past three years immediately preceding the date of this prospectus, Mr. Hung has not been a director of any listed company.

Mr. ZHONG Ming (鐘鳴), aged 44, was appointed as an independent non-executive Director on 6 June 2014. He graduated from University of Science and Technology of China (中國科學技術大學) with a Bachelor Degree of Science in Biology in Anhui Province in July 1992 and completed his Executive Master of Business Administration from China Europe International Business School (中歐國

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

際工商學院) in Shanghai in September 2007. From July 1992 to January 2002, Mr. Zhong worked for Procter & Gamble (Guangzhou) Limited* (廣州寶潔有限公司) as a brand manager. Then he joined Wall's (China) Co, Ltd. Shanghai Branch (和路雪(中國)有限公司上海分公司) as vice president of marketing from August 2003 to June 2006. He was employed by Reckitt Benckiser Household Products (China) Co., Ltd (利潔時家化 (中國)有限公司) as marketing director from June 2006 to June 2008. From June 2012 to November 2013, Mr. Zhong worked as the senior vice president of operation of TPG Huhua (Shanghai) Equity Investment Management Enterprise (Limited Partnership). For the past three years immediately preceding the date of this prospectus, Mr. Zhong has not been a director of any listed company.

Save as disclosed above, there is no other information in respect of our Directors that is discloseable pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of our Shareholders.

Senior Management

Mr. GUO Zhongqiao (郭忠橋), aged 34, is the sales director of our Group. Mr. Guo joined our Group in November 2011 and oversees the sales and operation of our Group. Mr. Guo has over 9 years of experience in sales and distribution in fashion industry. Prior to joining our Group, Mr. Guo has been the region manager and director of self-operated distribution of Yingjia Fashion from July 2005 to October 2011. He was a manager of the Northern region for the marketing department of Shenzhen Taiming Fashion Limited* (深圳市臺茗服飾有限公司) from February 2004 to June 2005. He obtained an Adult Education Graduation Certificate in Computer and Information Management* (電腦與信息管理) from Jiangxi Economic Administration Cadres College* (江西經濟管理幹部學院) in Nanchang, Jiangxi Province in July 1999. Mr. Guo has not held any directorship in any listed company in the past three years immediately preceding the date of this prospectus.

Mr. HU Qi (胡琦), aged 35, is the design director of our Group. Mr. Hu joined our Group in March 2007 and primarily takes responsibility for the design and development of ladies-wear of our Group. Mr. Hu has over 12 years of experience in fashion design. Prior to joining our Group, Mr. Hu was the chief designer of Shenzhen Fei Ying Si Fashion Limited* (深圳市飛影思服飾有限公司) from June 2004 to August 2006. He also worked in the design team for Shenzhen Zeyuan Houye Fashion Co., Ltd.* (深圳市澤源厚業時裝有限公司) from May 2003 to June 2004 and Shenzhen Yezi Garment Limited* (深圳市葉子服裝實業有限公司) from September 2001 to May 2003. He obtained a bachelor degree in Fashion Art and Design* (服裝藝術設計) from the Hubei Academy of Fine Arts* (湖北美術學院) in Wuhan, Hubei Province in July 2001. Mr. Hu has not held any directorship in any listed company in the past three years immediately preceding the date of this prospectus.

Mr. WU Ting (吳頌), aged 37, is the e-commerce director of our Group. Mr. Wu joined our Group in March 2007 and primarily takes responsibility for the operation, management and development of e-commerce of our Group. He has been the manager of our operations and sales department from March 2007 to March 2010 and senior manager of our planning department from March 2010 to February 2013. Mr. Wu has over 12 years of experience in sales, operation, and marketing in the apparel industry. Prior to joining our Group, Mr. Wu has been the manager of the products department, the operations department and marketing department of Yingjia Fashion during the period from October

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

2001 to January 2007. He obtained a bachelor degree in Fashion Design* (服裝) from Suzhou University* (蘇州大學) in Suzhou, Jiangsu Province in June 1999. Mr. Wu has not held any directorship in any listed company in the past three years immediately preceding the date of this prospectus.

Ms. HU Lifan (胡麗芬), aged 43, is the operations director of our Group, primarily responsible for the operations and management of the supply chain of our Group. Ms. Hu joined our Group in March 2007 and has been the manager of our product planning department till March 2013. Ms. Hu has over 12 years of experience in marketing and production planning of fashion companies. Prior to joining our Group, Ms. Hu was the manager of products department of Yingjia Fashion from December 2005 to March 2007. She was a marketing manager for Shenzhen Yinzuo Fashion Limited* (深圳市銀座時裝有限公司) from July 2001 to December 2005. She passed the specialty test in accounting in Zhongnan University of Economics* (中南財經大學), which is Zhongnan University of Economics and Law (中南財經政法大學) now in Wuhan, Hubei Province in December 1999. Ms. Hu has not held any directorship in any listed company in the past three years immediately preceding the date of this prospectus.

All of our senior management are currently working at our headquarters which address is at 7/F, B Block, Hongsong Building, Terra 9th Road, Futian District, Shenzhen, Guangdong, the PRC.

JOINT COMPANY SECRETARIES

Ms. WU Huiming (吳惠明), aged 33, is one of the joint company secretaries of our Company, primarily responsible for company secretarial affairs and coordination of investor relations of our Group. Ms. Wu joined our Group as a strategic planner in November 2012. Ms. Wu has over 3 years of experience in strategic research and mergers and acquisition affairs. From October 2009 to November 2012, Ms. Wu was an analyst and a senior analyst of the strategic investment department of Shenzhen World Union Properties Consultancy Co., Limited (SZ: 002285 深圳世聯行地產顧問股份有限公司), a company listed on the Shenzhen Stock Exchange. She worked as the business manager in the purchasing department from August 2005 to October 2006 and product market engineer in the trade department from July 2003 to August 2005 for Shenzhen Eyang Technology Development Co., Limited (深圳市宇陽科技發展有限公司), which is engaging in electronic manufacturing services and a subsidiary of Eyang Holdings (Group) Co. Limited (stock code: 117). She obtained her Bachelor of Economics in International Economics and Trade from University of Science and Technology Beijing (北京科技大學) in Beijing in July 2003 and a Master Degree in Business and Administration from Tsinghua University (清華大學) in Beijing in July 2009.

Mr. LEUNG Ka Wai (梁嘉偉), aged 43, is one of the joint company secretaries of our Company, primarily responsible for company secretarial affairs of our Group. Mr. Leung is a member of the Hong Kong Institute of Certified Public Accountants. He was also admitted as a solicitor in Hong Kong in 2000 and is currently a partner in Michael Li & Co.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since the principal business and operations of our Group are located in the PRC, members of our senior management are and will therefore be expected to continue to be based in the PRC. None of our executive Directors are Hong Kong permanent residents or ordinarily based in Hong Kong. Our Company has applied to the

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Stock Exchange for a waiver from the strict compliance with the requirement under Rule 8.12 of the Listing Rules. For details of the waiver, please see the paragraph headed “Waivers from Strict Compliance with the Listing Rules — Management Presence in Hong Kong” in this prospectus.

BOARD COMMITTEES

Audit Committee

We have established a Board audit committee pursuant to a resolution of our Directors passed on 6 June 2014 with written terms of reference in compliance with Rules 3.21, 3.22 and 3.23 of the Listing Rules and the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to maintain relationship with our auditors, review our financial information and oversee our financial reporting system and internal control procedures.

The audit committee currently consists of three independent non-executive Directors. The members of the audit committee are currently Mr. Wong Wai Kong, Mr. Hung Man Sing and Mr. Zhong Ming and the chairman is Mr. Wong Wai Kong, our independent non-executive Director possessing the appropriate professional qualification.

Remuneration Committee

We have established a Board remuneration committee pursuant to a resolution of our Directors passed on 6 June 2014 in compliance with the Code on Corporate Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary function of the remuneration committee is to make recommendations to our Board on our Company’s policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy.

The remuneration committee currently consists of three independent non-executive Directors. The members of the remuneration committee are currently Mr. Hung Man Sing, Mr. Wong Wai Kong and Mr. Deng Shigang. It is currently chaired by Mr. Hung Man Sing, an independent non-executive Director.

Nomination Committee

We have established a Board nomination committee pursuant to a resolution of our Directors passed on 6 June 2014 in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular our chairman and chief executive officer.

The nomination committee currently consists of Mr. Hung Man Sing, Mr. Wong Wai Kong and Mr. Jin and is currently chaired by Mr. Jin.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE ADVISER

We have appointed Haitong International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will provide advice to us when consulted by us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) if a transaction which might be a notifiable or connected transaction is contemplated, including share issues and share repurchases;
- (c) if we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or when our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) if the Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of the Shares or any other matters in accordance with Rule 3.10 of the Listing Rules.

The term of this appointment shall commence on the Listing Date and is expected to end on the date on which we distribute our annual report in respect of the financial results for the first full financial year commencing after the Listing Date.

SHARE OPTION SCHEME

The Share Option Scheme was adopted pursuant to the written resolutions of the Shareholders of our Company passed on 6 June 2014. The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broad basis of participation, will enable us to reward our employees, our Directors and other selected participants for their contributions to us. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set out in the paragraph headed “Other Information — Share Option Scheme” in Appendix IV of this prospectus.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate remuneration (including fees, basic salaries, allowances and other benefits, contributions to retirement benefit scheme and discretionary bonuses) paid to our Directors for the three years ended 31 December 2011, 2012 and 2013 were approximately RMB893,000, RMB1,210,000 and RMB1,914,000, respectively.

The aggregate remuneration (including basic salaries, allowances and other benefits, contributions to retirement benefit scheme and discretionary bonuses) paid to our senior management for the three years ended 31 December 2011, 2012 and 2013 were approximately RMB503,000, RMB875,000 and RMB1,463,000, respectively.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The aggregate remuneration (including fees, basic salaries, allowances and other benefits, contributions to retirement benefit scheme and discretionary bonuses) paid to our Company's five highest paid individuals for the three years ended 31 December 2011, 2012 and 2013 were approximately RMB1,561,000, RMB2,039,000 and RMB2,824,000, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest-paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

There was no arrangement under which a director waived or agreed to waive any remuneration for any of the three years ended 31 December 2013.

Save as disclosed above, no other payments have been made or are payable in respect of the three years ended 31 December 2011, 2012 and 2013 by any of member of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration payable to, and benefits in kind receivable by, our Directors in respect of the year ending 31 December 2014 to be approximately RMB2.95 million.

EMPLOYEES

As at 31 March 2014, we had a total of 1,830 full-time employees, broken down by department as follows:

Function	Number of Employees
Management, administration and finance	51
Product design and research and development	96
Sales and marketing	1,615
Procurement, logistics and quality control	<u>68</u>
Total	<u><u>1,830</u></u>

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

CORPORATE GOVERNANCE CODE

Pursuant to code provision A.2.1 of the Corporate Governance Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, Mr. Jin currently performs these two roles in our Company. Given the current scale of our operations and our management structure, we consider that entrusting Mr. Jin to perform both the functions of the chairman of our Board and the chief executive officer of our Company is appropriate.

Our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired considering the background and experience of our Directors and the number of independent non-executive Directors on the Board and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the paragraph headed “Business — Business strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$3.78 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$425.26 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-Allotment Option is not exercised.

We currently intend to use such net proceeds of the Global Offering as follows:

- approximately 50.00% or HK\$212.63 million, for establishing new self-operated retail stores. Currently, we plan to establish:
 - 37 self-operated retail stores in the second half of 2014 with approximately HK\$50.54 million (approximately 11.88% of total net proceeds), of which we plan to establish around 26 retail stores in department stores with approximately HK\$33.23 million and around 11 retail stores in shopping malls with approximately HK\$17.31 million;
 - 75 self-operated retail stores in 2015 with approximately HK\$105.32 million (approximately 24.77% of total net proceeds), of which we plan to establish around 43 retail stores in department stores with approximately HK\$54.96 million and around 32 retail stores in shopping malls with approximately HK\$50.36 million;
 - self-operated retail stores with approximately HK\$56.77 million in 2016 (approximately 13.35% of total net proceeds).

We are not able to provide the exact number of new self-operated retail stores to be established for 2016 and beyond and amount of investments beyond 2016 at this stage because our management team would need to review and assess (i) operating results of the new self-operated retail stores set up in 2014 and 2015; (ii) the market condition at the time; and (iii) the availability of suitable locations, before making decisions to establish additional self-operated retail stores in 2016 and beyond. Our budgeted initial set-up cost for each self-operated retail store in department stores is estimated to be approximately HK\$1.28 million on average, including approximately HK\$328,000 for store decoration and purchase of furniture and equipment for each retail store and the remaining for inventory and prepayment of rental. Our budgeted initial set-up cost for each self-operated retail store in shopping malls is estimated to be approximately HK\$1.57 million on average, including approximately HK\$631,000 for store decoration and purchase of furniture and equipment for each retail store and the remaining amount for inventory and prepayment of rental;

- approximately 20.00% or HK\$85.05 million to develop our new brands of our Group, including *La Koradior* and *Koradior elsewhere* brands, of which (i) approximately HK\$60.56 million (approximately 14.24% of total net proceeds) as initial set-up cost including costs

FUTURE PLANS AND USE OF PROCEEDS

relating to research and development, procurement of raw materials, sample creation, and building of inventories in the second half of 2014 and the year ending 31 December 2015; (ii) approximately HK\$10.08 million (approximately 2.37% of total net proceeds) for advertising and promotion in the second half of 2014 and the year ending 31 December 2015 and (iii) approximately HK\$14.41 million (approximately 3.39% of total net proceeds) as initial set-up cost and costs relating to advertising and promotion in 2016, majority of which is expected to be applied on advertising and promotion since the set-up of retail stores is expected to be completed the year ending 31 December 2015;

- approximately 10.00% or HK\$42.53 million for further development of our e-commerce business including costs for research and development, advertisement and promotion and as salaries of new staff;
- approximately 10.00% or HK\$42.53 million for *Koradior* brand promotion and marketing, such as placing advertisements in airports, on the internet and other new media and participating and organising fashion shows;
- approximately 5.00% or HK\$21.26 million for upgrading our ERP system to enable us to manage information relating to our whole business including finance system and our supply chain and distribution under one integrated system; and
- the remaining approximately 5.00% or HK\$21.26 million for working capital and general corporate purposes.

If the Offer Price is fixed at HK\$4.51 per Offer Share (being the high end of the Offer Price range stated in this prospectus) and assuming the Over-Allotment Option is not exercised, we will receive additional net proceeds of approximately HK\$87.59 million.

If the Offer Price is fixed at HK\$3.05 per Offer Share (being the low end of the Offer Price range stated in this prospectus) and assuming the Over-Allotment Option is not exercised, the net proceed we receive will be reduced by approximately HK\$87.59 million.

In the event the Over-Allotment Option is exercised in full and assuming an Offer Price of HK\$3.78 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$68.03 million.

To the extent that the net proceeds of the Global Offering (including the net proceeds from the exercise of the Over-Allotment Option) are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes, we currently intend to deposit such net proceeds into short-term interest-bearing deposits and/or money market instruments.

UNDERWRITING

HONG KONG UNDERWRITERS

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CIMB Securities Limited

Haitong International Securities Company Limited

Co-Lead Managers

KGI Asia Limited

RHB OSK Securities Hong Kong Limited

Qilu International Securities Limited

Bright Smart Securities International (H.K.) Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 12,500,000 Hong Kong Public Offer Shares and the International Offering of initially 112,500,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Public Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and certain other conditions set forth in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators (on behalf of the Underwriters) and our Company agreeing upon the Offer Price) being satisfied (or, as the case may be, waived), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offer Shares in aggregate, now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

UNDERWRITING

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares are subject to termination by written notice from the Joint Global Coordinators, if, at any time prior to 8:00 a.m. on the Listing Date:

- (1) there develops, occurs, exists or comes into force any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or representing a change or development, or prospective change or development concerning or relating to:
 - (i) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the Cayman Islands, the United States, Canada, any member of the European Union, Japan, Singapore or any other relevant jurisdiction (each a “Relevant Jurisdiction”); or
 - (ii) any local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation, conditions in stock, equity securities and bond markets, money and foreign exchange markets and inter-bank markets), or any monetary or trading settlement system or matters and/or disaster (including, without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or an appreciation of the Renminbi against the currency of any of the United States, the European Union, the United Kingdom or Japan) in or affecting any Relevant Jurisdiction; or
 - (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency of war, epidemic, pandemic, outbreak of disease, economic sanction, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), riot, public disorder, economic sanctions or acts of God) in or affecting any Relevant Jurisdiction; or
 - (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or any Relevant Jurisdiction or the Global Offering; or
 - (v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Tokyo Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, Cayman Islands, Hong Kong,

UNDERWRITING

Japan or the PRC declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or

- (vi) any adverse change or development involving prospective adverse change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (vii) any Director being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any action against any Director in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action; or
- (viii) a contravention by any member of the Group of a material provision of the Companies Ordinance or Companies (Winding Up and Miscellaneous Provisions) Ordinance or companies law of Cayman Islands or the Listing Rules or the laws of such member company's own jurisdiction; or
- (ix) the issue or requirement to issue by our Company of a supplementary prospectus, Application Form pursuant to the Companies Ordinance or Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the sole opinion of the Joint Global Coordinators, materially adverse to the marketing for or implementation of the Global Offering; or
- (x) any adverse change or development involving a reasonably likely adverse change of any of the risks set out in the section headed "Risk Factors" in this prospectus or the occurrence of any such events therein; or
- (xi) any demand by creditors for repayment of indebtedness or a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (xii) any litigation or claim being threatened or instigated against our Company or any member of the Group or any Director; or
- (xiii) the chairman and chief executive officer of our Company vacating his or her office for any reason,

which in any such case, whether individually or in aggregate, and in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

UNDERWRITING

- (a) is or may or will be or is reasonably likely to be materially adverse to, or prejudicially affect, the general affairs or the business or financial or trading or other condition or prospects of our Company and its subsidiaries taken as a whole; or
 - (b) has or may have or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering and/or make it impracticable, incapable, inexpedient or inadvisable for any part of the Hong Kong Underwriting Agreement (including underwriting), the International Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged or which prevents the processing of applications and/or payments pursuant to the Global Offering or underwriting thereof; or
 - (c) makes or will or is likely to make it impracticable, inexpedient or inadvisable to proceed with or to market the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the Application Form, this prospectus and the formal notice.
- (2) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters:
- (i) that any statement contained in the this prospectus, Application Form, the formal notice and any notices, announcements, advertisements, communications, or other documents in the agreed form issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become untrue, incorrect or incomplete in any material respect or misleading, or that any forecasts, estimates, expression of opinion, intention or expectation expressed in such documents are not in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or
 - (iii) any of the warranties given by our Company and our Controlling Shareholders in the Hong Kong Underwriting Agreement is (or might when repeated be) being untrue or misleading or inaccurate in any respect; or
 - (iv) any event, act or omission which gives or is likely to give rise to any material liability of our Company pursuant to the indemnities given by our Company under the Hong Kong Underwriting Agreement and the International Underwriting Agreement; or
 - (v) any breach of any of the obligations or undertakings of our Company and our Controlling Shareholders under the Hong Kong Underwriting Agreement and the International Underwriting Agreement which has or may have or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering or the business or financial conditions or prospects of the Group; or

UNDERWRITING

- (vi) any breach of any of the obligations of any party (other than the Joint Global Coordinators or the Underwriters, if applicable) to any of the operative documents (as defined in the Hong Kong Underwriting Agreement) which has or may have or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering or the business or financial conditions or prospects of the Group; or
- (vii) any material adverse change or development involving prospective material adverse change in the assets, liabilities, conditions, earnings, profits, losses, business, properties, results of operations, in the financial or trading position or prospects or performance of our Company and its subsidiaries taken as a whole; or
- (viii) any of our Reporting Accountants, Frost & Sullivan as our industry consultant, Conyers Dill & Pearman (Cayman) Limited as our Company's special legal counsel on Cayman Islands law, or Shu Jin Law Firm as our legal advisers as to PRC law has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, opinions and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (ix) our Company withdraws this prospectus and the Application Form or the Global Offering;

then the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) may in its sole discretion and upon giving notice to our Company on or prior to 8:00 a.m. on the Listing Date, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

(A) Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except in certain circumstances provided under Rule 10.08 of the Listing Rules.

UNDERWRITING

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, except pursuant to the Global Offering (including the Over-allotment Option), it/he shall not and shall procure that the relevant registered holder(s) shall not unless in compliance with the requirements of the Listing Rules:

- (i) in the period commencing on the date by reference to which disclosure of its/his shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner; and
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests, or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder of our Company.

Note 2 of Rule 10.07 of the Listing Rules provides that Rule 10.07 does not prevent a Controlling Shareholder from using the Shares beneficially owned by it/him as security (including a charge or pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of its/his shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he shall and shall procure the relevant registered holders:

- (i) when it/he or the relevant registered holders pledge or charge any Shares beneficially owned by it/him in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when it/he or the relevant registered holders receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by any of the Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

UNDERWRITING

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by Our Company

Our Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters, that except pursuant to the Capitalisation Issue, the Global Offering (including pursuant to exercise of the Over-allotment Option) and the exercise of any options granted before the Global Offering under the Share Option Scheme, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date (the “First Six-month Period”) and unless permitted by the Stock Exchange, our Company will not, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) (subject to the requirements set out in the Listing Rules):

- (i) offer, pledge, charge, mortgage, allot, issue, sell, contract to allot, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities or any interest therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein) whether now owned or herein after acquired (the “**Held Interests**”); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of such Held Interests; or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above,

whether any of the foregoing transactions described in sub-paragraphs (i) to (iv) above is to be settled by delivery of such Held Interests in cash or otherwise.

If our Company enters into any of the foregoing transactions described in sub-paragraphs (i) to (iv) above during the period of six months commencing on the date on which the First Six-Month Period expires, our Company must take all necessary steps to ensure that it will not create a disorderly or false market in the securities of our Company.

UNDERWRITING

(B) Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that, except as pursuant to the Capitalisation Issue, the Global Offering, the Stock Borrowing Agreement and the exercise of the Over-allotment Option, none of the Controlling Shareholders will, without the prior written consent of the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules:

- (i) during the First Six-Month Period:
 - (a) offer, pledge, charge, mortgage, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, owned directly by our Controlling Shareholders (including holding as a custodian) or with respect to which any of the Controlling Shareholders has beneficial ownership (collectively the “Lock-up Shares”) (the foregoing restriction is expressly agreed to preclude our Controlling Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than our Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or
 - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
 - (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
 - (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in (a) to (c) above,

whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, in cash or otherwise (whether or not the issue of shares or such other securities will be completed within the aforesaid period).

UNDERWRITING

- (ii) During the six months after the expiry of the First Six-Month Period (the “Second Six-Month Period”), our Controlling Shareholders will not enter into any of the foregoing transactions in sub-clauses (a), (b) or (c) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of our Controlling Shareholders will cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company.
- (iii) Until the expiry of the Second Six-Month period, in the event that any of our Controlling Shareholders enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, it/him will take all reasonable steps to ensure that it/him will not create a disorderly or false market in the securities of our Company.

Indemnity

We have agreed to indemnify, amongst others, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach or alleged breach by our Company of the Hong Kong Underwriting Agreement, as the case may be.

Hong Kong Underwriters’ Interests in Our Company

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we and our Controlling Shareholders will enter into the International Underwriting Agreement with the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally and not jointly agree to purchase, or procure purchasers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, amongst others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

UNDERWRITING

Over-allotment Option

We expect to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators at their sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 18,750,000 Shares, representing no more than 15% of the initial Offer Shares, at the Offer Price under the International Offering, to cover, amongst others, over-allocations in the International Offering, if any.

Commissions and Expenses

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) will receive an underwriting commission equal to 3.5% of the aggregate Offer Price payable for the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering. The Joint Global Coordinators may, at our Company's discretion, receive an additional incentive fee of up to 0.5% of the aggregate sale proceeds of the Global Offering, including the proceeds from the exercise of the Over-allotment Option, which shall be determined before the Price Determination Date.

For unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering (in such proportion as the Joint Global Coordinators in their sole discretions consider appropriate), the underwriting commission regarding such Hong Kong Public Offer Shares shall be reallocated to the International Underwriters (in such proportion as the Joint Global Coordinators in their sole discretions consider appropriate).

Assuming the Over-allotment Option is not exercised, the aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are currently estimated to amount in aggregate to approximately HK\$47.24 million (assuming an Offer Price of HK\$3.78 per Offer Share, being the mid-point of the indicative Offering Price range stated in this prospectus), are payable and borne by our Company.

INDEPENDENCE OF JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to adjustment and the Over-allotment Option):

- (a) the Hong Kong Public Offering of 12,500,000 Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” below; and
- (b) the International Offering of an aggregate of 112,500,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S as described in the paragraph headed “The International Offering” below.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent 25.00% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.71% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed “The International Offering — Over-allotment Option” in this section.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described in the paragraph headed “The Hong Kong Public Offering — Reallocation”.

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Public Offer Shares Initially Offered

We are initially offering 12,500,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.00% of the total number of Shares initially available under the Global Offering subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in the paragraph headed “Conditions of the Global Offering” below.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

The allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation) is to be divided into two pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A. Accordingly, the maximum number of Hong Kong Public Offer Shares initially in Pool A and Pool B will be 6,250,000 and 6,250,000, respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5.00 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5.00 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple applications or suspected multiple applications and any application for more than 6,250,000 Hong Kong Public Offer Shares (being 50.00% of the 12,500,000 Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 12,500,000 Offer Shares, representing approximately 10.00% of the Offer Shares initially available under the Global Offering;

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- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 37,500,000 Offer Shares, representing approximately 30.00% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 50,000,000 Offer Shares, representing approximately 40.00% of the Offer Shares initially available under the Global Offering; and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 62,500,000 Offer Shares, representing approximately 50.00% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators in their sole discretions consider appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering in such proportions as the Joint Global Coordinators in their sole discretions consider appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

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Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$4.51 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed “Pricing and Allocation” below, is less than the maximum price of HK\$4.51 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For details, please refer to the section headed “How to Apply for Hong Kong Public Offer Shares”.

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

Subject to reallocation as described in this section and the exercise of the Over-allotment Option, the International Offering will consist of an initial offering of 112,500,000 Offer Shares, representing approximately 90.00% of the total number of Offer Shares initially available under the Global Offering subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the paragraph headed “Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the International Underwriters) may require any investor who has been offered International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators at their sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last

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day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 18,750,000 Shares, representing no more than 15.00% of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover, amongst others, over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the Offer Shares will represent 27.71% of our Company's issued share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, we will make an announcement in due course.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager or any person acting for it, as stabilising manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager, or any persons acting for it, to conduct any such stabilising action. Such stabilisation action, if commenced, may be discontinued at any time, and is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Should stabilising transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilising Manager or any person acting for it.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilising Manager, or any person acting for it, will maintain such a long position;

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- liquidation of any such long position by the Stabilising Manager, or any person acting for it, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Joint Global Coordinators, or any person acting for it may cover such over-allocation by, amongst others, using Shares purchased by the Stabilising Manager or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or through the stock borrowing arrangement mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation. The number of Shares which can be over-allocated will not exceed the number of Shares which may be allotted and issued pursuant to the exercise in full of the Over-allotment Option, being 18,750,000 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow up to 18,750,000 Shares from Koradior Investments Limited, one of our Controlling Shareholders pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set forth in Listing Rule 10.07(3), including:

- (a) the stock borrowing arrangements are fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- (b) the maximum number of Shares to be borrowed from Koradior Investments Limited by the Stabilising Manager is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;

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- (c) the same number of Shares borrowed under the Stock Borrowing Agreement is returned to Koradior Investments Limited within three business days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full;
- (d) borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with applicable Listing Rules, laws and other regulatory requirements; and
- (e) no payments will be made to Koradior Investments Limited by the Stabilising Manager in relation to the Stock Borrowing Agreement.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different price or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Friday, 20 June, 2014 and in any event no later than Wednesday, 25 June, 2014.

The Offer Price will not be more than HK\$4.51 per Offer Share and is expected to be not less than HK\$3.05 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause them to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (www.koradior.com) and the website of the Stock Exchange (www.hkexnews.hk) notices of the reduction. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company and the Joint Global Coordinators (on behalf of the Underwriters), will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set forth in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be

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reduced and/or the Offer Price, if agreed upon between our Company and the Joint Global Coordinators (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings solely in the discretion of the Joint Global Coordinators.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Thursday, 26 June, 2014 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (www.koradior.com) and the website of the Stock Exchange (www.hkexnews.hk).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed “Underwriting.”

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme);
- (b) the Offer Price having been agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

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in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before Wednesday, 25 June, 2014, the Global Offering will not proceed and lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst others, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will as soon as possible publish or cause to be published a notice of the lapse of the Hong Kong Public Offering in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on the website of our Company (www.koradior.com) and the website of the Stock Exchange (www.hkexnews.hk). In such eventuality, all application monies will be returned, without interest, on the terms set forth in the paragraph headed “How to Apply for Hong Kong Public Offer Shares — Despatch/Collection of Share Certificates and Refund Monies”. In the meantime, all application monies will be held in a separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended.

Share certificates issued in respect of the Hong Kong Public Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-Allotment Option).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

STRUCTURE OF THE GLOBAL OFFERING

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 27 June, 2014, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 27 June, 2014. The Shares will be traded on the main board of the Stock Exchange in board lots of 1,000 Shares each.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Public Offer Shares.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 17 June 2014 until 12:00 noon on Friday, 20 June 2014 from:

- (i) any of the following offices of the Hong Kong Underwriters:

CIMB Securities Limited	Units 7706–08 Level 77 International Commerce Centre 1 Austin Road West, Kowloon Hong Kong
Haitong International Securities Company Limited	22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
KGI Asia Limited	41/F Central Plaza, 18 Harbour Road Wanchai, Hong Kong
RHB OSK Securities Hong Kong Limited	12/F World-wide House 19 Des Voeux Road Central Hong Kong

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Qilu International Securities Limited 7/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Bright Smart Securities International 10/F Wing On House
(H.K.) Limited 71 Des Voeux Road Central
Hong Kong

(ii) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

	Branch Name	Branch Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building 4-4A, Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
	North Point Centre Branch	Shop G, G/F, North Point Centre 284 King's Road, North Point
Kowloon	Kwun Tong Hoi Yuen Road	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong, Kowloon
	Tsimshatsui Branch	G/F, 8A-10 Granville Road, Tsimshatsui
	Cheung Sha Wan Branch	828 Cheung Sha Wan Road Cheung Sha Wan
	Mei Foo Manhattan Branch	Shop Nos. 07 & 09, Ground Floor Mei Foo Plaza, Mei Foo Sun Chuen
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza 298 Sha Tsui Road, Tsuen Wan
	Tai Po Branch	G/F shop No. 2, 23-25 Kwong Fuk Road Tai Po Market, Tai Po
	New Town Plaza Branch	Shop 215, 222 & 223, Phase 1 New Town Plaza, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 17 June 2014 until 12:00 noon on Friday, 20 June 2014 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited — Koradior Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Tuesday, 17 June 2014 — 9:00 a.m. to 5:00 p.m.
- Wednesday, 18 June 2014 — 9:00 a.m. to 5:00 p.m.
- Thursday, 19 June 2014 — 9:00 a.m. to 5:00 p.m.
- Friday, 20 June 2014 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 20 June 2014, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (vi) agree that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, the Hong Kong Branch Share Registrar, receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application;

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- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
 - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Hong Kong Public Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 17 June 2014 until 11:30 a.m. on Friday, 20 June 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 20 June 2014 or such later time under the “Effects of Bad Weather on the Opening of the Applications Lists” in this section.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO WHITE form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and are not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering;
 - (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, the Hong Kong Branch Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Public Offer Shares. Instructions for more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, 17 June 2014 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Wednesday, 18 June 2014 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Thursday, 19 June 2014 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Friday, 20 June 2014 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

(1) These times are subject to changes as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 17 June 2014 until 12:00 noon on Friday, 20 June 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 20 June 2014, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 20 June 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed “Structure of the Global Offering — Pricing and Allocation”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 20 June 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 20 June 2014 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Thursday, 26 June 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at www.koradior.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.koradior.com and the Stock Exchange's website at www.hkexnews.hk by no later than Thursday, 26 June 2014;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 26 June 2014 to 12:00 midnight on Wednesday, 2 July 2014;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 a.m. from Thursday, 26 June 2014 to Wednesday, 2 July 2014 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 26 June 2014 to Monday, 30 June 2014 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

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Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;

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- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50.00% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$4.51 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 26 June 2014.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by a **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-

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named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Thursday, 26 June 2014. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 27 June 2014 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 26 June 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 26 June 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 26 June 2014, by ordinary post and at your own risk.

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If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 26 June 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 26 June 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 26 June 2014, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 26 June 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 26 June 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, 26 June 2014. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 26 June 2014 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 26 June 2014. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 26 June 2014.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

17 June 2014

The Directors
Koradior Holdings Limited

Haitong International Capital Limited
CIMB Securities Limited

Dear Sirs

INTRODUCTION

We set out below our report on the financial information relating to Koradior Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) comprising the consolidated balance sheets of the Group as at 31 December 2011, 2012 and 2013 and the balance sheets of the Company as at 31 December 2012 and 2013, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2011, 2012 and 2013 (the “**Relevant Periods**”), together with the explanatory notes thereto (the “**Financial Information**”), for inclusion in the prospectus of the Company dated 17 June 2014 (the “**Prospectus**”).

The Company was incorporated in the Cayman Islands on 23 March 2012 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. Pursuant to a group reorganisation completed on 15 November 2012 (the “**Reorganisation**”) as detailed in the section headed “History and Reorganisation” in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in note 1(b) of Section B below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company and Fiona Kim Investments Limited, as they have not carried out any business since the date of incorporation and are not subject to statutory audit requirements under the relevant rules and regulations in its jurisdictions of incorporation.

Except for La Kora International Limited, all the companies now comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 24 of Section B. The statutory financial statements of these companies were prepared in accordance with either Hong Kong Financial Reporting Standards (“**HKFRSs**”) or the relevant accounting rules and regulations applicable to enterprises in the People’s Republic of China (the “**PRC**”).

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the “**Underlying Financial Statements**”) on the same basis used in the preparation of the Financial Information as set out in note 1(b) of Section B below. The Underlying Financial Statements for each of the years ended 31 December 2011, 2012 and 2013 were audited by KPMG Huazhen (Special General Partnership) in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2013.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report and on the basis of preparation set out in note 1(b) of Section B below, a true and fair view of the state of affairs of the Group as at 31 December 2011, 2012 and 2013, the state of affairs of the Company as at 31 December 2012 and 2013 and the Group’s consolidated results and cash flows for the Relevant Periods then ended.

A CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

1 Consolidated statements of profit or loss and other comprehensive income

	Section B Note	Year ended 31 December		
		2011 RMB'000	2012 RMB'000	2013 RMB'000
Turnover	3	327,078	484,939	701,880
Cost of sales		<u>(119,266)</u>	<u>(180,457)</u>	<u>(215,495)</u>
Gross profit		207,812	304,482	486,385
Other revenue	4	81	852	1,935
Other net loss		(2)	(48)	(77)
Selling and distribution expenses		(162,588)	(239,666)	(339,300)
Administrative and other operating expenses		<u>(18,255)</u>	<u>(26,394)</u>	<u>(38,095)</u>
Profit from operations		27,048	39,226	110,848
Finance costs	5(a)	<u>(1,418)</u>	<u>(2,081)</u>	<u>(2,408)</u>
Profit before taxation	5	25,630	37,145	108,440
Income tax expense	6	<u>(6,188)</u>	<u>(9,333)</u>	<u>(28,328)</u>
Profit for the year		19,442	27,812	80,112
Other comprehensive income for the year, net of tax				
Item that may be reclassified subsequently to profit or loss:				
— Exchange differences on translation of financial statements of entities outside mainland China		<u>—</u>	<u>(26)</u>	<u>(10)</u>
Total comprehensive income for the year		<u>19,442</u>	<u>27,786</u>	<u>80,102</u>
Earnings per share (RMB cents)	9			
Basic and diluted		<u>29</u>	<u>42</u>	<u>114</u>

The accompanying notes form part of the Financial Information.

2 Consolidated balance sheets

	<i>Section B Note</i>	Year ended 31 December		
		2011	2012	2013
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	10	30,903	33,490	32,548
Other non-current assets	11	205	156	10,855
Deferred tax assets	12(b)	<u>265</u>	<u>460</u>	<u>536</u>
Total non-current assets		<u>31,373</u>	<u>34,106</u>	<u>43,939</u>
Current assets				
Inventories	13	37,504	73,447	130,109
Trade and other receivables	11	67,184	87,356	116,779
Cash and cash equivalents	14	<u>5,843</u>	<u>14,284</u>	<u>77,105</u>
Total current assets		<u>110,531</u>	<u>175,087</u>	<u>323,993</u>
Current liabilities				
Bank loans	15	—	30,000	55,000
Trade and other payables	16	52,302	124,671	133,290
Current tax payable	12(a)	<u>7,650</u>	<u>11,229</u>	<u>21,639</u>
Total current liabilities		<u>59,952</u>	<u>165,900</u>	<u>209,929</u>
Net current assets		<u>50,579</u>	<u>9,187</u>	<u>114,064</u>
Total assets less current liabilities		81,952	43,293	158,003
Non-current liabilities				
Bank loan	15	<u>30,000</u>	<u>—</u>	<u>—</u>
Total non-current liabilities		<u>30,000</u>	<u>—</u>	<u>—</u>
NET ASSETS		<u>51,952</u>	<u>43,293</u>	<u>158,003</u>
CAPITAL AND RESERVES				
Capital	18	15,000	571	618
Reserves	19	<u>36,952</u>	<u>42,722</u>	<u>157,385</u>
TOTAL EQUITY		<u>51,952</u>	<u>43,293</u>	<u>158,003</u>

The accompanying notes form part of the Financial Information.

3 Balance sheets of the Company

	<i>Section B Note</i>	As at 31 December	
		2012 <i>RMB'000</i>	2013 <i>RMB'000</i>
Non-current asset			
Investment in a subsidiary		—*	—*
Total non-current asset		—	—
Current assets			
Cash and cash equivalents	<i>14(a)</i>	3,140	34,652
Amount due from a subsidiary	<i>11</i>	1,620	4,554
Total current assets		4,760	39,206
Current liabilities			
Amount due to a Controlling Shareholder	<i>16</i>	1,088	1,058
Total current liabilities		1,088	1,058
Net current assets		3,672	38,148
NET ASSETS		3,672	38,148
CAPITAL AND RESERVES			
Capital	<i>18</i>	571	618
Reserves	<i>19</i>	3,101	37,530
TOTAL EQUITY		3,672	38,148

* This represents the Company's direct investment in Fiona Kim Investments Limited, a wholly owned subsidiary, at investment cost of RMB6.

The accompanying notes form part of the Financial Information.

4 Consolidated statements of changes in equity

	Section B Note	Capital RMB'000 Note 18	Share premium RMB'000 Note 19(a)	Capital reserve RMB'000 Note 19(b)	Statutory reserve RMB'000 Note 19(c)	Exchange reserve RMB'000 Note 19(d)	Retained profits RMB'000	Total RMB'000
As at 1 January 2011		15,000	—	—	1,658	—	15,852	32,510
Changes in equity for 2011:								
Profit and total comprehensive income for the year		—	—	—	—	—	19,442	19,442
Appropriation to statutory reserves	19(c)	—	—	—	1,944	—	(1,944)	—
As at 31 December 2011 and 1 January 2012		15,000	—	—	3,602	—	33,350	51,952
Changes in equity for 2012:								
Profit for the year		—	—	—	—	—	27,812	27,812
Other comprehensive income for the year		—	—	—	—	(26)	—	(26)
Total comprehensive income for the year		—	—	—	—	(26)	27,812	27,786
Appropriation to statutory reserves	19(c)	—	—	—	2,782	—	(2,782)	—
Issue of shares	18	571	3,139	—	—	—	—	3,710
Arising on reorganisation	18/19(b)	(15,000)	—	(25,155)	—	—	—	(40,155)
As at 31 December 2012 and 1 January 2013		571	3,139	(25,155)	6,384	(26)	58,380	43,293
Changes in equity for 2013:								
Profit for the year		—	—	—	—	—	80,112	80,112
Other comprehensive income for the year		—	—	—	—	(10)	—	(10)
Total comprehensive income for the year		—	—	—	—	(10)	80,112	80,102
Issue of shares	18	47	34,561	—	—	—	—	34,608
Appropriation to statutory reserves	19(c)	—	—	—	1,116	—	(1,116)	—
As at 31 December 2013		<u>618</u>	<u>37,700</u>	<u>(25,155)</u>	<u>7,500</u>	<u>(36)</u>	<u>137,376</u>	<u>158,003</u>

The accompanying notes form part of the Financial Information.

5 Consolidated cash flow statements

	<i>Section B Note</i>	Year ended 31 December		
		2011	2012	2013
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating activities				
Cash (used in)/generated from operations	<i>14(b)</i>	(15,990)	17,467	67,941
Income tax paid	<i>12(a)</i>	<u>(3,271)</u>	<u>(5,949)</u>	<u>(17,994)</u>
Net cash (used in)/generated from operating activities		<u>---</u> (19,261) <u>---</u>	<u>---</u> 11,518 <u>---</u>	<u>---</u> 49,947 <u>---</u>
Investing activities				
Payment for the purchase of property, plant and equipment		(14,406)	(14,518)	(24,113)
Disposal of a subsidiary	22	—	(2,008)	2,000
Interest received		<u>31</u>	<u>48</u>	<u>215</u>
Net cash used in investing activities		<u>---</u> (14,375) <u>---</u>	<u>---</u> (16,478) <u>---</u>	<u>---</u> (21,898) <u>---</u>
Financing activities				
Proceeds from bank loans		30,000	—	65,000
Repayment of bank loans		—	—	(40,000)
Proceeds from issue of shares		—	3,710	34,608
Advances from related parties		31,963	19,134	54,534
Repayments to related parties		(23,633)	(7,336)	(51,797)
Loan from a third party		—	—	15,000
Payments arising from reorganisation		—	—	(40,155)
Interest paid		<u>(1,418)</u>	<u>(2,081)</u>	<u>(2,408)</u>
Net cash generated from financing activities		<u>---</u> 36,912 <u>---</u>	<u>---</u> 13,427 <u>---</u>	<u>---</u> 34,782 <u>---</u>
Net increase in cash and cash equivalents		3,276	8,467	62,831
Cash and cash equivalents at 1 January		2,567	5,843	14,284
Effect of foreign exchange rate changes		<u>---</u>	<u>---</u> (26) <u>---</u>	<u>---</u> (10) <u>---</u>
Cash and cash equivalents at 31 December	<i>14(a)</i>	<u>---</u> 5,843 <u>---</u>	<u>---</u> 14,284 <u>---</u>	<u>---</u> 77,105 <u>---</u>

The accompanying notes form part of the Financial Information.

B NOTES TO CONSOLIDATED FINANCIAL INFORMATION**1 SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with IFRSs, which collective term includes International Accounting Standards and related Interpretations, promulgated by the IASB. Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued certain new and revised IFRSs. For the purpose of preparing the Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2013 are set out in note 26.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of preparation and presentation

The Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on 23 March 2012. Pursuant to the Reorganisation completed on 15 November 2012, the Company became the holding company of companies now comprising the Group. The companies that took part in the Reorganisation were controlled by Mr. Jin Ming before and after the Reorganisation and there were no changes in the business and operation of Shenzhen Koradior Fashion Co., Ltd. ("**Shenzhen Koradior**"). The Reorganisation only involved inserting newly formed entities with no substantive operations as new holding companies of Shenzhen Koradior. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in International Financial Reporting Standard 3, Business Combinations with Shenzhen Koradior treated as the acquirer for accounting purposes.

The Financial Information has been prepared as a continuation of the financial statements of Shenzhen Koradior with the assets and liabilities of Shenzhen Koradior recognised and measured at their historical carrying amounts prior to the Reorganisation.

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

At the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Fiona Kim Investments Limited (“ Fiona Kim ”)	British Virgin Islands (“ BVI ”)/ 10 April 2012	US\$1/ US\$50,000	100%	—	Investment holding
La Kora International Limited (“ La Kora International ”)	Hong Kong/ 17 April 2012	HK\$1/ HK\$10,000	—	100%	Investment holding
La Kordi Fashion (Shenzhen) Co., Ltd.* (“ La Kordi Fashion ”) (拉珂帝服飾(深圳)有限公司)	PRC/ 8 August 2012	HK\$2,000,000/ HK\$2,000,000	—	100%	Investment holding
Shenzhen Koradior Fashion Co., Ltd.* (“ Shenzhen Koradior ”) (深圳市珂萊蒂爾服飾有限公司)	PRC/ 24 March 2006	RMB15,000,000/ RMB15,000,000	—	100%	Trading of womenswear

* The English translation of the companies' names is for reference only. The official names of these companies are in Chinese.

(c) **Basis of measurement**

The Financial Information is presented in Renminbi (“**RMB**”), rounded to the nearest thousand. It is prepared on the historical cost basis. RMB is the functional currency for the Company's subsidiaries established in the mainland China. The functional currency of the Company and the Company's subsidiaries outside the mainland China are Hong Kong dollars.

(d) **Use of estimates and judgements**

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

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

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 2.

(e) Subsidiaries

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

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(h)).

(f) Property, plant and equipment

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

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

No depreciation is provided in respect of construction in progress.

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

— Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.	
— Leasehold improvements	Shorter of 1–5 years or remaining term of the lease
— Motor vehicles	5 years
— Furniture, fixtures and equipment	3–10 years

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

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

(g) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. For a component of the lease payment which is not fixed but is based on future amount of a factor, other than the passage of time, such as percentage of sales, the amount is recognised as expenses as it arises.

(h) Impairment of assets**(i) Impairment of current and non-current receivables**

Current and non-current receivables that are stated at cost or amortised cost are reviewed annually to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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

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

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

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

(ii) Impairment of other assets

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

- property, plant and equipment; and
- investments in subsidiaries.

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

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(i) Inventories

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

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

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

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

(j) Trade and other receivables

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

(k) Interest-bearing borrowings

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

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

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

(n) Employee benefits

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

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

(o) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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

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

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

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

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

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

(p) Provisions and contingent liabilities

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

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

(q) Revenue recognition

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

(i) Sale of goods — retail

The Group operates a chain of retail stores selling womenswear. Sales of goods are recognised when the Group sells a product to the customer. Experience is used to estimate and provide for sales returns at the time of sale. Revenue represented the sales value of goods sold less returns, discounts and value added tax (“VAT”).

(ii) Sale of goods — wholesale

Revenue from wholesale is recognised when goods are delivered, that is when the customer has accepted the related risks and rewards of ownership. Revenue represented the sales value of goods sold less returns, discounts and VAT.

(iii) Sale of goods — e-commerce platforms

The Group operates several online stores selling womenswear. Revenue from e-commerce platforms is recognised when goods are delivered, that is when the customer has accepted the related risks and rewards of ownership. Experience is used to estimate and provide for sales returns at the time of sale. Revenue represented the sales value of goods sold less returns, discounts and VAT.

(iv) Interest income

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

(v) *Government grants*

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

Unconditional discretionary government grants from the local municipal government authorities are recognised in the profit or loss as other revenue when the amount is received.

(r) **Translation of foreign currencies**

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

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

The results of operations outside mainland China are translated into Renminbi at the average exchange rates for the period which approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

(s) **Related parties**

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

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

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(t) Segment reporting

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

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

The Group operates in a single business, retailing and wholesaling of womenswear in the PRC. Accordingly, no segmental analysis is presented.

2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the Financial Information. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates annually.

(b) Impairment of trade and other receivables

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

(c) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expenses to be recorded during any reporting period. The useful lives are based on the Group's experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

3 TURNOVER

The principal activities of the Group are design, retail and wholesale of womenswear in mainland China.

Turnover represents the sales value of goods sold less returns, discounts and VAT. The amount of each significant category of revenue recognised in turnover during the Relevant Periods is as follows:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue from self-operated retail stores	317,310	433,460	648,697
Revenue from wholesales	5,577	15,170	16,256
Revenue from e-commerce platforms	2,852	9,639	31,376
Others	1,339	26,670	5,551
	<u>327,078</u>	<u>484,939</u>	<u>701,880</u>

During the years ended 31 December 2011, 2012 and 2013, no single external customer contributed 10% or more of the Group's total revenue.

4 OTHER REVENUE

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Interest income	31	48	215
Government grants (<i>note</i>)	—	600	1,720
Others	50	204	—
	<u>81</u>	<u>852</u>	<u>1,935</u>

Note: Government grants in the years ended 31 December 2012 and 2013 represented unconditional cash subsidies received from local government for the Group's achievement.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
(a) Finance costs			
Interest on bank loans	<u>1,418</u>	<u>2,081</u>	<u>2,408</u>
(b) Staff costs			
Contributions to defined contribution retirement plans (<i>note 17</i>)	1,364	2,590	4,007
Salaries, wages and other benefits	<u>47,182</u>	<u>76,916</u>	<u>102,075</u>
	<u>48,546</u>	<u>79,506</u>	<u>106,082</u>
(c) Other items			
Depreciation (<i>note 10</i>)	12,001	11,931	17,125
Auditor's remuneration	6	10	10
Operating lease charges			
— minimum lease payments	1,774	5,879	16,536
— contingent rentals	86,431	121,828	175,491
Cost of inventories sold (<i>note 13</i>)	<u>118,948</u>	<u>179,677</u>	<u>215,195</u>

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Income tax in the consolidated statements of profit or loss represents:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current tax			
PRC Corporate Income Tax (<i>note 12(a)</i>)	6,268	9,528	28,404
Deferred tax			
Origination of temporary differences (<i>note 12(b)</i>)	<u>(80)</u>	<u>(195)</u>	<u>(76)</u>
	<u>6,188</u>	<u>9,333</u>	<u>28,328</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax during the Relevant Periods.
- (iii) Shenzhen Koradior, a subsidiary of the Group in mainland China was set up in Shenzhen in the PRC and its original applicable Corporate Income Tax rate was 15%. Pursuant to Corporate Income Tax Law ("CIT Law"), the Corporate Income Tax rate applicable to Shenzhen Koradior was increased from 15% to 25% in a 5-year transitional period from 2008 to 2012 according to the applicable CIT Law. Therefore, the applicable Corporate Income Tax rate for Shenzhen Koradior for the years ended 31 December 2011, 2012 and 2013 is 24%, 25% and 25%, respectively. The applicable Corporate Income Tax rate for La Kordi Fashion has been 25% since it was established.
- (iv) The PRC CIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise directly.

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

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit before taxation	<u>25,630</u>	<u>37,145</u>	<u>108,440</u>
Notional tax on profit before taxation, calculated at the standard tax rates applicable to the respective tax jurisdictions	6,151	9,289	28,308
Effect of non-deductible expenses	37	44	8
Effect of tax losses not recognised	<u>—</u>	<u>—</u>	<u>12</u>
Total income tax expense	<u>6,188</u>	<u>9,333</u>	<u>28,328</u>

7 DIRECTORS' REMUNERATION

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

Year ended 31 December 2011

	Fee <i>RMB'000</i>	Basic salaries, allowances and other benefits <i>RMB'000</i>	Contributions to retirement benefit scheme <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors					
Mr. Jin Ming	—	454	11	—	465
Ms. He Hongmei	—	412	16	—	428
Total	—	866	27	—	893

Year ended 31 December 2012

	Fee <i>RMB'000</i>	Basic salaries, allowances and other benefits <i>RMB'000</i>	Contributions to retirement benefit scheme <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors					
Mr. Jin Ming	—	605	17	—	622
Ms. He Hongmei	—	482	17	—	499
Mr. Deng Shigang*	—	80	9	—	89
Total	—	1,167	43	—	1,210

Year ended 31 December 2013

	Fee <i>RMB'000</i>	Basic salaries, allowances and other benefits <i>RMB'000</i>	Contributions to retirement benefit scheme <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors					
Mr. Jin Ming	—	585	24	200	809
Ms. He Hongmei	—	458	24	150	632
Mr. Deng Shigang*	—	200	23	250	473
Total	—	1,243	71	600	1,914

* Mr. Deng Shigang joined the Group in June 2012.

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

8 INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two, two, and three of them are directors for the years ended 31 December 2011, 2012 and 2013, respectively, whose emoluments are disclosed in note 7 above. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Salaries and allowance	632	870	864
Contributions to retirement benefit scheme	<u>36</u>	<u>48</u>	<u>46</u>
	<u>668</u>	<u>918</u>	<u>910</u>

The emoluments of the three, three, and two individuals with the highest emoluments for the years ended 31 December 2011, 2012 and 2013, respectively are within the following band:

	Year ended 31 December		
	2011	2012	2013
	Number of individuals	Number of individuals	Number of Individuals
HK\$Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>2</u>

9 EARNINGS PER SHARE

- (a) The calculation of basic earnings per share during the Relevant Periods is based on the profit of the Group for the respective years and the weighted average of 66,300,000, 66,802,192 and 70,578,509 ordinary shares for the years ended 31 December 2011, 2012 and 2013, respectively, which has been adjusted retrospectively for the share split (the "Share Split") on 25 February 2014 as described in note 18(b) (iv).

Weighted average number of ordinary shares

	2011	2012	2013
Issued ordinary shares after adjusting for the effect of the Share Split at 1 January	66,300,000	66,300,000	70,200,000
Effect of shares issued (<i>see note 18(b) (i) and (iii)</i>)	<u>—</u>	<u>502,192</u>	<u>378,509</u>
Weighted average number of ordinary shares at 31 December	<u>66,300,000</u>	<u>66,802,192</u>	<u>70,578,509</u>

The calculation of basic earnings per share during the Relevant Periods does not take into account the proposed capitalisation issue of 298,793,220 ordinary shares as detailed in the section headed "Share Capital" in the Prospectus.

- (b) There were no dilutive potential ordinary shares during the Relevant Periods and, therefore, diluted earnings per share are the same as the basic earnings per share.

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings situated on leasehold land <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:					
At 1 January 2011	22,728	6,863	1,875	801	32,267
Additions	—	11,899	2,183	324	14,406
Disposals	—	(399)	—	—	(399)
At 31 December 2011 and 1 January 2012	22,728	18,363	4,058	1,125	46,274
Additions	—	12,711	2	1,805	14,518
Disposals	—	(1,073)	—	—	(1,073)
At 31 December 2012 and 1 January 2013	22,728	30,001	4,060	2,930	59,719
Additions	—	15,037	—	1,146	16,183
Disposals	—	(1,529)	—	—	(1,529)
At 31 December 2013	22,728	43,509	4,060	4,076	74,373
Accumulated depreciation:					
At 1 January 2011	1,108	2,097	376	188	3,769
Charge for the year	913	10,151	621	316	12,001
Written back on disposals	—	(399)	—	—	(399)
At 31 December 2011 and 1 January 2012	2,021	11,849	997	504	15,371
Charge for the year	913	9,662	812	544	11,931
Written back on disposals	—	(1,073)	—	—	(1,073)
At 31 December 2012 and 1 January 2013	2,934	20,438	1,809	1,048	26,229
Charge for the year	913	14,443	768	1,001	17,125
Written back on disposals	—	(1,529)	—	—	(1,529)
At 31 December 2013	3,847	33,352	2,577	2,049	41,825
Net book value:					
At 31 December 2013	<u>18,881</u>	<u>10,157</u>	<u>1,483</u>	<u>2,027</u>	<u>32,548</u>
At 31 December 2012	<u>19,794</u>	<u>9,563</u>	<u>2,251</u>	<u>1,882</u>	<u>33,490</u>
At 31 December 2011	<u>20,707</u>	<u>6,514</u>	<u>3,061</u>	<u>621</u>	<u>30,903</u>

(a) The buildings held for own use are located in the PRC under medium-term leases.

(b) As at 31 December 2011, 2012 and 2013, the Group's buildings were pledged as security for bank loans of RMB30,000,000, RMB30,000,000 and RMB25,000,000, respectively.

11 TRADE AND OTHER RECEIVABLES

The Group:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade receivables (<i>note (a)</i>)	54,907	76,192	104,685
Deposits and prepayments	12,139	8,932	22,649
Amount due from a related party (<i>note 23(b)</i>)	—	2,000	—
Other receivables	<u>343</u>	<u>388</u>	<u>300</u>
	67,389	87,512	127,634
Less: Non-current deposits and prepayments	<u>205</u>	<u>156</u>	<u>10,855</u>
	<u><u>67,184</u></u>	<u><u>87,356</u></u>	<u><u>116,779</u></u>

All of the trade and other receivables (including amount due from a related party) included in current assets are expected to be recovered or recognised as expense within one year.

Non-current deposits and prepayments were included in other non-current assets and represented rental deposits paid to department stores and shopping malls for leases that expire twelve months after the respective year end date and prepayments for purchases of properties.

As at 31 December 2011, deposits and prepayments included prepayment to a related party of RMB6,517,000.

As at 31 December 2012, the amount due from a related party was unsecured and interest-free. The amount was fully settled by the related party in 2013.

(a) Aging analysis

Majority of the trade receivables are related to sales made through the Group's self-operated stores. The Group leased a number of retail stores within department stores and shopping malls in the PRC. Proceeds from the Group's sales made in these leased retail stores are mainly collected by the department stores and the shopping malls on the Group's behalf. Following the completion of the reconciliation of the sales in the past month with the department store and shopping mall, the Group then issues invoices, which generally fall within 30 days from the date of revenue recognition. Settlement in respect of these concession sales was made net of the lease rental payable to the department stores and the shopping malls and was generally expected within 60 days from the date of revenue recognition.

As at 31 December 2011, 2012 and 2013, the ageing analysis of trade receivables (which are included in trade and other receivables), based on date of revenue recognition, is as follows:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 1 months	35,825	49,463	71,696
1 to 2 months	14,407	18,818	25,732
2 to 3 months	2,089	3,329	4,389
Over 3 months	<u>2,586</u>	<u>4,582</u>	<u>2,868</u>
	<u><u>54,907</u></u>	<u><u>76,192</u></u>	<u><u>104,685</u></u>

(b) Trade receivables that are not impaired

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

	Year ended 31 December		
	2011 RMB'000	2012 RMB'000	2013 RMB'000
Neither past due nor impaired	50,231	68,474	97,584
Less than 1 month past due	1,740	3,080	4,233
1 to 3 months past due	1,223	2,161	2,168
Over 3 months past due	1,713	2,477	700
	4,676	7,718	7,101
	54,907	76,192	104,685

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

Receivables that were past due but not impaired relate to a number of independent customers including wholesalers and owners of department stores and shopping malls that have a good track record with the Group. Based on experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The Company:

Amount due from a subsidiary are unsecured, interest-free and repayable on demand.

12 INCOME TAX IN THE CONSOLIDATED BALANCE SHEETS**(a) Current taxation in the consolidated balance sheets represents:**

	As at 31 December		
	2011 RMB'000	2012 RMB'000	2013 RMB'000
Balance at the beginning of the year	4,653	7,650	11,229
Provision for income tax for the year (<i>note 6(a)</i>)	6,268	9,528	28,404
Paid during the year	(3,271)	(5,949)	(17,994)
Current tax payable	7,650	11,229	21,639

(b) Deferred tax assets recognised:

The components of deferred tax assets recognised in the consolidated balance sheets and the movements during the Relevant Periods are as follows:

	Stock provision	Total
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2011	185	185
Credited to consolidated statements of profit or loss (<i>note 6(a)</i>)	<u>80</u>	<u>80</u>
At 31 December 2011 and 1 January 2012	265	265
Credited to consolidated statements of profit or loss (<i>note 6(a)</i>)	<u>195</u>	<u>195</u>
At 31 December 2012 and 1 January 2013	460	460
Credited to consolidated statements of profit or loss (<i>note 6(a)</i>)	<u>76</u>	<u>76</u>
At 31 December 2013	<u><u>536</u></u>	<u><u>536</u></u>

(c) Deferred tax liabilities not recognised

As at 31 December 2011, 2012 and 2013, deferred tax liabilities in respect of the PRC dividend withholding tax relating to the undistributed profits of the Company's PRC subsidiaries of RMB33,350,000, RMB58,390,000, and RMB142,227,000 were not recognised as the Company controls the dividend policy of these subsidiaries. Based on the assessment made by management as at each of the reporting date, it was determined that the undistributed profits of the Company's PRC subsidiaries would not be distributed in the foreseeable future.

13 INVENTORIES

Inventories in the consolidated balance sheets comprise:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	9,102	17,525	29,696
Work in progress	456	1,219	2,206
Finished goods	<u>27,946</u>	<u>54,703</u>	<u>98,207</u>
	<u><u>37,504</u></u>	<u><u>73,447</u></u>	<u><u>130,109</u></u>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	118,948	179,677	215,195
Write down of inventories	<u>318</u>	<u>780</u>	<u>300</u>
	<u><u>119,266</u></u>	<u><u>180,457</u></u>	<u><u>215,495</u></u>

14 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

The Group:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	<u>5,843</u>	<u>14,284</u>	<u>77,105</u>

As at 31 December 2011, 2012 and 2013, cash and cash equivalents placed with banks in mainland China amounted to RMB5,835,000, RMB9,518,000, and RMB39,596,000, respectively. Remittance of funds out of mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

The Company:

Cash and cash equivalents of the Company as at 31 December 2012 and 2013 represent cash at bank.

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

	Note	Year ended 31 December		
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
Profit before taxation		25,630	37,145	108,440
Adjustments for:				
Depreciation	5(c)	12,001	11,931	17,125
Interest expense	5(a)	1,418	2,081	2,408
Interest income	4	(31)	(48)	(215)
Changes in working capital:				
Increase in inventories		(13,206)	(35,943)	(56,662)
Increase in trade and other receivables from third parties		(25,841)	(24,808)	(33,336)
(Increase)/decrease in prepayments		(6,551)	6,690	(856)
Increase in trade and other payables		16,964	20,735	28,859
Increase/(decrease) in advances from third parties		159	(964)	1,877
Increase in amount due to a Controlling Shareholder		—	768	768
Decrease in amounts due to related parties		<u>(26,533)</u>	<u>(120)</u>	<u>(467)</u>
Cash (used in)/generated from operations		<u>(15,990)</u>	<u>17,467</u>	<u>67,941</u>

15 BANK LOANS

As at 31 December 2011, 2012 and 2013, bank loans are repayable as follows:

	As at 31 December		
	2011 RMB'000	2012 RMB'000	2013 RMB'000
Within 1 year or on demand	—	30,000	55,000
After 1 year but within 2 years	30,000	—	—
	<u>30,000</u>	<u>30,000</u>	<u>55,000</u>

As at the balance sheet dates, the analysis of the carrying amount of bank loans is as follows:

	As at 31 December		
	2011 RMB'000	2012 RMB'000	2013 RMB'000
Secured	30,000	30,000	25,000
Unsecured	—	—	30,000
	<u>30,000</u>	<u>30,000</u>	<u>55,000</u>

Secured bank loans were secured by assets of the Group, the carrying amounts of those assets at the balance sheet dates are as follows:

	As at 31 December		
	2011 RMB'000	2012 RMB'000	2013 RMB'000
Property, plant and equipment (<i>note 10(b)</i>)	<u>20,707</u>	<u>19,794</u>	<u>18,881</u>

In addition, secured bank loans as at 31 December 2011 and 2012 were also secured by certain buildings owned by a Controlling Shareholder.

As at 31 December 2011 and 2012, a bank loan of RMB30,000,000 of the Group was guaranteed by a Controlling Shareholder. As at 31 December 2013, a bank loan of RMB30,000,000 was guaranteed by a Controlling Shareholder and his spouse.

16 TRADE AND OTHER PAYABLES

The Group:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade payables			
— third parties	11,573	19,636	21,988
— a related party (note 23(b))	—	9,056	16,644
	<u>11,573</u>	<u>28,692</u>	<u>38,632</u>
Trade payables (note (a))	11,573	28,692	38,632
Receipts in advance	1,990	1,024	2,901
Amount due to a Controlling Shareholder (note 23(b))	18,837	19,903	34,908
Amounts due to related parties (note 23(b))	639	52,174	51
Loan from a third party	—	—	15,000
Staff costs payables	10,092	10,166	15,129
VAT and other tax payables	8,386	11,320	16,085
Other payables	785	1,392	10,584
	<u>52,302</u>	<u>124,671</u>	<u>133,290</u>

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

As at 31 December 2011, 2012 and 2013, amounts due to related parties and amount due to a Controlling Shareholder were non-trade related, unsecured, interest-free and repayable on demand. The amount due to a Controlling Shareholder was settled subsequent to 31 December 2013.

Loan from a third party is unsecured, interest-free and repayable on 31 July 2014.

(a) An ageing analysis of the trade payables based on the invoice date is as follows:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 1 months	9,459	20,736	31,748
1 to 2 months	156	3,457	3,042
2 to 3 months	1,785	2,711	38
Over 3 months	173	1,788	3,804
	<u>11,573</u>	<u>28,692</u>	<u>38,632</u>

The Company:

Amount due to a Controlling Shareholder was unsecured, interest-free and repayable on demand.

17 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the “Schemes”) organised by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions at the rate of 10% to 20% of the eligible employees’ salaries to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

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

18 CAPITAL

Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group’s consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company’s individual components of equity during the Relevant Periods are set out below:

	Capital <i>RMB'000</i> <i>Note 18</i>	Share premium <i>RMB'000</i> <i>Note 19(a)</i>	Exchange reserve <i>RMB'000</i> <i>Note 19(c)</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2012	—	—	—	—	—
Changes in equity for 2012:					
Loss for the year	—	—	—	(10)	(10)
Other comprehensive income for the year	—	—	(28)	—	(28)
Total comprehensive income for the year	—	—	(28)	(10)	(38)
Issue of shares	571	3,139	—	—	3,710
As at 31 December 2012 and 1 January 2013	571	3,139	(28)	(10)	3,672
Changes in equity for 2013:					
Loss for the year	—	—	—	(4)	(4)
Other comprehensive income for the year	—	—	(128)	—	(128)
Total comprehensive income for the year	—	—	(128)	(4)	(132)
Issue of shares	47	34,561	—	—	34,608
As at 31 December 2013	618	37,700	(156)	(14)	38,148

The Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on 23 March 2012 with authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each and issued one share, credited as fully paid.

The Reorganisation was not completed as at 31 December 2011. The capital in the consolidated balance sheets as at 1 January 2011 and 31 December 2011 represented the issued capital of Shenzhen Koradior.

(a) Authorised share capital

- (i) Pursuant to written resolutions consented by the sole director of the Company on 28 August 2012, the Company's authorised share capital was increased to US\$100,000 by the creation of an additional 50,000 ordinary shares of US\$1 each, ranking pari passu with the existing ordinary shares of the Company in all respects.
- (ii) Pursuant to a resolution dated 25 February 2014, the Company increased authorised share capital by creation of 78,000,000 shares of a nominal or par value of HK\$0.01 each and decreased authorised share capital by cancellation of 100,000 shares of US\$1.00 each (see note 27).

(b) Issue of ordinary shares

- (i) On 28 August 2012, the Company issued 84,999 and 5,000 ordinary shares at consideration of US\$84,999 and US\$500,000 respectively. Consequently, US\$89,999 (equivalent to RMB571,000) was credited to share capital and the remaining balance of US\$495,000 (equivalent to RMB3,139,000) was credited to the share premium account.
- (ii) On 15 November 2012, La Kordi Fashion acquired 100% equity interest in Shenzhen Koradior from Shenzhen Jinhexin Investment Development Co., Ltd. (深圳金和鑫投資發展有限公司) ("Shenzhen Jinhexin"), a company under the control of a Controlling Shareholder for a consideration of RMB40,155,000 which was recorded as a reduction from the Group's equity as a result of this reorganisation. As a result of the acquisition, Shenzhen Koradior became a subsidiary of the Group.
- (iii) On 9 December 2013, the Company issued 5,747 and 1,954 ordinary shares at consideration of approximately HK\$32,836,000 and HK\$11,164,000 respectively. Consequently, US\$7,701 (equivalent to RMB47,000) was credited to share capital and the remaining balance equivalent to RMB34,561,000 was credited to the share premium account.
- (iv) Pursuant to a resolution dated 25 February 2014, the Company issued 76,206,780 shares of HK\$0.01 each, and repurchased the existing 97,701 issued shares of US\$1.00 each (see note 27).

19 RESERVES**(a) Share premium**

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) Capital reserve

On 15 November 2012, La Kordi Fashion acquired 100% equity interest in Shenzhen Koradior from Shenzhen Jinhexin, a company under the control of a Controlling Shareholder for a consideration of RMB40,155,000. The difference of RMB25,155,000 between the consideration and the paid up capital of Shenzhen Koradior was recorded as a capital reserve.

(c) Statutory reserve

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

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

(d) Exchange reserve

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

(e) Distributable reserves

The Company was incorporated on 23 March 2012.

After the completion of the Reorganisation, the Company became the holding company of companies now comprising the Group, the aggregate amount of distributable reserves of the Company was RMB3,101,000 and RMB37,530,000 as at 31 December 2012 and 2013, respectively.

(f) Capital management

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

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

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, as at 31 December 2011, 2012 and 2013 was 63%, 79% and 57%, respectively.

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

20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

(a) Credit risk

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

(i) Trade and other receivables

The Group's trade and other receivables primarily comprise of amounts receivable from the owners of department stores and shopping malls in the PRC with no recent history of material defaults. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each department store and shopping mall. The Group has worked with a large number of department stores and shopping malls and there is no significant concentration of credit risk. The Group performed credit evaluation which focus on the customer's past history of making payments and current ability to pay. The Group does not obtain collateral from customers. The Group did not incur significant bad debts losses during the Relevant Period.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 11.

(ii) *Non-current rental deposits*

Non-current rental deposits were paid to owners of department stores and shopping malls. The Board of Directors consider that the amounts are fully recoverable considering their creditworthiness.

(b) **Liquidity risk**

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the management and directors when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

Details of maturity analysis for financial liabilities are disclosed in notes 15 and 16.

	At 31 December 2011			
	Contractual undiscounted cash outflow			Carrying amount RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	Total RMB'000	
Bank loans	1,938	30,478	32,416	30,000
Trade and other payables (excluding receipts in advance)	50,312	—	50,312	50,312
	<u>52,250</u>	<u>30,478</u>	<u>82,728</u>	<u>80,312</u>
	At 31 December 2012			
	Contractual undiscounted cash outflow			Carrying amount RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	Total RMB'000	
Bank loans	30,478	—	30,478	30,000
Trade and other payables (excluding receipts in advance)	123,647	—	123,647	123,647
	<u>154,125</u>	<u>—</u>	<u>154,125</u>	<u>153,647</u>
	At 31 December 2013			
	Contractual undiscounted cash outflow			Carrying amount RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	Total RMB'000	
Bank loans	58,630	—	58,630	55,000
Trade and other payables (excluding receipts in advance)	130,389	—	130,389	130,389
	<u>189,019</u>	<u>—</u>	<u>189,019</u>	<u>185,389</u>

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group normally borrows short-term bank loans which have short-term maturity within one year in order to limit its exposure to interest rate risk. The Group's interest rate profiles as monitored by management is set out in (i) below.

(i) The following table details the interest rate profile of the Group's borrowings at the balance sheet dates:

	At 31 December					
	2011		2012		2013	
	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000
Variable rate borrowings:						
Bank loans	6.405%	<u>30,000</u>	6.405%	<u>30,000</u>	6.6%	<u>55,000</u>
Total borrowings		<u>30,000</u>		<u>30,000</u>		<u>55,000</u>

(ii) Sensitivity analysis

As at 31 December 2011, 2012 and 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decrease/increase the Group's profit after tax for the year and retained profits by approximately RMB228,000, RMB225,000 and RMB413,000, respectively. Other components of equity would not be affected by the changes in interest rates.

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

(d) Currency risk

The Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the management considers that the Group's exposure to currency risk is insignificant.

(e) Fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2011, 2012 and 2013 because of the short term maturities of all these financial instruments.

21 COMMITMENTS**Operating leases commitments**

As at 31 December 2011, 2012 and 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December		
	2011 RMB'000	2012 RMB'000	2013 RMB'000
Within 1 year	4,970	6,440	20,787
After 1 year but within 5 years	<u>2,706</u>	<u>6,317</u>	<u>11,997</u>
	<u>7,676</u>	<u>12,757</u>	<u>32,784</u>

The Group leases a number of properties under operating leases. The leases typically run for an initial period for 1 to 3 years, at the end of which all terms are renegotiated.

In addition to the minimum rental payments disclosed above, the Group has a commitment to pay rent with reference to turnover for certain leased properties. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

22 DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2012, the Group transferred 100% of its equity interests in Beijing Jinyueran Culture Co., Ltd (“**Beijing Jinyueran**”) to Shenzhen Jinhexin, a related party, at a consideration of RMB2,000,000. Beijing Jinyueran had not commenced any business before this disposal. The net assets of Beijing Jinyueran at the date of disposal amounted to RMB2,008,000 and the net results of Beijing Jinyueran during the years ended 31 December 2011 and 2012 are loss of RMB3,000 and profit of RMB11,000, respectively, which are included in the Financial Information of the Group.

23 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the Financial Information, the Group entered into the following material related party transactions.

During the Relevant Periods, the directors are of the view that the following are related parties of the Group:

Name of party	Relationships
Mr. Jin Ming	A Controlling Shareholder
Ms. Wang Suzhen	Spouse of Mr. Jin Ming
Ms. Chen Lingmei	Mother of Mr. Jin Ming
Mr. Jin Jingquan	Father of Mr. Jin Ming
Mr. Jin Rui	Brother of Mr. Jin Ming
Mr. Wang Sumin	Brother in law of Mr. Jin Ming
Shenzhen Jinhexin	80%, 10% and 10% owned by Mr. Jin Ming, Mr. Jin Jingquan and Mr. Jin Rui respectively (<i>note 2</i>)
Shenzhen Yingjia Fashion Co., Ltd.* (“ Yingjia Fashion ”) (深圳市贏家服飾有限公司)	53%, 29% and 18% owned by Ms. Chen Lingmei, Mr. Jin Jingquan and Mr. Jin Rui respectively (<i>note 1</i>)
Shenzhen Malilin Investment Co., Ltd.* (“ Malilin ”) (深圳市瑪麗琳投資有限公司)	33%, 29%, 15% and 3% owned by Ms. Chen Lingmei, Mr. Jin Jingquan, Mr. Jin Ming and Mr. Jin Rui respectively (<i>note 2</i>)

* The English translation of the companies' names is for reference only. The official names of these companies are in Chinese.

Note 1: Mr. Jin Ming owned 15% of interests in Yingjia Fashion from the beginning of Relevant Periods, which were transferred to Mr. Jin Rui during the year ended 31 December 2012.

Note 2: Subsequent to 31 December 2013, Mr. Jin Ming disposed entire interests in Shenzhen Jinhexin and Malilin.

(a) Transactions with related parties

In addition to the related party transactions disclosed elsewhere in the Financial Information, the Group entered into the following material related party transactions during the Relevant Periods:

	As at 31 December		
	2011 RMB'000	2012 RMB'000	2013 RMB'000
Processing fees incurred			
— Yingjia Fashion	<u>12,724</u>	<u>27,754</u>	<u>40,939</u>
	<u>12,724</u>	<u>27,754</u>	<u>40,939</u>
Lease of properties from			
— A Controlling Shareholder	—	768	768
— Yingjia Fashion	480	480	924
— Mr. Wang Sumin	—	—	358
	<u>480</u>	<u>1,248</u>	<u>2,050</u>
Purchases of goods from			
— Malilin	<u>551</u>	<u>—</u>	<u>—</u>
	<u>551</u>	<u>—</u>	<u>—</u>
Advances from			
— A Controlling Shareholder	20,963	6,134	24,534
— Ms. Chen Lingmei	—	4,500	—
— Yingjia Fashion	11,415	21,132	30,170
— Malilin	<u>2,000</u>	<u>—</u>	<u>—</u>
	<u>34,378</u>	<u>31,766</u>	<u>54,704</u>
Repayments to			
— A Controlling Shareholder	12,633	5,836	10,297
— Ms. Chen Lingmei	—	4,500	—
— Yingjia Fashion	33,948	9,752	42,189
— Malilin	<u>6,000</u>	<u>—</u>	<u>—</u>
	<u>52,581</u>	<u>20,088</u>	<u>52,486</u>

On 25 October 2012, Shenzhen Koradior entered into an agreement with Shenzhen Jinhexin, under which the Company disposed 100% interest in Beijing Jinyueran to Shenzhen Jinhexin at a consideration of RMB2,000,000. Details of the disposal are set out in note 22.

(b) Balances with related parties

As at 31 December 2011, 2012 and 2013, the Group had the following balances with related parties:

(i) Due from related parties

	As at 31 December		
	2011 RMB'000	2012 RMB'000	2013 RMB'000
Trade-related			
Prepayments			
— Yingjia Fashion	6,517	—	—
	<u>6,517</u>	<u>—</u>	<u>—</u>
Non-trade-related			
Other receivables			
— Shenzhen Jinhxin	—	2,000	—
	<u>—</u>	<u>2,000</u>	<u>—</u>
	<u>6,517</u>	<u>2,000</u>	<u>—</u>

(ii) Due to related parties

	As at 31 December		
	2011 RMB'000	2012 RMB'000	2013 RMB'000
Trade-related			
Trade payables			
— Yingjia Fashion	—	9,056	16,644
	<u>—</u>	<u>9,056</u>	<u>16,644</u>
Non-trade-related			
Other payables			
— Shenzhen Jinhxin	—	40,155	—
— Yingjia Fashion	639	12,019	—
— Mr. Wang Sumin	—	—	51
	<u>639</u>	<u>52,174</u>	<u>51</u>
Amount due to a Controlling Shareholder			
— Mr. Jin Ming	18,837	19,903	34,908
	<u>18,837</u>	<u>19,903</u>	<u>34,908</u>
	<u>19,476</u>	<u>81,133</u>	<u>51,603</u>

As at 31 December 2011 and 2012, a bank loan of RMB30,000,000 of the Group was guaranteed by a Controlling Shareholder. As at 31 December 2013, a bank loan of RMB30,000,000 was guaranteed by a Controlling Shareholder and his spouse.

(c) Operating leases commitments

At 31 December 2011, 2012 and 2013, the total future minimum lease payments under non-cancellable operating leases are payable to Mr. Jin Ming, Mr.Wang Sumin and Yingjia Fashion as follows:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 1 year	1,248	1,692	2,306
After 1 year but within 5 years	<u>1,536</u>	<u>1,692</u>	<u>870</u>
	<u>2,784</u>	<u>3,384</u>	<u>3,176</u>

(d) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Short-term employee benefits	1,327	1,975	3,214
Contributions to retirement benefit scheme	<u>69</u>	<u>110</u>	<u>163</u>
	<u>1,396</u>	<u>2,085</u>	<u>3,377</u>

Total remuneration is included in "staff costs" (note 5(b)).

24 LIST OF AUDITORS OF THE SUBSIDIARIES

The following list contains details of the companies included in the Financial Information that are subject to audit during the Relevant Periods and the names of the respective auditors.

Name of company	Financial period	Statutory auditors
Shenzhen Koradior	For the years ended 31 December 2011, 2012 and 2013	Shenzhen Wan Shang Certified Public Accountants 深圳萬商會計師事務所
La Kordi Fashion	For the period from 8 August 2012 (date of incorporation) to 31 December 2012	Shenzhen Wan Shang Certified Public Accountants 深圳萬商會計師事務所
La Kora International	For the period from 17 April 2012 (date of incorporation) to 31 March 2013	C C KWONG & COMPANY 鄭志才會計師行

25 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

As at 31 December 2013, the directors consider the immediate controlling party of the Company to be Koradior Investments Limited, which is incorporated in the British Virgin Islands, and the ultimate controlling party of the Company to be Mr. Jin Ming.

26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of these Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Periods and which have not been adopted in these Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 32, <i>Financial instruments: Presentation — Offsetting financial assets and financial liabilities</i>	1 January 2014
Amendments to IAS 36, <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
IFRIC 21, <i>Levies</i>	1 January 2014
IFRS 9, <i>Financial instruments</i>	1 January 2015

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

27 SUBSEQUENT EVENTS

Pursuant to a resolution dated 25 February 2014, the Company increased authorised share capital by creation of 78,000,000 shares of a nominal or par value of HK\$0.01 each and issued 76,206,780 shares of HK\$0.01 each, and repurchased the existing 97,701 issued shares of US\$1.00 each and decreased authorised share capital by cancellation of 100,000 shares of US\$1.00 each (see note 18(a) and 18(b)(iv)).

C SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or its subsidiaries comprising the Group in respect of any period subsequent to 31 December 2013. No dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to 31 December 2013.

Yours faithfully

KPMG

Certified Public Accountants

Hong Kong

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION
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A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets was prepared in accordance with Rule 4.29 of the Listing Rules and is for illustration purpose only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets following the Global Offering.

The following unaudited pro forma adjusted consolidated net tangible assets is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Group derived from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, assuming that the Global Offering was completed on 31 December 2013 and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report.

	Consolidated Net Tangible Assets of our Company as at 31 December 2013 <i>RMB'000</i> <i>(Note 1)</i>	Estimated Net Proceeds from the Global Offering <i>RMB'000</i> <i>(Note 2 & 4)</i>	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets <i>RMB'000</i>	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets per Share <i>RMB</i> <i>(Note 3)</i>	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets per Share <i>HK\$</i> <i>(Note 4)</i>
Based on an Offer Price of HK\$4.51 per Share	158,003	410,900	568,903	1.14	1.44
Based on an Offer Price of HK\$3.05 per Share	158,003	272,150	430,153	0.86	1.09

Notes:

- (1) *The consolidated net tangible assets of our Company as at 31 December 2013 is based on the consolidated net assets of our Company of RMB158.00 million as at 31 December 2013, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.*
- (2) *The estimated net proceeds from the Global Offering are based on the Offer Shares and the estimated Offer Prices of HK\$4.51 and HK\$3.05, respectively, after deduction of the underwriting fees and related expenses payable by our Company and does not take into account any Shares that may be issued upon exercise of Over-Allotment Option.*
- (3) *The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments for the estimated net proceeds from the Global Offering payable to our Company as described in note (2) and on the basis that 500,000,000 Shares were in issue assuming that the Global Offering was completed on 31 December 2013 (including Shares in issue as of the date of this prospectus and those Shares to be issued pursuant to the Global Offering and the Capitalisation Issue) without taking into account any Shares which may be offered for sale upon exercise of the Over-Allotment Option.*
- (4) *The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.2626 to RMB1.*
- (5) *No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group subsequent to 31 December 2013.*

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of inclusion in this prospectus.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

17 June 2014

The Directors
Koradior Holdings Limited

Dear Sirs

We have completed our assurance engagement to report on the compilation of pro forma financial information of Koradior Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 December 2013 and related notes as set out in Part A of Appendix II to the prospectus dated 17 June 2014 (the “**Prospectus**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the “**Global Offering**”) on the Group's financial position as at 31 December 2013 as if the Global Offering had taken place at 31 December 2013. As part of this process, information about the Group's financial position as at 31 December 2013 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“**HKSAE**”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

KPMG

Certified Public Accountants

Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 March 2012 under the Companies Law. The Memorandum of Association and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 6 June 2014 with effect from Listing. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of our Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of our Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which our Director is contractually entitled) must be approved by our Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the

board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which our Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where our Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract or arrangement in which our Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of our Directors shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. Our Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include

any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of our Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Our Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

Our Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to our Company at the registered office of our Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;

- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of our Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(c) Alteration of capital

Our Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly

authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of our Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of our Company other than

such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent. (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of our Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the

holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as our Directors may from time to time require is paid to our Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of our Company to own shares in our Company and financial assistance to purchase shares of our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, our Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our

Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the

same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, our Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, our

Company has not during that time received any indication of the existence of the member; and (iii) our Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and

repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in our Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of Shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the

manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the

company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 25 March 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of our Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of

members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge

the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION ABOUT OUR COMPANY**(i) Incorporation**

We were incorporated on 23 March 2012 in the Cayman Islands as an exempted company with limited liability under the Companies Law. We have established a principal place of business in Hong Kong at Unit C, 17/F, Go-Up Commercial Building, No. 998 Canton Road, Kowloon, Hong Kong and registered on 10 March 2014 with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Leung Ka Wai has been appointed the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its registered place of business in Hong Kong.

As we are incorporated in the Cayman Islands, our corporate structure, Memorandum of Association and Articles of Association are subject to the laws of the Cayman Islands. A summary of our constitution and relevant aspects of the Companies Law is set out in Appendix III in this prospectus.

(ii) Changes in our Share Capital

- (i) As at the date of our incorporation on 23 March 2012, our authorised share capital was US\$50,000 divided into 50,000 shares, each of US\$1.00 par value. On the same day, one share, credited as fully paid up was allotted and issued to Offshore Incorporation (Cayman) Limited as the initial subscriber and was transferred to Korador Investments, one of our Controlling Shareholders, on the same day. Immediately upon completion of the above transfer and issue of share, our Company had an issued share capital of US\$1.00 divided into one share.
- (ii) On 28 August 2012, the authorised share capital of our Company was increased from US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each to US\$100,000 divided into 100,000 shares of a par value of US\$1.00 each by the creation of an additional 50,000 shares. On the same day, (i) 84,999 fully-paid shares of our Company of US\$1.00 each were allotted and issued to Korador Investments, one of our Controlling Shareholders at a consideration of US\$84,999 and (ii) 5,000 fully-paid shares of our Company of US\$1.00 each were allotted and issued to Ms. Jinny Chui at a consideration of US\$500,000.
- (iii) On 7 November 2013, Ms. Jinny Chui transferred 5,000 shares of our Company of US\$1.00 each legally and beneficially held by her to Sisu Holdings Limited, an investment holding company incorporated in the BVI and wholly-owned by herself at a total consideration of US\$1.00.
- (iv) On 9 December 2013, 5,747 shares and 1,954 shares of our Company of US\$1.00 each were respectively allotted and issued to each of Sisu Holdings Limited and Wealth Depot Limited, an investment holding company incorporated in the Republic of Seychelles and the entire issued share capital of which is held by Ms. Ivy Connie Sun,

at a total consideration of HK\$32,835,821 and HK\$11,164,179 respectively, the details of which are set out in the paragraph headed “History and Reorganisation — Pre-IPO Investment” in this prospectus.

- (v) On 25 February 2014, the authorised share capital of our Company was increased by HK\$780,000 by the creation of 78,000,000 Shares of a nominal or par value of HK\$0.01 each (the “**Increase**”). Following the Increase, our Company allotted and issued 66,300,000, 8,382,660, and 1,524,120 Shares to Korador Investments, our Controlling Shareholder, Sisu Holdings Limited and Wealth Depot Limited respectively (the “**Issue**”), the subscription price of which was funded out of the Repurchase (as hereinafter defined). Following the Issue, our Company repurchased the 97,701 issued shares of US\$1.00 each (the “**Existing Shares**”) in the capital of our Company in issue immediately prior to the Increase (the “**Repurchase**”) which was paid out of the proceeds of the Issue and the Existing Shares were cancelled. Following the Repurchase, the authorised but unissued share capital of our Company was diminished by the cancellation of all the 100,000 unissued shares of US\$1.00 each in the capital of our Company (the “**Diminution of Authorised Capital**”). Following the Diminution of Authorised Capital, our Company had an authorised share capital of HK\$780,000 divided into 78,000,000 shares of HK\$0.01 each.
- (vi) Pursuant to the written resolutions of our Shareholders passed on 6 June 2014, the authorised share capital of our Company was increased from HK\$780,000 to HK\$15,000,000 divided into 1,500,000,000 Shares of HK\$0.01 each by the creation of an additional 1,422,000,000 Shares.

As at the Latest Practicable Date, our Company had an authorised share capital of HK\$15,000,000, divided into 1,500,000,000 Shares, and an issued share capital of HK\$762,067.80, divided into 76,206,780 Shares (all fully paid or credited as fully paid).

(iii) Share Capital after the Global Offering

Immediately following the completion of the Global Offering and assuming the Over-Allotment Option is not exercised, the authorised share capital of our Company will be HK\$15,000,000, divided into 1,500,000,000 Shares, of which 500,000,000 Shares will be issued fully paid or credited as fully paid, and 1,000,000,000 Shares will remain unissued.

Save as disclosed in this Appendix and the section headed “History and Reorganisation” in this prospectus, there has been no alteration in the share capital of our Company since our incorporation.

(iv) Written Resolutions of our Shareholders passed on 6 June 2014

Pursuant to the resolutions in writing passed by our Shareholders of our Company on 6 June 2014:

- (i) the authorised share capital of our Company was increased from HK\$780,000 to HK\$15,000,000 by the creation of an additional 1,422,000,000 Shares;

- (ii) our Company approved and adopted the Memorandum with immediate effect, and conditionally adopted the Articles of Association with effect from Listing;
- (iii) conditional upon the conditions stated in the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus:
 - (a) the Global Offering and the Over-Allotment Option were approved and our Directors were authorised to allot and issue up the Offer Shares pursuant to the Global Offering and any Shares which may be required to be allotted and issued if the Over-Allotment Option is exercised pursuant to the terms set out in this prospectus;
 - (b) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company under the Global Offering, our Directors were authorised to capitalise an amount of HK\$2,987,932.20 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 298,793,220 Shares for allotment and issue to Shareholder(s) whose name(s) appear(s) on the register of members of our Company at the close of business on 6 June 2014 (or as our Directors may direct) in proportion (as nearly as possible without involving fractions) to their then respective existing shareholdings in our Company and our Directors were authorised to allot and issue such Shares as aforesaid and to give effect to the Capitalisation Issue and the Shares to be allotted and issued shall rank *pari passu* with all the Shares in issue;
 - (c) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal in Shares with an aggregate nominal value of not more than the sum of 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (but excluding any Shares which may be allotted and issued pursuant to any exercise of the Over-Allotment Option or the options to be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the end of the period within which we are required by any applicable laws or our Articles to hold the next annual general meeting of our Company, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying such mandate given to our Directors, whichever is the earliest;
 - (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other approved stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), the aggregate nominal value of such number of Shares shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to any exercise of the Over-Allotment Option or the

options to be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the end of the period within which we are required by any applicable laws or our Articles of Association to hold the next annual general meeting of our Company, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying such mandate given to our Directors, whichever is the earliest;

- (e) the general mandate mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by the Company pursuant to the mandate to purchase Shares referred to in paragraph (d) above; and
- (f) the Share Option Scheme be approved and adopted and our Directors be authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable to or not objected by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme.

2. OUR PRINCIPAL SUBSIDIARIES

The particulars of our principal subsidiaries are provided in the Accountants' Report, the text of which is set out in Appendix I in this prospectus.

3. CHANGES IN THE SHARE CAPITAL OF OUR SUBSIDIARIES

The following changes in the share capital of our subsidiaries have taken place during the Track Record Period within two years immediately preceding the issue of this prospectus:

Fiona Kim Investments

Fiona Kim Investments was incorporated in the BVI on 10 April 2012 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 17 April 2012, one fully paid share of Fiona Kim Investments was allotted and issued to our Company at par.

La Kora International

La Kora International was incorporated in Hong Kong on 17 April 2012 as an intermediate holding company. On its incorporation, the authorised capital of La Kora International was HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. On 17 April 2012, one fully paid share in La Kora International was allotted and issued to Fiona Kim Investments at a consideration of HK\$1.00 as founder member's share.

The shares in La Kora International have no nominal value pursuant to section 135(1) of the Companies Ordinance which commenced operation on 3 March 2014.

La Kordi Fashion

La Kordi Fashion is a wholly-foreign owned enterprise established by La Kora International under the laws of the PRC on 8 August 2012 with a registered capital of HK\$2.00 million. By 21 January 2013, La Kora International has fully contributed to the registered capital of La Kordi Fashion.

Shenzhen Koradior

On 21 July 2011, Ms. Chen Lingmei transferred 18.00% equity interest in Shenzhen Koradior to Mr. Jin Rui, brother of Mr. Jin, at a consideration of RMB2.7 million.

On 21 December 2011, Mr. Jin, Mr. Jin Jingquan and Mr. Jin Rui transferred all their equity interests in Shenzhen Koradior to Shenzhen Jinhexin at a total consideration of RMB15.00 million.

On 15 November 2012, Shenzhen Jinhexin transferred all the equity interests in Shenzhen Koradior to La Kordi Fashion at a consideration of RMB40.16 million.

Save as disclosed above and in the paragraph headed “History and Reorganisation — Corporate Reorganisation” of this prospectus, there has been no other alterations in the share capital or registered capital of any of our subsidiaries during the Track Record Period and within the two years immediately preceding the date of this prospectus.

4. SHARE REPURCHASE MANDATE

This section includes information relating to the repurchase by us of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

A. Relevant Legal and Regulatory Requirements

The Listing Rules permit a company whose primary listing is on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association of our Company, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, such purchases by our Company may only be made out of our Company's funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of Shares made for the purpose of the repurchase. Any amount of premium payable on a purchase over the par value of the Shares to be purchased must have been provided for out of the funds of our Company which would otherwise be available for dividend or distribution or from sums standing to the credit of our Company's share premium account.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate nominal value of the company's shares in issue on the date the repurchase mandate is granted. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

(iv) Status of Repurchased Securities

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for a listed company to announce its results for any year or half-year under the

Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances.

(v) *Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vi) *Connected Persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective associates and a connected person is prohibited from knowingly selling his securities to the company, on the Stock Exchange.

B. Reasons for Repurchases

Our Directors believe that it is in our Company's and our Shareholders' best interests for our Directors to have general authority from the Shareholders to enable our Company to execute repurchases of the Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or its earnings per Share and will only be made when our Directors believe that such repurchases will benefit us and our Shareholders.

C. Funding of Repurchases

In repurchasing securities, a listed company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account our Company's current working capital position, our Directors consider that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our Company's working capital and/or our Company's gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our Company's working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

D. General

Exercise in full of the current repurchase mandate, on the basis of 500,000,000 Shares in issue immediately following the completion of the Global Offering and assuming the Over-Allotment Option is not exercised, could accordingly result in up to approximately 50,000,000 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the end of the period within which we are required by any applicable laws or our Articles of Association to hold our next annual general meeting; or
- (iii) the date on which the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), have any present intention of the repurchase mandate is approved by our Shareholders, to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person of our Company has notified us that he or it has a present intention to sell Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Codes on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' interests, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made immediately after the listing of Shares on the Stock Exchange. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases made pursuant to the repurchase mandate immediately after the listing of the Shares on the Stock Exchange .

Save as disclosed in the paragraph headed "1. Further information about our Company — (ii) Changes in our Share Capital" of this Appendix, no repurchase of Shares has been made by our Company since its incorporation.

5. CORPORATE REORGANISATION

For details of the major steps of the Reorganisation effected in preparation for the listing of our Company, please refer to the paragraph headed “History and Reorganisation — Corporate Reorganisation” in this prospectus.

6. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (i) Subscription Agreement (in Chinese) dated 28 August 2012 among Ms. Jinny Chui, Mr. Jin, our executive Director and one of our Controlling Shareholders, our Company and La Kordi Fashion, pursuant to which our Company agreed to allot (i) 84,999 fully-paid Shares to Korador Investments at a consideration of US\$84,999 and (ii) 5,000 shares of our Company of US\$1.00 each to Ms. Jinny Chui at a consideration of US\$100 per share;
- (ii) Share Transfer Agreement (in Chinese) dated 6 November 2012 entered into between Shenzhen Jinhexin and La Kordi Fashion, pursuant to which La Kordi Fashion has agreed to acquire the entire equity interest in Shenzhen Korador from Shenzhen Jinhexin at a total consideration of RMB40.16 million;
- (iii) Subscription Agreement dated 9 December 2013 between our Company, Sisu Holdings Limited and Wealth Depot Limited, pursuant to which Sisu Holdings Limited and Wealth Depot Limited agreed to subscribe for 5,747 shares and 1,954 shares of our Company of US\$1.00 each at a consideration of HK\$32,835,821 and HK\$11,164,179 respectively;
- (iv) the Deed of Indemnity;
- (v) the Deed of Non-Competition; and
- (vi) the Hong Kong Underwriting Agreement.

B. Our Intellectual Property Rights

As at the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(i) Trademarks

As at the Latest Practicable Date, members of our Group have registered the following trademarks, which are material to our business:

No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1.	<i>Koradior</i>	25	Shenzhen Koradior	PRC	4735662	27 October 2019
2.	KORARIOR	25	Shenzhen Koradior	PRC	7105221	6 September 2020
3.	DE KORA	25	Shenzhen Koradior	PRC	10175754	13 January 2023

As at the Latest Practicable Date, members of our Group have applied for the registration of the following trademarks in the PRC and Hong Kong, which are material to our business:

No.	Trademark	Type and Class	Name of Applicant	Place of Application	Application Number	Application Date
1.	KORADIOR	25	Shenzhen Koradior	PRC	6538615	30 January 2008
2.	Koradior	25	Shenzhen Koradior	PRC	9729991	18 July 2011
3.	<i>La Koradior</i>	25	Shenzhen Koradior	PRC	11057492	12 June 2012
4.	La Koradior	25	Shenzhen Koradior	PRC	10175750	11 November 2011
5.	Koradior	25	Shenzhen Koradior	HK	302516968	5 February 2013
6.	Koradior <small>elsewhere</small>	25	Shenzhen Koradior	PRC	13396427	21 October 2013

(ii) Domain Names

As at the Latest Practicable Date, members of our Group has registered the following domain names which are material to our business:

No.	Domain Name	Registrant	Date of Registration	Expiry Date
1.	koradior.com	Shenzhen Koradior	1 November 2005	2 November 2015
2.	koradior.cn	Shenzhen Koradior	2 November 2005	2 November 2015
3.	珂萊蒂爾.com	Shenzhen Koradior	7 July 2009	8 July 2014
4.	珂萊蒂爾.cn	Shenzhen Koradior	22 August 2008	22 August 2018

Information contained in the above websites does not form part of this prospectus.

(iii) Patents

As at the Latest Practicable Date, members of our Group have registered the following patents which are material to our business:

No.	Type	Registered owner	Patent number	Place of Registration	Expiry Date
1.	A type of leather clothing with tear-resistance (一種抗撕裂的皮革服裝)	Shenzhen Koradior	ZL 201220183713.2	PRC	26 April 2022
2.	A type of wool with lace composite fabrics (一種羊毛條蕾絲複合面料)	Shenzhen Koradior	ZL 201220283865.X	PRC	15 June 2022
3.	Slider of zipper fastener (1) (拉鏈頭拉片(1))	Shenzhen Koradior	ZL 201230125856.3	PRC	23 April 2022
4.	Slider of zipper fastener (3) (拉鏈頭拉片(3))	Shenzhen Koradior	ZL 201230125849.3	PRC	23 April 2022
5.	A type of wool with lace composite fabrics (一種蕾絲羊毛針織複合面料)	Shenzhen Koradior	ZL 201220158861.9	PRC	16 April 2022
6.	A blended fabrics (一種混紡面料)	Shenzhen Koradior	ZL 201220125083.3	PRC	29 March 2022
7.	A type of folding and printed fabrics (一種褶皺印花面料)	Shenzhen Koradior	ZL 201320149212.7	PRC	28 March 2023
8.	A type of filming composite fabrics with lace (一種貼膜蕾絲複合面料)	Shenzhen Koradior	ZL 201320148278.4	PRC	28 March 2023
9.	A type of wax lighted and foil printed composite fabrics with lace (一種蠟光燙金針織蕾絲複合面料)	Shenzhen Koradior	ZL 201320148704.4	PRC	28 March 2023
10.	A type of double-knitted fabrics adhered by interlining (一種模粘貼合雙層針織面料)	Shenzhen Koradior	ZL 201320199588.9	PRC	19 April 2023
11.	A type of foil printed woven fabrics (一種燙金印花梭織面料)	Shenzhen Koradior	ZL 201320199670.1	PRC	19 April 2023
12.	A type of silk filming composite fabrics (一種真絲綢貼膜複合面料)	Shenzhen Koradior	ZL 201320308539.4	PRC	31 May 2023

As at the Latest Practicable Date, members of our Group have applied for the registration of the following patents, which are material to our business:

No.	Type	Name of Applicant	Application number/ Patent number	Place of Applications	Application Date
1.	A fabrics post mercerising process (一種織物後絲光處理工藝)	Shenzhen Koradior	201410069450.6	PRC	27 February 2014

(iv) *Copyrights*

As at the Latest Practicable Date, members of our Group have registered the following copyright, which is material to our business:

No.	Name	Registered owner	Registration number	Place of registration	Registration Date
1.	Koradior barpque scarf (《Koradior (珂萊蒂爾) 巴羅克式絲巾》)	Shenzhen Koradior	Guozudengzi-2012-F-00061573	PRC	28 May 2012
2.	Koradior sea of roses scarf (《Koradior (珂萊蒂爾) 玫瑰花海絲巾》)	Shenzhen Koradior	Guozhudengzi-2013-F-00099271	PRC	19 July 2013
3.	Koradior rose diamond-type lattice pattern (《Koradior 玫瑰菱形格圖案》)	Shenzhen Koradior	Guozudengzi-2012-F-00061547	PRC	25 May 2012
4.	Koradior double K rose pattern (《珂萊蒂爾品牌雙K玫瑰花圖案》)	Shenzhen Koradior	Guozudengzi-2012-F-00061574	PRC	28 May 2012
5.	PDA stock-taking application system (PDA庫存盤點應用系統)	Shenzhen Koradior	2012SR058439	PRC	3 July 2012
6.	PDA in and out picking system (PDA出入庫揀配系統)	Shenzhen Koradior	2012SR100469	PRC	25 October 2012
7.	《Koradior fragrance pattern》 (《Koradior (珂萊蒂爾) 馥郁迷香圖案》)	Shenzhen Koradior	粵作登字-2013-F-00006022	PRC	29 November 2013
8.	《Koradior Xiang Cao Fang Di pattern》 (《Koradior (珂萊蒂爾) 香草芳地圖案》)	Shenzhen Koradior	粵作登字-2013-F-00005992	PRC	29 November 2013
9.	《Koradior Fang Hua Man Di pattern》 (《Koradior (珂萊蒂爾) 繁花滿地圖案》)	Shenzhen Koradior	粵作登字-2013-F-00006025	PRC	29 November 2013

No. Name	Registered owner	Registration number	Place of registration	Registration Date
10. 《Koradior Fu Lian Huan pattern》 (《Koradior (珂萊蒂爾) 復連環圖案》)	Shenzhen Koradior	粵作登字-2013-F- 00005993	PRC	29 November 2013
11. 《Koradior Zi Mu San Dian Zu He pattern》(《Koradior珂萊蒂爾字母散 點組合圖案圖形》)	Shenzhen Koradior	粵作登字-2013-F- 00005991	PRC	29 November 2013
12. PDA freight and packing system (PDA貨運裝箱系統)	Shenzhen Koradior	2013SR135015	PRC	28 November 2013

Save as disclosed above, there are no other copyrights, patents, trademarks or other intellectual property rights which are material in relation to the business of our Company.

C. Material Properties

Among our owned and leased properties, 3 of them are considered material by our Group as we operate our headquarters which are the three properties we owned as at 31 December 2013. Details of material properties are set out as below:

No.	Owner	Property Name, Address	Use	Approximate Area (m ²)	Actual Use and Restrictions on Use	Method of Acquisition of Land Use Right/ Expiry Date of Land Use Right of Owned Land
1.	Shenzhen Koradior	深圳市福田區泰然六路北側 深業泰然紅松大廈B區7F (7F, Zone B, Shum Yip Terra's I Hongsong Building Terra 6th Road North, Futian, Shenzhen) ¹	Industrial	438.31	Office	Land Grant until 19 August 2057
2.	Shenzhen Koradior	深圳市福田區泰然六路北側 深業泰然紅松大廈B區7E (7E, Zone B, Shum Yip Terra's Hongsong Building Terra 6th Road North, Futian, Shenzhen) ¹	Industrial	487.48	Office	Land Grant until 19 August 2057
3.	Shenzhen Koradior	深圳市福田區泰然六路北側 深業泰然紅松大廈B區7H (7H, Zone B, Shum Yip Terra's Hongsong Building Terra 6th Road North, Futian, Shenzhen) ¹	Industrial	501.05	Office	Land Grant until 19 August 2057

None of the above material properties is related to property activities (as defined in the Chapter 5 of the Hong Kong Listing Rules). To the best of our knowledge and belief, except as otherwise disclosed in this prospectus, none of our material properties have:

- third-party rights such as encumbrances, liens, pledges or mortgages;
- restrictions on its use or conflicts with its actual use;
- environmental violation issues;
- investigations, notices, pending litigations, breaches of law or title defects;
- plans for construction, renovation, improvement or development;
- plans to dispose of or change the use; or
- any other information considered material for investors to enable them to make a properly informed assessment on the properties of our Company.

D. Further information about our PRC subsidiaries

La Kordi Fashion

- (i) nature of the company: WFOE
- (ii) term of business operation: from 8 August 2012 to 8 August 2042
- (iii) total investment: HK\$2.60 million
- (iv) registered capital: HK\$2.00 million (fully paid)
- (v) attributable interest of our Company: 100.00%
- (vi) scope of business: design and development apparel, footwear, hats and beddings and sale of self-developed and self-designed technological achievements; economic information consulting (no limitations on restricted items); enterprise management consulting (no limitations on restricted items)

Shenzhen Koradior

- (i) nature of the company: wholly domestically-owned enterprise
- (ii) term of business operation: from 24 March 2006 to 24 March 2016
- (iii) total investment: RMB15.00 million
- (iv) registered capital: RMB15.00 million (fully paid)

- (v) attributable interest of our Company: 100.00%
- (vi) scope of business: design, purchase and sale of apparel, clothing, footwear, hats, accessories, leather products, bags, beddings and textile materials; domestic trading (excluding the franchise, control and, monopoly of products); operation of import and export business (other than those prohibited by laws, administrative regulations, and decisions of the state council, restricted items can only commence operation after obtaining the applicable approval or permit)

7. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

A. Disclosure of Interests

(i) *Interests of Directors and the Chief Executive of Our Company*

Immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-Allotment Option and options that may be granted pursuant to the Share Option Scheme), the interests or short positions of Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our 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 will be required, pursuant to Section 352 of the SFO, to be entered into in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

Name of Director	Name of Corporation	Nature of interest and capacity	Number of Shares held <i>(Note 2)</i>	Approximate % of shareholding
Mr. Jin	Our Company	Founder of a discretionary trust <i>(Note)</i>	326,250,500	65.25%

Note: These shares are held by Korador Investments. The entire issued share capital of Korador Investments is wholly-owned by Kingstun Holdings, the entire issued share capital of which is in turn wholly-owned by Standard Chartered Trust (through its nominee SCTS Capital Pte Ltd) as trustee of the Fiona Trust. The Fiona Trust is a discretionary trust set up by Mr. Jin as settlor. The beneficiaries of Fiona Trust are Mr. Jin, his spouse and his children. Mr. Jin as founder of Fiona Trust is taken to be interested in the 326,250,500 Shares held by Korador Investments by virtue of Part XV of the SFO.

(ii) Interests of Substantial Shareholders

So far as is known to any Director or chief executive of our Company, immediately following completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-Allotment Option, the following persons (other than a Director or chief executive of our Company) will have an interest or short position in the Shares or the underlying Shares which must be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest and capacity	Number of Shares Held after the Global offering	Approximate % of shareholding after the Global offering
Standard Chartered Trust <i>(Note 2)</i>	Trustee	326,250,500	65.25%
Kingstun Holdings <i>(Note 2)</i>	Interest in a controlled corporation	326,250,500	65.25%
Koradior Investments <i>(Note 1)</i>	Beneficial Owner	326,250,500	65.25%
Jinny Chui <i>(Note 3)</i>	Interest in a controlled corporation	41,249,578	8.25%
Sisu Holdings Limited <i>(Note 3)</i>	Beneficial Owner	41,249,578	8.25%

Notes:

- These shares are held by Koradior Investments. The entire issued share capital of Koradior Investments is wholly-owned by Kingstun Holdings, the entire issued share capital of which is in turn wholly-owned by Standard Chartered Trust (through its nominee SCTS Capital Pte Ltd) as trustee of the Fiona Trust. The Fiona Trust is a discretionary trust set up by Mr. Jin as settlor. The beneficiaries of Fiona Trust are Mr. Jin, his spouse and his children. Mr. Jin as founder of Fiona Trust is taken to be interested in the 326,250,500 Shares held by Koradior Investments by virtue of Part XV of the SFO.*
- Standard Chartered Trust (through its nominee SCTS Capital Pte Ltd), as trustee of Fiona Trust, which was established by Mr. Jin as settlor in favour of the beneficiaries of Fiona Trust, held 100% of the issued share capital of Kingstun Holdings, which in turn held 100% of the issued share capital of Koradior Investments.*
- Sisu Holdings Limited is wholly-owned by Ms. Jinny Chui, an Independent Third Party.*

As at the Latest Practicable Date, so far as is known to our Directors, other than our Company, no other persons were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our subsidiaries.

B. Directors' Service Contracts

Each of our executive Directors has entered into a service contract with us for a fixed term of three years commencing from the Listing Date which can be terminated before the expiration of the term by not less than three months' notice in writing served by either party on the other.

Each of the Independent Non-executive Directors has signed an appointment letter with our Company for a term of two years with effect from the Listing Date. Under their respective appointment letters, each of the Independent Non-executive Directors is entitled to a fixed Director's fee of HK\$200,000 per annum. Their appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

Save as disclosed above, none of our Directors has entered into a service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

C. Directors' Remuneration

The aggregate remuneration (including fees, basic salaries, contribution to retirement benefit scheme, allowances, other benefits in kind and discretionary bonuses) paid to our Directors for the three years ended 31 December 2011, 2012 and 2013 were approximately RMB893,000, RMB1,210,000 and RMB1,914,000, respectively.

There was no arrangement under which a director waived or agreed to waive any remuneration for any of the three years ended 31 December 2013.

Save as disclosed above, no other payments have been made or are payable in respect of the three years ended 31 December 2010, 2011 and 2012 by any member of our Group to any of our Directors.

Under the arrangements currently in force, our Company estimates the aggregate remuneration payable to, and benefits in kind receivable by, our Directors in respect of the year ending 31 December 2014 to be approximately RMB2.95 million.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

D. Personal Guarantees

Save as disclosed in this prospectus, our Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to us.

E. Agency Fees or Commission Received

Save as disclosed in this prospectus, no commissions, discounts, agency fees, brokerages or other special terms have been granted in connection with the issue or sale of any of our capital within the two years ended on the date of this prospectus.

F. Connected and Related-Party Transactions

During the two years preceding the date of this prospectus, we were engaged in related party transactions as described under the section headed “Connected Transactions” in this prospectus and in the Accountants’ Report set out in Appendix I of this prospectus under the paragraph headed “23. Material Related Party Transactions”.

G. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (c) none of our Directors nor any of the persons listed in the paragraph headed “Qualification of Experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (d) none of our Directors is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;
- (e) save in connection with Underwriting Agreements, none of the persons listed in the paragraph headed “Qualification of Experts” below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) save for the Underwriting Agreements, none of the persons listed in the paragraph headed “Qualification of Experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and
- (g) so far as is known to our Directors, none of our Directors or their associates or any Shareholder (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest suppliers or customers of our Group.

8. OTHER INFORMATION

A. Litigation

As at the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

B. Joint Sponsors

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The total amount of fees payable to the Joint Sponsors by us in respect of the Joint Sponsors’ services as sponsor for the Listing is HK\$7,000,000.

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options to be granted under the Share Option Scheme). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

C. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2013 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

D. Tax and other indemnities*(i) Tax on Dividends*

No tax is payable in Hong Kong in respect of dividends paid by us.

(ii) Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profit tax, which is currently imposed at the rate of 17.50% on corporations and at a rate of 16.00% on unincorporated businesses. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(iii) Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.20% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(iv) Estate Duty

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), and the Shares are Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from and including 15 July 2005 to 11 February 2006 with the principal value exceeding HK\$7.50 million shall be a nominal amount of HK\$100.

(v) Deed of Indemnity

Pursuant to a deed of indemnity given by our Controlling Shareholders in favour of our Company (and its subsidiaries) and conditional upon the fulfilment of the conditions stated in the paragraph headed “Conditions of the Global Offering” in the section headed “Structure of the Global Offering” in this prospectus, our Controlling Shareholders will indemnify and at all times keep our Company and any member of our Group indemnified on demand from and against:

- (a) any taxation falling on any member of our Group resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or

deemed to be so granted, earned, accrued, received or made) on or before the Listing Date or any event, transaction, act or omission occurring or deemed to occur on or before the Listing Date whether alone or in conjunction with any other event, act or omission occurring or deemed to occur on or before the Listing Date and whether or not such taxation is chargeable against or attributable to any other person, firm or company;

- (b) all claims, losses, damages, penalties and expenses incurred or suffered by our Company or any members of our Group, resulting from title defects as more particularly set out in the paragraphs headed “Risk Factors — Risks Relating to our Business — We may be required to seek alternative premises and/or we may be required to pay penalties for some of our leased properties if our landlords do not have title thereto and for non-registration with the relevant PRC governmental authorities” of this prospectus as such matters subsist prior to the Listing Date; and
- (c) all losses, damages, claims, expenses and penalties suffered or incurred by our Company or any members of our Group, resulting from our Group’s failure to make payment of housing provident funds as required by the PRC laws and regulations, as more particularly set out in the paragraphs headed “Risk Factors — Risks Relating to Our Business — We may be required to make additional contributions of housing provident funds under PRC national laws and regulations” and “Business — Welfare Contribution” of this prospectus as such matters subsist prior to the Listing Date.

However, the indemnities given by our Controlling Shareholders under this section do not cover, and our Controlling Shareholders shall be under no liability in respect of, any liability:

- (a) to the extent that provision or allowance has been made in the audited combined accounts of members of our Group for an accounting period ended on or before 31 December 2013;
- (b) falling on any members of our Group in respect of any accounting period commencing on or after 31 December 2013 unless such liability would not have arisen but for some act or omission of, or transaction entered into by, our Controlling Shareholders or any members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than:
 - (i) in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, on or before the Listing Date; or
 - (ii) pursuant to a legally binding commitment created on or before the date of the deed of indemnity or pursuant to any statement of intention made in this prospectus;

- (c) to the extent that such liability arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by any statutory or governmental authority (in Hong Kong or elsewhere), including without limitation the Inland Revenue Department, having retrospective effect coming into force after the Listing Date or to the extent that such liability arises or is increased by an increase in rates of taxation, housing provident funds or other penalties after the Listing Date with retrospective effect;
 - (d) to the extent that such liability is discharged by another person who is not a member of our Group and that none of the member of our Group is required to reimburse such person in respect of the discharge of such liability; or
 - (e) to the extent of any provision or reserve made for such liability in the audited accounts referred to in (a) above which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce our Controlling Shareholders' liability in respect of such liability shall not be available in respect of any such liability arising thereafter.
- (vi) *Consultation with professional advisers*

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the tax implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. None of our Company, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any of their respective directors, or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, or dealing in, Shares.

E. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder Shares, management Shares or deferred Shares;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group;

- (v) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share of any member in our Company;
- (b) None of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (c) Our Company has no outstanding convertible debt securities;
- (d) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (e) Our Directors have been advised that, under the Companies Law, the use of a Chinese name by our Company does not contravene the Companies Law;
- (f) There is no arrangement under which future dividends are waived or agreed to be waived; and
- (g) Our principal register of members will be maintained by our principal registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Listed Share Registrar and may not be lodged in the Cayman Islands.

F. Qualification of Experts

The following are the qualifications of experts who have opined or advised on information contained in this prospectus:

Name	Qualification
CIMB Securities Limited	Licensed under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Haitong International Capital Limited	Licensed under the SFO for Type 6 (advising on corporate finance) regulated activity under the SFO
KPMG	Certified Public Accountants
Shu Jin Law Firm	PRC legal advisers
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Frost & Sullivan	Industry consultant

G. Consents of Experts

Each of Haitong International Capital Limited, CIMB Securities Limited, KPMG, Shu Jin Law Firm, Conyers Dill & Pearman (Cayman) Limited and Frost & Sullivan has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

H. Promoter

Our Company has no promoter for purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

I. Property Valuation

According to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as at 31 March 2014, none of the properties held by us had a carrying amount of 15.00% or more of our combined total assets.

J. Preliminary Expenses

The preliminary expenses incurred by our Company were HK\$550,000 and were payable by our Company.

K. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of binding all persons concerned by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

L. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

M. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by written resolutions of our Shareholders on 6 June 2014. For the purpose of this paragraph, references to “Board” shall mean the Board of Directors or a committee thereof appointed for the purpose of administering the Share Option Scheme; references to “Participant” shall mean any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and full-time employees of any member of our Group and any advisors, consultants, distributors, contractors, contract manufacturers, suppliers, agents, customers, business partners, joint venture business partners, service providers of any member of our Group who the Board considers, in its sole discretion, have contributed or will contribute to our Group; references to “Grantee” shall mean any Participants who accepts an offer of the grant of an option in accordance with the terms of the Share Option Scheme or (where the context so permits) any person who is entitled to any such option in consequence of the death of the original Grantee, or the legal representative of such person.

(i) Purpose

The purpose of the Share Option Scheme is to provide Participants with the opportunity to acquire proprietary interests in our Company and to encourage Participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and its Shareholders as a whole. The Share Option Scheme will provide our Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

(ii) Who may join

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board may offer to grant an option to any Participants as the Board may in its absolute discretion select.

(iii) Administration

The Share Option Scheme shall be subject to the administration of the Board. The Board’s administrative powers include the authority, in its discretion:

- (a) interpret and construe the provisions of the Share Option Scheme;
- (b) determine the persons who will be offered options under the Share Option Scheme, the number of Shares and the subscription price, subject to paragraph (vi), in relation to such options;

- (c) subject to paragraphs (xiv) and (xv), make such appropriate and equitable adjustments to the terms of the options granted under the Share Option Scheme as it deems necessary; and
- (d) make such other decisions or determinations as it shall deem appropriate in the administration of the Share Option Scheme.

(iv) *Grant of options*

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of options to directors, chief executives and substantial shareholders of our Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any Participant as the Board may in its absolute discretion select. The offer may include terms regarding minimum periods for which an option must be held and/or any minimum performance targets that must be reached before the options can be exercised.

No offer shall be made and no option shall be granted to any Participant after inside information has come to our Company's knowledge until it has announced the information. In particular, our Company shall not grant any option during the period commencing one month immediately preceding the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company's results for any year, half year, quarter or any other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for our Company to publish an announcement of, its results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. For the avoidance of doubt, the period during which no options shall be granted mentioned above shall include any period of delay in the publication of a results announcement.

(v) *Payment on acceptance of option offer*

An offer shall remain open for acceptance by the Participant concerned for a period of 14 days from the date on which the letter containing the offer is delivered to the Participant in accordance with the terms of the Share Option Scheme. HK\$1.00 is payable by the Grantee to our Company on acceptance of the offer of the option.

(vi) *Subscription price*

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than whichever is the higher of (i) the closing price of

the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the offer of new Shares shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and (iii) the nominal value of a Share on the date of grant.

(vii) Option period

The period within which the Shares must be taken up under an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

(viii) Rights are personal to grantee

An option shall be personal to the Grantee and shall not be assignable or transferable.

(ix) Rights attaching to Shares allotted

The Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the Memorandum and Articles of Association of our Company for the time being in force and will rank pari passu with the fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of our Company. Prior to the Grantee being registered on the register of members of our Company, the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company), in respect of the Shares to be issued upon the exercise of the option.

(x) Exercise of option

Subject to the terms and conditions upon which an option is granted, an option may be exercised by the Grantee at any time during the option period, provided that:

- (a) in the event the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant for any reason other than (1) his or her death or (2) on one or more of the grounds of termination of employment or engagement specified in paragraph (xi)(f), the option shall lapse on the date of cessation of such employment or engagement and not be exercisable unless the Board otherwise determines in which event the option shall be exercisable to the extent and within such period as the Board may determine. The date of cessation of employment of a Grantee (being an employee and who may or may not be a director of any member of our Group) shall be the last actual working day on which the Grantee was physically at work with our Company or the relevant subsidiary, whether salary is paid in lieu of notice or not;

- (b) in the event the Grantee dies before exercising the option in full and none of the events for termination of employment or engagement under paragraph (xi)(f) then exists with respect to such Grantee, the personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death to exercise the option up to the entitlement of such Grantee as at the date of death;
- (c) if a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph (x)(d) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, our Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company;
- (d) if a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company pursuant to paragraph (x)(b) above;
- (e) in the event a notice is given by our Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company pursuant to paragraph (x)(b) above; and
- (f) in the event of a compromise or arrangement, other than a scheme of arrangement contemplated (x)(d) above, between our Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it first gives notice of the meeting to its members and/or creditors to consider such a scheme or arrangement and the Grantee may at any time thereafter but before such time as shall be notified by our Company exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company pursuant to paragraph (x)(b) above.

(xi) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period;
- (b) the date or the expiry of the periods for exercising the option as referred to in paragraph (x);
- (c) subject to the scheme of arrangement (referred to in paragraph (x)(d)) becoming effective, the expiry of the period for exercising the option as referred to in paragraph (x)(d);
- (d) subject to paragraph (x)(e), the date of the commencement of the winding-up of our Company;
- (e) the date on which the Grantee commits a breach of paragraph (viii);
- (f) the date on which the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty, or on any other ground on which an employer would be entitled to terminate his or her employment summarily;
- (g) the date on which the Grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally;
- (h) where the Grantee is an employee, director, officer or contract consultant of a member of our Group (other than our Company), the date on which such member ceases to be a subsidiary; and
- (i) unless the Board otherwise determines, and other than in the circumstances referred to in paragraph (x)(a) or (b), the date the Grantee ceases to be a Participant (as determined by a Board resolution) for any reason.

Transfer of employment or engagement or relationship from one member of our Group to another member of our Group shall not be considered as a cessation of employment, engagement or relationship.

(xii) Cancellation of option

Any options granted but not exercised may be cancelled if the Grantee so agrees and new options may be granted to the Grantee provided such new options are granted within the limits prescribed by paragraph (xiii) and otherwise comply with the terms of the Share Option Scheme.

(xiii) Maximum number of Shares subject to options

- (a) The overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (“**Scheme Limit**”);
- (b) The Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate of the Shares in issue on the date the Shares commence trading on the Stock Exchange and any Shares which may be allotted and issued by our Company pursuant to the Over-allotment Option (the “**Scheme Mandate Limit**”). Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit;
- (c) Our Company may refresh the Scheme Mandate Limit at any time subject to prior Shareholders’ approval. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders’ approval. Options previously granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled, lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed;
- (d) Our Company may also seek separate Shareholders’ approval for granting options beyond the Scheme Mandate Limit to Participants specifically identified by our Company before the aforesaid Shareholders’ meeting where such approval is sought;
- (e) The total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised, cancelled and outstanding Options) in any 12 month period shall not exceed 1% of the Shares in issue (the “**Individual Limit**”). Any further grant of options to a Participant which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of grant of such further options exceeding the Individual Limit shall be subject to Shareholders’ approval in advance with such Participant and his associates (such

term shall have the meaning ascribed to the definition of “associate” under Rule 1.01 of the Listing Rules in relation to any director, chief executive or substantial shareholder (being an individual)) abstaining from voting; and

- (f) The maximum number of Shares referred to in this paragraph shall be adjusted, in such manner as the auditors or the financial adviser of our Company retained for such purpose shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (xiv) by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, reduction of the share capital of our Company.

(xiv) Reorganisation of capital structure and special dividends

In the event of an alteration in the capital structure of our Company whilst any option remains exercisable by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of shares, or reduction of the share capital of our Company (other than an issue of Shares as consideration in a transaction), such corresponding alterations (if any) shall be made to: (i) the number or nominal amount of Shares subject to the option so far as unexercised; or (ii) the subscription price; or (iii) the method of exercise of the option; or (iv) any combination thereof, as the auditors or a financial adviser engaged by our Company for such purpose shall, at the request of our Company, certify in writing, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable, provided that any such adjustments give a Grantee the same proportion of the equity capital of our Company as that to which that Grantee was previously entitled, but so that no such adjustments be made to the extent that a Share would be issued at less than its nominal value.

(xv) Alteration of the Share Option Scheme

- (a) Subject to paragraph (xv)(b) below, the Board may amend any of the provisions of the Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Share Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any Grantee at that date);
- (b) Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and no changes to the authority of our Directors or administrator of the Share Option Scheme in relation to any alteration of the terms of the Share Option Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of options granted, must also, to be effective, be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules; and

- (c) Notwithstanding any approval obtained pursuant to paragraph (xv)(a), no amendment shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to such amendment except with the consent or sanction in writing of such number of Grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to the options granted under the Share Option Scheme, except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

(xvi) Termination of Share Option Scheme

Our Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options which are unexercised and unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

(xvii) Offers made to a director, chief executive or employee who is also substantial shareholder of our Company or any of their respective associates

Each grant of options to any director, chief executive or substantial shareholder of our Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive Directors of our Company (excluding any independent non-executive Director who is a proposed recipient of the grant of options). Where any grant of options to a substantial shareholder or an independent non-executive director of our Company, or any of their respective 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 (or such other period as may from time to time be specified by the Stock Exchange) up to and including the date of grant:

- (a) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5.00 million (or such other amount as may from time to time be specified by the Stock Exchange).

Such grant of options shall be subject to prior approval by the Shareholders (voting by way of poll). All connected persons of our Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

(xviii) Conditions of Share Option Scheme

The Share Option Scheme is conditional on:

- (a) the Listing Committee of the Stock Exchange granting the approval of the Share Option Scheme and the granting of Options under the Share Option Scheme;
- (b) the Listing Committee granting the listing of and permission to deal in the Shares to be issued pursuant to the exercise of options under the Share Option Scheme; and
- (c) the commencement of dealings in the Shares on the Stock Exchange.

(xix) Present status of the Share Option Scheme

As at the Latest Practicable Date, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 50,000,000 Shares in total.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “8. Other Information — G. Consents of Experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in the paragraph headed “6. Further Information About Our Business — A. Summary of Material Contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Howse Williams Bowers at 27/F, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (1) our Memorandum and Articles of Association;
- (2) the Accountants’ Report and the report on the unaudited pro forma financial information prepared by KPMG, the texts of which are set out in Appendices I and II of this prospectus, respectively;
- (3) the audited consolidated financial statements of our Group for the years ended 31 December 2011, 2012 and 2013;
- (4) the material contracts referred to in the paragraph headed “6. Further Information About Our Business — A. Summary of the Material Contracts” in Appendix IV to this prospectus;
- (5) the service contracts and letters of appointment referred to in the paragraph headed “7. Further Information about our Directors and Substantial Shareholders — B. Directors’ Service Contracts” of Appendix IV to this prospectus;
- (6) the written consents referred to in the paragraph headed “8. Other Information — G. Consents of Experts” in Appendix IV to this prospectus;
- (7) the PRC legal opinions prepared by Shu Jin Law Firm, our legal advisers as to PRC law, in respect of certain aspects of our Group and our property interests;
- (8) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited, summarising the constitution of our Company and certain aspects of Companies Law referred to in Appendix III to this prospectus;
- (9) the Companies Law; and
- (10) the rules of the Share Option Scheme.

Koradior Holdings Limited
珂萊蒂爾控股有限公司