

年報 2015

Annual Report

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

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

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Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. WANG Wei
Mr. LIN Yang

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Ms. LI Rita Yan Wing

AUTHORISED REPRESENTATIVES

Mr. LO Peter
Mr. SUN David Lee

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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LEGAL ADVISOR

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AUDITOR

Ernst & Young, Certified Public Accountants

Chairman's Statement

Dear Shareholders,

I am pleased to present to you the annual report and consolidated financial statements of China Outfitters Holdings Limited ("China Outfitters") for the year ended 31 December 2015.

In 2015, China's economy has entered a period of "new normal" with economic restructuring and transition, and economic growth slowed down to the lowest level over the twenty-five years. The conventional retail industry was facing numerous challenges such as weak market sentiment, sluggish consumer demand and fierce competition. As such, the Top 100 key and large-scale retailers nationwide recorded a historical decline in clothing retail sales of 0.3%. However, I am confident that China's middle class will see great consumption potential due to the shift of China's macroeconomic development model to domestic consumption and an increase of middle class populations due to continuous rising of residents' disposable income and Chinese consumers' higher demand for high-quality products. Therefore, the Group has taken a number of positive measures in 2015 to increase investments in branding, retail channel, information technology, e-commerce, logistics warehousing and supply chain, and endeavored to further enhance the Group's competitive advantage and lay a solid foundation for the rapid growth in the future.

RETAIL CHANNEL

China's retail channel is undergoing profound changes and has entered into a transformative phase. The conventional retail channel, including mainstream department stores, is challenged by continuous decline in customer traffics, as more and more consumers choose to consume in the outlet stores and buy through internet.

In response to changes in the retail channel, we remained committed to investing in outlet stores. The number of outlet stores increased by 4, or 3.6%, from 110 as at 31 December 2014 to 114 as at 31 December 2015. We also promptly adjusted the structure of the best selling goods at outlet stores and increased the special product offerings at the outlet channel to enrich product categories and meet different needs of consumers. Through the above-mentioned measures, sales from outlet stores increased by RMB22.6 million, or 15.4%, from RMB146.8 million in 2014 to RMB169.4 million in 2015.

For e-commerce, we increased the frequency of organising discount sales on online discount platform (such as VIP.com). We also cooperated with professional e-commerce companies to assist the Group in operating online flagship stores on Tmall.com and JD.com. Therefore, the Group's sales from e-commerce increased by RMB13.1 million, or 38.1%, from RMB34.4 million in 2014 to RMB47.5 million in 2015.

BRANDING

Continued implementation of multi-brand strategy is the key to achieve sustainable growth of the Group. We intend to launch product categories that highlight their brand characteristics and lifestyle through different brands, to meet the wearing requirements of the Chinese middle class in different occasions. In July 2015, we completed investment in the "Marina Yachting" joint venture business and added sporty style products in the brand portfolio of the Group. In respect of branding and promotion, we used social media such as WeChat and the mainstream media websites (sina.com, sohu.com, ifeng.com, qq.com, TouTiao.com, etc.) to increase interaction and communication with consumers.

INTERNATIONAL COOPERATION

Through collaboration with joint venture partners, the Group further enriched the supply chain resources and initially established overseas supply chains in Italy, Turkey, India, Singapore, and Vietnam. And our local design team enhanced its product development and design capabilities through collaboration with the design teams in global fashion centers in New York, London, Milan, etc.

ENHANCE THE EFFICIENCY OF LOGISTICS

The Group's new logistics center in Shanghai was put into operation in 2015 and the positing of products in warehouses through PDAs was substantially completed. These initiatives were aimed to transform our B2B warehouse into a B2C warehouse for direct distribution of products to consumers, satisfy the product distribution requirements for e-commerce and outlet stores, and accelerate response to end consumers' demand in the market.

FUTURE PROSPECTS

The current market downturn has created opportunities for the Group to acquire well-known clothing brands in Europe and the United States at a reasonable cost. Therefore, in 2016, the Group will continue to seek investment opportunities to further expand its brand portfolio. Meanwhile, the Group will increase spending on branding and promotion on social media to further increase the brand awareness of the brands operated by the Group. In terms of retail channels, outlet stores and e-commerce will remain a priority in 2016. The Group will also capture the fragmented consumer demands from retail stores in a timely manner through the self-developed O2O system, and take advantage of the new logistics center in Shanghai and product positioning system to accelerate the process of product picking and shipping, in order to enhance the single-store sales.

Although our sales and profit decreased in 2015, in the medium-to-long term, the strategy advancement of the Group has achieved a positive result. Therefore, I am optimistic about the business prospect of the Group.

I hereby express my sincere gratitude to all shareholders, board members, management team, staff, partners and customers for their ongoing support and contributions to the Group.

LO Peter

Chairman

Hong Kong

21 March 2016

Management Discussion and Analysis

MARKET OVERVIEW

For most of the Chinese conventional retailers in the menswear sector, 2015 continued to be difficult and challenging. Amid the continuous slowdown of China's macro-economy, demonstrated by the weakest Gross Domestic Product ("GDP") growth rate for the past 25 years of 6.9%, consumer sentiment continued to be dampened. In particular, retail sales of apparel products achieved by the top 100 key and large-scale retailers recorded a historical decline of 0.3% in 2015.

Against this backdrop, the Group experienced a decline in revenue of 7.4% from RMB1,094.3 million in 2014 to RMB1,012.8 million in 2015 and a decline in profit attributable to owners of the parent by 48.5% from RMB203.6 million in 2014 to RMB104.8 million in 2015.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB1,012.8 million in 2015 representing a decrease by RMB81.5 million, or approximately 7.4% as compared to RMB1,094.3 million in 2014.

By sales channel

Revenue from self-operated retail sales decreased by RMB33.6 million, or approximately 4.5%, from RMB745.1 million in 2014 to RMB711.5 million in 2015 and accounted for approximately 70.2% (2014: 68.1%) of total revenue. The decrease in revenue was primarily due to the decline in customer traffic flows in mainstream department stores in the first to second tier cities where a majority of the Group's self-operated retail points are located. This decline in traffic led to a decrease in same store sales by 10.1%. Despite the decrease in retail sales through self-operated retail points, we remain committed to our multi-channel strategy in response to the evolving consumption behavior and we saw higher growth in sales from outlet stores. Revenue from outlet stores increased by RMB22.6 million, or 15.4%, from RMB146.8 million in 2014 to RMB169.4 million in 2015.

Revenue from sales to third-party retailers decreased by RMB61.0 million, or approximately 19.4%, from RMB314.8 million in 2014 to RMB253.8 million in 2015 and accounted for approximately 25.1% (2014: 28.8%) of total revenue. The decrease in revenue was primarily attributable to (i) the decrease in retail points operated by third-party retailers; (ii) the third-party retailers became more conservative under the current sluggish retail market conditions, especially in North China and third to fourth tier cities where a majority of our third-party retailers are located; and (iii) e-commerce presenting more choices to consumers in the third and fourth tier cities in China, thus impacting conventional retailers.

Our progress in e-commerce business for selling off-season products online was encouraging in 2015. Revenue from e-commerce business increased by RMB13.1 million, or approximately 38.1%, from RMB34.4 million in 2014 to RMB47.5 million in 2015 and accounted for approximately 4.7% (2014: 3.1%) of total revenue. The increase in revenue from e-commerce business was primarily attributable to (i) the increase in sales from online discount platform such as VIP shop, by RMB5.7 million, or approximately 44.5%, from RMB12.8 million in 2014 to RMB18.5 million in 2015; and (ii) the increase in sales from online third-party retailers as well as our self-operated flagship stores on Tmall.com and JD.com, by RMB7.4 million, or approximately 34.3%, from RMB21.6 million in 2014 to RMB29.0 million in 2015.

Management Discussion and Analysis

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

	Year ended 31 December			
	2015		2014	
	Revenue RMB million	% of total revenue	Revenue RMB million	% of total revenue
Retail sales from				
self-operated retailers	711.5	70.2%	745.1	68.1%
Sales to third-party retailers	253.8	25.1%	314.8	28.8%
Sales from e-commerce business	47.5	4.7%	34.4	3.1%
Total	1,012.8	100%	1,094.3	100%

By Brand

Revenue contributed from self-owned brands increased by RMB15.4 million, or approximately 25.2%, from RMB61.2 million in 2014 to RMB76.6 million in 2015. Percentage of revenue from self-owned brands over total revenue increased from 5.6% in 2014 to 7.6% in 2015. Revenue from our new brands such as London Fog, Jeep Spirit, MCS etc., which were introduced into the PRC menswear market after 2009, increased by RMB27.1 million, or approximately 22.7%, from RMB119.2 million in 2014 to RMB146.3 million in 2015. Percentage of revenue from new brands over total revenue increased from 10.9% in 2014 to 14.4% in 2015.

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

	Year ended 31 December			
	2015		2014	
	Revenue RMB million	% of total revenue	Revenue RMB million	% of total revenue
Licensed brands	936.2	92.4%	1,033.1	94.4%
Self-owned brands	76.6	7.6%	61.2	5.6%
Total	1,012.8	100%	1,094.3	100%

Cost of sales

Our cost of sales increased by RMB18.5 million, or approximately 5.6%, from RMB328.8 million in 2014 to RMB347.3 million in 2015. The increase in cost of sales was primarily due to a mixed effect of an increase in inventory provisions by RMB21.4 million from RMB114.7 million in 2014 to RMB136.1 million in 2015; offset by a corresponding decrease in cost of inventories sold by RMB2.9 million from RMB214.1 million in 2014 to RMB211.2 million in 2015 as a result of the decrease in revenue.

Gross profit and gross profit margin

Our gross profit decreased by RMB100.0 million, or approximately 13.1%, from RMB765.5 million in 2014 to RMB665.5 million in 2015 as a result of the decrease in total revenue and increase in cost of sales. Our overall gross profit margin decreased from 70.0% in 2014 to 65.7% in 2015 primarily because of the increase in inventory provisions. Save for the inventory provisions, our overall gross profit margin would have been 79.1% in 2015 which was largely in consistent with 80.4% in 2014.

Other income and gains, net

Our other income and gains decreased by RMB0.4 million, or approximately 1.3%, from RMB30.4 million in 2014 to RMB30.0 million in 2015, primarily due to the mixed effect of the decrease of subsidy income by RMB2.4 million from RMB27.0 million in 2014 to RMB24.6 million in 2015; offset by the increase in gains from changes in fair value of derivative instruments by RMB0.6 million, or approximately 27.3%, from RMB2.2 million in 2014 to RMB2.8 million in 2015.

Selling and distribution costs

Our selling and distribution costs increased by RMB43.0 million, or approximately 9.5%, from RMB454.3 million in 2014 to RMB497.3 million in 2015.

Rents and concession fees for occupying concession counters within department stores and shopping malls, and department store charges increased by RMB7.8 million, or approximately 2.8%, from RMB276.7 million in 2014 to RMB284.5 million in 2015. This increase was largely due to the increase in number of our self-operated retail points and increase in minimum rents and concession fees paid to department stores and shopping malls.

The labour costs related to sales and marketing staff increased from RMB77.3 million in 2014 to RMB91.8 million in 2015. This increase was primarily attributable to the increase in sales and marketing staff due to the increase in number of self-operated retail points as well as incremental increases in basic salary.

The Group incurred advertising and promotion expenses of RMB13.6 million (2014: RMB15.3 million) during the year for organizing promotion activities and spending on social media marketing to share our brand stories and product knowledge with our customers through wechat, weibo and mainstream websites such as Sina.com, Sohu.com etc.

Decoration expenses for renovation of the self-operated retail points increased from RMB12.5 million in 2014 to RMB24.8 million in 2015 as a result of the increase in number of self-operated retail points and relatively high decoration expenses incurred for new brands stores such as Barbour, Henry Cotton's, MCS etc.

Other selling and distribution costs including royalty fees and other operating expenses remained consistent with the previous year.

Administrative expenses

Our administrative expenses increased by RMB8.1 million, or approximately 15.2%, from RMB53.4 million in 2014 to RMB61.5 million in 2015, primarily due to (i) the increase in depreciation and amortization by RMB2.9 million from RMB10.3 million in 2014 to RMB13.2 million in 2015 due to the increase in depreciation of our new logistic center in Shanghai which was operational during the year; and (ii) the increase in staff costs and amortization of Pre-IPO Share Option Scheme by RMB6.0 million from RMB14.2 million in 2014 to RMB20.2 million in 2015.

Other expenses

Other expenses mainly consisted of exchange losses of RMB4.4 million (2014: RMB1.2 million) due to depreciation of RMB against Hong Kong Dollar during the year and an impairment on trademarks – “London Fog” of RMB4.7 million (2014: RMB11.5 million).

Finance income

Our finance income decreased to RMB44.6 million in 2015 as compared to that of RMB55.1 million in 2014, representing a decrease of 19.1%, primarily due to the decrease in balance of our cash and cash equivalents and continuous decrease in interest rate in structured bank deposits and bank deposits during the year.

Finance costs

The Group obtained short-term bank loans from financial institutions in Hong Kong. Finance costs of RMB12.0 million (2014: RMB7.5 million) represented bank interest expenses incurred in relation to the above bank loans during the year.

Share of losses from joint ventures

The Group acquired a 50% equity interest in MCS Apparel Hong Kong Limited (“MCS HK”, together with its subsidiaries hereinafter referred to as the “MCS JV”) in November 2013 and subsequently acquired a 50% equity interest in Henry Cotton’s Greater China Co., Ltd. (“HC HK”, together with its subsidiaries hereinafter referred to as the “HC JV”) and a 50% equity interest in Marina Yachting Hong Kong Limited (“MY HK”, together with its subsidiaries hereinafter referred to as the “MY JV”) in 2014 and 2015, respectively. MCS JV, HC JV and MY JV respectively own the intellectual property rights of “MCS”, “Henry Cotton’s” and “Marina Yachting” trademarks in China, Hong Kong, Macau and Taiwan. The Group accounted for its investments in MCS HK, HC HK and MY HK as investments in joint ventures and used equity method to pick up the profit or loss generated by the joint ventures. In 2015, the Group recorded share of losses from joint ventures of RMB4.1 million which included share of losses of RMB2.9 million from the MCS JV and share of losses of RMB1.2 million from the HC JV, respectively.

Profit before tax

As a result of the foregoing factors, our profit before tax decreased by RMB163.5 million, or approximately 51.2%, from RMB319.6 million in 2014 to RMB156.1 million in 2015.

Income tax expense

Income tax expense decreased by RMB63.2 million, or approximately 54.2%, from RMB116.6 million in 2014 to RMB53.4 million in 2015 primarily due to the mixed effect of (i) a decrease in current income tax by RMB54.1 million, or approximately 45.8%, from RMB118.0 million in 2014 to RMB63.9 million in 2015 due to the decrease in profit before tax; and (ii) no special dividends were proposed in 2015 leading to a decrease in withholding tax on distributable profits of the subsidiaries in China by RMB25.0 million. The effective income tax rate in 2015 was 34.2% (2014: 36.5%).

Profit for the year

Profit for the year decreased by RMB100.2 million, or approximately 49.4%, from RMB202.9 million in the 2014 to RMB102.7 million in 2015. In addition, the net profit margin decreased from 18.5% in 2014 to 10.1% in 2015 due to:

- (i) a decrease in gross profit margin from 70.0% in 2014 to 65.7% in 2015 primarily because of the increase in inventory provisions against obsolete inventories; and
- (ii) an increase in percentage of selling and distribution costs over total revenue from 41.5% in 2014 to 49.1% in 2015 resulting from the increase in percentage of sales from self-operated retail points from 68.1% in 2014 to 70.2% in 2015 while percentage of sales to third-party retailers decreased from 28.8% in 2014 to 25.1% in 2015. The self-operated retail business incurred higher selling and distribution expenses than that of wholesale business to third-party retailers.

Profit attributable to owners of the parent

As a result of the foregoing, profit attributable to owners of the parent decreased by RMB98.8 million, or approximately 48.5%, from RMB203.6 million in 2014 to RMB104.8 million in 2015.

Working Capital Management

	31 December 2015	31 December 2014
Inventory turnover days	419	430
Trade receivables turnover days	42	40
Trade payables turnover days	52	42

Management Discussion and Analysis

The decrease in inventory turnover by 11 days was mainly due to our stock clearance strategy to sell off-season products through outlet stores as well as online discount platforms and online flagship stores. Inventory turnover days for inventories aged between 1 year and 3 years decreased from 194 days in 2014 to 171 days in 2015. Concurrently, the inventory balance decreased by RMB10.8 million from RMB409.4 million as at 31 December 2014 to RMB398.6 as at 31 December 2015.

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

Liquidity, financial position and cash flows

As at 31 December 2015, we had net current assets of approximately RMB859.4 million, as compared to RMB978.9 million as at 31 December 2014. The current ratio, being current assets divided by current liabilities, of our Group was 2.2 as at 31 December 2015, as compared to that of 2.0 as at 31 December 2014.

As at 31 December 2015, we had an aggregate cash and cash equivalents, pledged bank deposits and structured bank deposits of approximately RMB983.7 million (31 December 2014: RMB1,330.0 million). The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	Year ended 31 December	
	2015 RMB million	2014 RMB million
Net cash flows from operating activities	54.0	100.8
Net cash flows from investing activities	340.4	236.1
Net cash flows used in financing activities	(399.0)	(430.2)
Net decrease in cash and cash equivalents	(4.6)	(93.3)
Effect of foreign exchange rate changes, net	(22.5)	4.9
Cash and cash equivalents at the beginning of the year	199.4	287.8
Cash and cash equivalents at the end of the year	172.3	199.4

Operating activities

Net cash flows from operating activities decreased by RMB46.8 million from RMB100.8 million in 2014 to RMB54.0 million in 2015 which was primarily attributable to (i) the operating cash inflows before changes in working capital of RMB285.0 million (2014: RMB412.5 million); and (ii) changes in working capital representing a decrease of cash of RMB231.0 million (2014: RMB311.7 million) which mainly included cash outflows from change in inventories of RMB145.1 million (2014: RMB153.8 million) and cash outflows for payment of withholding tax and PRC corporate income tax of RMB98.8 million (2014: RMB132.5 million).

Investing activities

Net cash flows from investing activities of RMB340.4 million mainly consisted of cash inflows from withdrawal of structured bank deposits of RMB371.7 million and receipt of interest income of RMB37.9 million; offset by (i) capital expenditures of RMB50.4 million for purchases of property, plant and equipment; and (ii) an investment in a joint venture of RMB16.1 million.

Financing activities

Net cash flows used in financing activities mainly consisted of repayment of bank loans of RMB286.6 million and payment of 2014 final dividend of RMB101.8 million.

Pledge of group assets

As at 31 December 2015, short-term bank deposits of RMB390.0 million have been pledged as security for obtaining banking facilities of the Group. The Group also pledged short-term bank deposits of RMB47.9 million for forward contracts and issuance of bank acceptance notes.

Capital commitments and contingent liabilities

The Group did not have any significant capital commitments and contingent liabilities as at 31 December 2015.

Foreign exchange management

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

Use of proceeds from the IPO

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

In 2015, an aggregate of HK\$20.0 million (equivalent to RMB16.2 million) was used for the construction of the logistic centers in Shanghai and HK\$19.8 million (equivalent to RMB16.1 million) was used for an investment in a joint venture – “Marina Yachting” business.

Management Discussion and Analysis

The table below sets forth the utilisation of the net proceeds from the IPO and the unused amount as at 31 December 2015. All the unused proceeds were deposited into licensed banks in the PRC and Hong Kong:

Use of fund raised

	Percentage to total amount	Net proceeds (HK\$ million)	Utilised amount as at 31 December 2015 (HK\$ million)	Unutilised amount as at 31 December 2015 (HK\$ million)
Licensing or acquisition of additional recognised international brands	47%	380.7	234.5	146.2
Expansion and enhancement of existing logistical system	24%	193.1	193.1	–
Settlement of shareholder's loan	19%	152.8	147.1	5.7
General working capital	10%	77.3	–	77.3
	100%	803.9	574.7	229.2

OPERATION REVIEW

Retail and distribution network

As at 31 December 2015, our sales network comprised a total of 671 self-operated retail points, comprising concession counters, consignment stores and self-operated stores, and 503 retail points operated by our third-party retailers.

The following table sets forth the number of our self-operated retail points and retail points operated by our third-party retailers in the PRC by brand as at 31 December 2015 and 31 December 2014:

Brand	As at 31 December 2015			As at 31 December 2014		
	Self-operated retail points	Retail points operated by third-party retailers	Total retail points	Self-operated retail points	Retail points operated by third-party retailers	Total retail points
Jeep						
– Menswear	218	450	668	205	511	716
– Spirit*	65	10	75	74	21	95
SBPRC	188	42	230	196	118	314
London Fog	59	1	60	59	4	63
MCS	52	–	52	29	–	29
Others	89	–	89	64	–	64
Total	671	503	1,174	627	654	1,281

* including 47 and 71 retail points of Jeep lady as at 31 December 2015 and 31 December 2014, respectively

Self-operated retail points

As at 31 December 2015, we had a network of 641 self-operated concession counters (31 December 2014: 611 self-operated concession counters). A majority of the concession counters are located within mainstream department stores in the first and second tier cities in China, including Parkson (百盛), Golden Eagle (金鷹), MOI (茂業), Intime (銀泰), Wangfujing (王府井) etc, among which a total of 114 were outlet stores as at 31 December 2015 (31 December 2014: 110 outlet stores).

As at 31 December 2015, we had a network of 30 stores (31 December 2014: 16 stores) which were located in shopping malls within major cities in the PRC to ensure a steady flow of consumers as well as to enhance our sales and brand awareness.

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

- opening 4 outlet stores in response to changes in consumer behavior and rapid sales growth in outlet store channel; and
- opening 70 new retail points for the expansion and development of our new brands such as MCS, Barbour, LINC'S, Henry Cotton's and Zoo York in 2015.

Retail points operated by third-party retailers

Under current uncertain and ever-changing market conditions, our third-party retailers became more conservative in placing orders and opening new stores. As at 31 December 2015, we had a total of 503 retail points that were operated by third-party retailers, representing a decrease by 23.1% as compared to that of 654 at 31 December 2014.

E-commerce

We launched our e-commerce business in 2013 to sell off-season products through online platforms and retailers. In 2015, the Group actively organized sales fairs on online discount platform such as VIP.com, developed new online third-party retailers for online retailing of the Group's products and increase sales from the Group's self-operated e-shops on Tmall.com and JD.com.

Branding

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

MCS

During the year, MCS sponsored the program "Gourmet Big Trump Card (美食大王牌)" from Shanghai Channel Young. Mr. Ah Nan, the program host, wore MCS apparel while preparing experimental new dishes with other guests in the studio kitchen.

Management Discussion and Analysis

As one of the sponsors for the popular movie “A Time for Consequences” already on show in the cinemas, MCS provided some of the apparel for Mr. Jason Wu and Mr. Simon Yam, the two prominent actors in the movie. Their image of “real man” in the movie has fully reflected the brand image of MCS.

In June 2015, MCS sponsored Hangzhou Liuchin Art Space for its first exhibition of Chinese traditional art of painting – “Wuxing Liuchin”.

On 29 June 2015, MCS held a fashion show for its 2016 Spring and Summer New Collection at Shanghai Poly Grand Theatre. Over 150 celebrities attended the fashion show and the event was reported extensively by mainstream fashion media in China.

LINCS

During the year, LINCS sponsored apparel for the China Entrepreneur Golf Team established by the China Entrepreneur Club (中國企業家俱樂部), and also sponsored the award for the “Longest Drive Prize” in the golf event “BMW Daonong Cup” Challenge, the leading amateur golf event in China. These activities aim to reinforce the elegant and exquisite lifestyle of LINCS with golf and a high-end club in the background.

Barbour

On 28 and 29 January 2015, we held an English afternoon tea gathering under the theme of Barbour in Shanghai and Beijing. The global CEO and the president of Asia-Pacific region of Barbour arrived at the scene and displayed Barbour products and recounted Barbour’s 120 plus years of history to guests and customers attending the event.

Zoo York

On 18 April 2015, the sports event – “ACTION TIME” Ultimate Sports Challenge was held in Shanghai. As one of the sponsors for this event, Zoo York launched exhibition sales during the event and invited the professional graffiti artists to paint the graffiti wall on the scene, so as to show to the audience the culture of Zoo York Brand.

The Zoo York skateboard team from the United States of America toured Shanghai, Chengdu and Beijing with their live shows from 28 June to 7 July 2015 and interacted with local skateboard lovers on the spot. The event has generated extensive attention amidst China’s skateboard lovers and professional media.

Marina Yachting

We acquired a 50% interest in the intellectual property rights of the “Marina Yachting” trademarks in the Greater China Region during the year through an acquisition of the 50% equity interest in Marina Yachting Hong Kong Limited. Subsequent to the acquisition on 7 July 2015, the joint venture engaged in design, manufacturing and sales of apparel and accessories under the “Marina Yachting” brand in the Greater China Region. Founded in Genoa, Italy, in 1878, Marina Yachting is an international casual wear brand representing sporty elegance and classic style. Adding Marina Yachting to our portfolio of brands augments and complements our multi-brand strategy and direct control business model.

Tweed Run Events

During the year, we organized 2 “Tweed Run” events where cyclists were dressed in traditional British cycling attire from a number of brands operated by us such as Barbour and Henry Cotton’s etc., and rode through the center of Shanghai. The events were covered by a number of leading media outlets such as Sohu.com, Toutiao.com in China.

Design and product development

The local design team kept abreast of the latest trends and developments in new designs through our collaboration with the international design teams from MCS and Henry Cotton’s in Milan and Venice, Barbour in London, LINC’S in New York and Zoo York in Hong Kong.

Production and supply chain

During the year, the construction of the logistic centre with a total gross floor area of 55,000 square meters in Shanghai has completed. The Directors believe that with the operation of the new logistic centre, product distribution between logistic centre and retail points nationwide will be more accurate, thus improving supply chain efficiency. The positing of products in warehouses through our self-developed logistics system and personal digital assistant system was also well under way and will significantly improve efficiency of order-picking process in warehouses, and transformed our warehousing system into a B2C logistics center for direct distribution of products to consumers.

Employee information

As at 31 December 2015, the Group had approximately 2,978 full-time employees. Staff costs, including Directors’ remuneration, totalled RMB113.7 million in 2015 (2014: RMB97.0 million).

The Company also operated a share option scheme (the “Share Option Scheme”) and a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of our Group. A total of 168,024,000 options under the Pre-IPO Share Option Scheme that granted to 17 participants (including 7 directors), were outstanding as at 31 December 2015.

Corporate Social Responsibility

Being a responsible corporate citizen is a core fundamental of our culture. During the year, the Group participated the sponsorship of an animal protection program organized by the Beijing Loving Animals Foundation (北京愛它動物保護公益基金) and sponsorship of the “I fly” (愛飛翔) training program for village school teachers that organized by the Chinese Red Cross Foundation and Cui Yongyuan Commonwealth Foundation (崔永元公益基金) for the purpose of supporting education in rural areas of China. A total donation of approximately RMB0.1 million was made by the Group to the above programs during the year.

Prospects

Management will continue to focus on the following key objectives for 2016:

- We plan to introduce the first Spring and Summer season products of our new brand Marina Yachting in the first quarter of 2016;
- We will continue to increase spending on marketing and promotion that comprises consumer studies, advertising, public relations, events, online and digital marketing, visual merchandising, and celebrity endorsement to enhance interaction with the customers and to raise brand awareness among our target customers;
- We will continue to commit to our multi-channel strategy and place great emphasis on expanding our store network in outlet stores. E-commerce is also a priority of our sales channel strategy;
- Our self-developed O2O system has been deployed in all self-operated retail points and retail points operated by major third-party retailers. We will continue to encourage our sales attendants as well as third-party retailers and online retailers to use the system and accelerate the response to ultimate consumers' demands for our products.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. LO Peter (路嘉星先生), aged 60, is the Chairman and an executive director of our Company. He has been serving as an executive director of MCS Apparel Hong Kong Limited, Henry Cotton's Greater China Company Limited and Marina Yachting Hong Kong Limited, the joint ventures of our company, since November 2013, September 2014 and July 2015, respectively. He also serves as a director in a number of our subsidiaries and a director of China Enterprise Capital Limited. Mr. Lo is also an independent non-executive director of Ajsen (China) Holdings Limited and Uni-President China Holdings Ltd., companies currently listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Lo joined our Group in 2006 and is primarily responsible for our Group's overall strategic planning and brand selection and sourcing. Mr. Lo received a Bachelor of Science (Economics) degree in Mathematical Economics and Econometrics from the London School of Economics and Political Science in 1982. He received the "Director of the Year 2004" award from The Hong Kong Institute of Directors. He was appointed as our Chairman and executive director on 10 March 2011. Mr. Lo was a non-executive director of Sino Distillery Group Limited (formerly known as Bio-Dynamic Group Limited) until 8 May 2013.

Mr. ZHANG Yongli (張永力先生), aged 56, is the Chief Executive Officer and an executive director of our Company. He has been serving as an executive director of 上海瑞國置業有限公司 (Shanghai Ruiguo Real Estate Co., Ltd.), a subsidiary of our Company, since August 2013 and an executive director of MCS Apparel Hong Kong Limited, Henry Cotton's Greater China Company Limited and Marina Yachting Hong Kong Limited, the joint ventures of our company, since November 2013, September 2014 and July 2015, respectively. Mr. Zhang joined our Group in 1999 and is primarily responsible for our Group's overall strategic planning and the management of our Group's business operations. He also serves as a director in almost all of our subsidiaries. Mr. Zhang has over 10 years of experience in the PRC menswear industry. Mr. Zhang was selected as one of the "25 Influential Chinese in Global Fashion" in 2011 by Forbes China. He was appointed as our Chief Executive Officer and executive director on 8 June 2011. Mr. Zhang was a director of Guangdong Rieys until May 2009.

Mr. SUN David Lee (孫如暉先生), aged 50, is an executive director of our Company. He has been serving as an executive director of MCS Apparel Hong Kong Limited, Henry Cotton's Greater China Company Limited and Marina Yachting Hong Kong Limited, the joint ventures of our company, since November 2013, September 2014 and July 2015, respectively. He joined our Group in 2006 and serves as a director in a number of our subsidiaries. Mr. Sun is primarily responsible for brands sourcing and transaction management. He has been an independent non-executive director of Dynasty Fine Wines Group Limited since November 2012 and an executive director of Asia Coal Limited since 23 October 2013, both companies are listed on the Main Board of the Stock Exchange. He was the managing director of Pacific Alliance Group Limited, an Asia-focused alternative investment management firm. Mr. Sun was the director for strategy and business development in Asia at Interbrew (currently known as Anheuser-Busch InBev). He was also a consultant in the corporate finance and strategy practice of McKinsey & Company, Inc. in Hong Kong. Prior to his position at McKinsey, Mr. Sun practised law as an associate in the corporate group at Linklaters. Mr. Sun holds a Juris Doctor from the University of Illinois College of Law. He is a registered attorney in Illinois of the U.S. Mr. Sun was appointed as our executive director on 8 June 2011.

Directors and Senior Management

Ms. HUANG Xiaoyun (黃曉雲女士), aged 44, is the Chief Financial Officer and an executive director of our Company. Ms. Huang joined our Group in 2000. Previously, she was a manager in our Group's financial department from 2000 to 2001. She is responsible for the financial reporting and administration of our Group's PRC operations. She has over 10 years of experience in accounting and financial management. Ms. Huang holds a Master of Business Administration Degree from The South China University of Technology. Ms. Huang was appointed as our executive director on 8 June 2011 and appointed as our Chief Financial Officer on 14 May 2012.

NON-EXECUTIVE DIRECTORS

Mr. WANG Wei (王瑋先生), aged 33, is a non-executive director of our Company. Mr. Wang is a director of Kohlberg Kravis Roberts & Co. L.P. ("KKR"), focusing on private equity transactions in the Greater China region. Prior to joining KKR, Mr. Wang worked at Orchid Asia Investment Group and McKinsey & Company. Mr. Wang has been actively involved in advising on investments in Sino Prosperity Real Estate Platform, China Cord Blood Corporation and the Company at KKR and Orchid Asia Investment Group. Mr. Wang graduated from Shanghai Jiaotong University with a Bachelor of Science degree in Economics in 2005. Mr. Wang was appointed as our non-executive director on 14 May 2012.

Mr. LIN Yang (林揚先生), aged 41, is a non-executive director of our Company. Mr. Lin is an executive director of Forebright Capital Management Limited ("FCM"), focusing on private equity transactions in the Greater China region. He is also a non-executive director of SPT Energy Group Inc., a company listed on the Main Board of the Stock Exchange, since 2012. Prior to joining FCM, Mr. Lin worked at China Everbright Investment Management Limited and earlier the research department of China Everbright Limited. Mr. Lin holds a Master of Business Administration Degree from the University of Ottawa and a Bachelor Degree in Mechanical and Automation Engineering from the South China University of Technology. He is a Chartered Financial Analyst charter holder and is currently a member of the CFA Institute. Mr. Lin was appointed as our non-executive director on 10 January 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KWONG Wilson Wai Sun (鄺偉信先生), aged 50, is an independent non-executive director of our Company. Mr. Kwong has been appointed as an independent non-executive director of Shunfeng International Clean Energy Limited, a company listed on the Main Board of the Stock Exchange, since 16 July 2014. He has been appointed as an executive director of China Metal Resources Utilization Limited, a manufacturer of recycled copper products in China, a company listed on the Main Board of the Stock Exchange, since 16 August 2013. He is also an independent non-executive director of C. Banner International Holdings Limited, a company listed on the Main Board of the Stock Exchange, since 26 August 2011. Mr. Kwong acted as the President of Gushan Environment Energy Limited, a copper products manufacturer and biodiesel producer in China, until 16 August 2013. He has 12 years of experience in corporate finance and equity capital markets in Asia, having previously worked at a number of investment banks in Hong Kong. Prior to joining Gushan Environmental Energy Limited in 2006, he was the managing director of investment banking and he held the position as the head of Hong Kong and China equity capital markets at CLSA Equity Capital Markets Limited since March 2004. From 2002 to 2003, Mr. Kwong was a director and the head of equity capital markets for Cazenove Asia Limited. After graduating from the University of Cambridge, England with a Bachelor's degree in 1987, he qualified as a chartered accountant in the United Kingdom with KPMG in 1990 and as a chartered secretary and administrator in the United Kingdom in 1991. Mr. Kwong is currently an associate member of the Institute of Chartered Accountant in England and Wales, the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries.

Mr. CUI Yi (崔義先生), aged 61, is an independent non-executive director of our Company. He is the founder and director of PMC China Trading Company Limited (合力洋行(中國)有限公司), and was responsible for managing the authorised dealership of glass tube products under a German brand in the PRC and Hong Kong. Mr. Cui is also the director of Jescove Company Limited (宏銀有限公司). He has also been acting as the executive director and deputy general manager of Hong Kong Zhanyou Company Limited (香港湛佑有限公司) since 1993 and responsible for the preparation and establishment of ZIP Comayagus, S.A., a textile industrial complex, in Honduras, Central America. From 1995 to 1998, Mr. Cui was the executive director and executive general manager of the companies of ZIP Comayagua S.A., responsible for management of the textile industrial complex. From 1990 to 1991, he was the assistant general manager of Textile Development Company (上海紡織住宅開發總公司) under the Shanghai Textile Industry Council (上海紡織工業局), and he was the deputy general manager of Hainan Shenhai Enterprise Group (海南申海企業集團) under the same council in 1991, responsible for the trading of textile products and the development of overseas markets for textile products. Mr. Cui graduated from The East China University of Political Science and Law majoring in law.

Mr. YEUNG Chi Wai (楊志偉先生), aged 55, is an independent non-executive director of our Company. Mr. Yeung is the founder and director of Edwin Yeung & Company (CPA) Limited and has been practising as a certified public accountant with the firm since 1991. He has been an associate of the Chartered Association of Certified Accountants since 1988. Mr. Yeung became an associate member and a fellow member of the Hong Kong Institute of Certified Public Accountants in 1989 and 1996, respectively. He is also a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung has been a fellow member of the Association of Chartered Certified Accountants since 1993, an associate of the Institute of Chartered Accountants in England and Wales since 2005 and a Fellow Member of CPA Australia since 2010. He was awarded the Medal of Honour by the Hong Kong SAR Government in 2010. He was also the president of the Society of Chinese Accountants and Auditors in 2008 and is currently the chairman of its membership and promotion committee. Mr. Yeung was appointed as a director of Accounting Development Foundation Limited in 2012. He has been appointed as a member of the Chinese People's Political Consultative Conference in Shandong Province since January 2013 and a committee member of Home Purchase Allowance Appeals Committee since 14 July 2014. Mr. Yeung was an independent non-executive director of Noble House (China) Holdings Limited, a company currently listed on the Growth Enterprises Market of the Stock Exchange, until October 2014.

SENIOR MANAGEMENT

Mr. LU Yi (呂毅先生), aged 37, is the Chief Branding Officer and Regional Sales Controller of our Company. He joined our Group in 2000. Previously, he was Manager of the President's Office from 2003 to 2004 and the assistant to Chief Human Resource Officer of our Group from 2005 to 2013. He is responsible for management of licensed brands of our Group as well as business development planning and management of retail sales.

Mr. YAN Zhong (閔仲先生), aged 46, is our Regional Sales Controller of our Company. Mr. Yan joined our Group in 1999. Previously, he was the Manager for Northern Region in 1999 and Deputy General Manager for Northern Region of our Group in 2000. He is primarily responsible for the Group's business development planning and management of retail sales. He has over 10 years of experience in the apparel retail industry. Mr. Yan is the holder of a Bachelor's Degree from 中國青年政治學院 (China Youth University for Political Sciences).

Directors and Senior Management

Mr. LI Zhujun (李祝軍先生), aged 41, is the Chief Marketing Officer of our Company. Mr. Li joined our Group in 1999. Previously, he was the Marketing Manager for Southern Region of our Group from 2001 to 2006. He is responsible for the assessment of the authorisation of third-party retailers of our Group in the PRC and maintaining our business and strategic relationships with them. He has over 10 years of experience in the apparel industry.

Mr. WONG Hon Wing (王漢嶸先生), aged 47, is the Chief Procurement Officer – Fashion of our Company. He joined our Group in 1999. Previously, he was the Procurement Manager of our Group in 1999. He is responsible for the purchase planning and manufacturing functions of the Group. He has over 20 years of experience in the purchase and production of apparels.

Mr. LIU Wenbo (劉文波先生), aged 51, is the Chief Human Resource Officer. Previously, he was the Procurement Manager from 1999 to 2000, Vice General Manager for Southern Region from 2000 to 2001, General Manager for Southern Region from 2001 to 2003, Chief Human Resource Officer of our Group from 2004 to 2005, and Chief Procurement Officer – Accessories from 2005 to 2013. He is responsible for overall business administration, including the human resources, of our Group. Mr. Liu holds a doctor's degree from the Shanghai International Studies University.

Ms. LEUNG Shuk Yi (梁淑儀女士), aged 49, is the Chief Designer of our Company. She joined our group in 2002 and has over 20 years experience in design and garment of apparels. Ms. Leung holds an Honor Diploma in fashion design from the Academie Internationale de Coupe de Paris (Ecole Superieure Internationale des Modelistes du Vetement) and Ecole Bellecour Supdemod (Haute Couture) Lyon in France.

Mr. LIU Dong (劉東先生), aged 52, is the Chief Manufacturing Officer – Fashion of our company. He joined our Group in January 2015 and is responsible for management of our manufacturing plant in Dezhou, Shandong province. Mr. Liu has over 30 years of experience in quality management and business administration.

COMPANY SECRETARY

Ms. LI Rita Yan Wing (李昕穎女士), aged 50, is a director of the corporate services division of Tricor Services Limited and a fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She has over 26 years' experience in corporate advisory services. Prior to joining Tricor Services Limited, Ms. Li served as a senior manager of the company secretarial department of Tengis Limited. Ms. Li has provided various secretarial and corporate services to a number of listed companies.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors (the “Directors”) of the Company (the “Board”) has committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability.

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

The Board is of the view that throughout the year ended 31 December 2015, the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS’ AND EMPLOYEES’ SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Code of Conduct throughout the year ended 31 December 2015.

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

BOARD OF DIRECTORS

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

Executive Directors:

Mr. LO Peter (*Chairman*)

Mr. ZHANG Yongli (*Chief Executive Officer*)

Mr. SUN David Lee

Ms. HUANG Xiaoyun

Non-executive Directors:

Mr. WANG Wei

Mr. LIN Yang

Independent Non-executive Directors:

Mr. KWONG Wilson Wai Sun

Mr. CUI Yi

Mr. YEUNG Chi Wai

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 17 to 20 of the annual report for the year ended 31 December 2015.

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

Chairman and Chief Executive Officer

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

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

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

Independent Non-executive Directors

During the year ended 31 December 2015, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors, representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Non-executive Directors and Directors' Re-election

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a Director and of the conduct, business activities and development of the Company.

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

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

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

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

BOARD COMMITTEES

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

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

Audit Committee

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer, internal auditor or external auditors before submission to the Board;
- To review the adequacy and effectiveness of the Company's financial controls system, internal control system and risk management system;
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors; and
- To review arrangements by which employees, in confidence can raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure proper arrangements are in place for the fair and independent investigation of such concerns and appropriate follow up action.

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

The Audit Committee held three meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2015 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors and arrangements for employees to raise concerns about possible improprieties.

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

Remuneration Committee

The primary functions of the Remuneration Committee include the following:

- To make recommendations on the establishment of procedures for developing the remuneration policy and structure for the Executive Directors and the senior management, which policy shall ensure that no director or any of his/her associates will participate in deciding his/her own remuneration;
- To review and approve the remuneration packages of the Executive Directors and the senior management by reference to the performance of the individual and the Company as well as market practice and conditions;
- To make recommendations on the remuneration packages of the Non-executive Directors and Independent Non-executive Directors by reference to the performance of the individual and the Company as well as market practice and conditions; and
- To review and approve the compensation arrangements for the Executive Directors and the senior management in connection with any loss or termination of their offices or appointments.

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

Corporate Governance Report

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

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

The remuneration of Directors and the senior management by band for the year ended 31 December 2015 is set out below:

	Number of persons
Nil to RMB1,000,000	10
RMB1,000,001 to RMB2,000,000	1
RMB2,000,001 to RMB3,000,000	–
RMB3,000,001 to RMB4,000,000	1
RMB4,000,001 to RMB5,000,000	–

Nomination Committee

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

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

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

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

Corporate Governance Functions

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

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2015 is set out in the table below:

Director	Attendance/Number of Meetings				
	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting
Mr. LO Peter	5/5	1/1	–	–	1/1
Mr. ZHANG Yongli	5/5	–	1/1	–	1/1
Mr. SUN David Lee	4/5	–	–	–	1/1
Ms. HUANG Xiaoyun	5/5	1/1	1/1	3/3	1/1
Mr. LIN Yang	4/5	–	–	–	1/1
Mr. WANG Wei	4/5	–	–	–	1/1
Mr. KWONG Wilson Wai Sun	4/5	1/1	1/1	3/3	1/1
Mr. CUI Yi	4/5	–	1/1	3/3	1/1
Mr. YEUNG Chi Wai	4/5	1/1	–	3/3	1/1

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015.

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

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

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

AUDITORS' REMUNERATION

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 41 to 42.

The fees paid or payable to Ernst & Young and its affiliated firms, for services rendered in respect of the year ended 31 December 2015 are as follows:

Service Category	Fees Paid/Payable (RMB'000)
Audit Services	2,224
Non-audit Services	–
	2,224

INTERNAL CONTROLS

During the year under review, the Board conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS

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

Putting Forward Proposals at General Meetings

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

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

- At least 21 clear days' notice (the notice period must include 20 clear business days) in writing if the proposal constitutes an ordinary resolution of the Company in an annual general meeting.
- At least 21 clear days' notice (the notice period must include 10 clear business days) in writing if the proposal constitutes a special resolution of the Company in an extraordinary general meeting.
- At least 14 clear days' notice (the notice period must include 10 clear business days) in writing if the proposal constitutes an ordinary resolution of the Company in an extraordinary general meeting.

Convening an Extraordinary General Meeting by Shareholders

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

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

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

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

Putting Forward Enquiries to the Board

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

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

INVESTOR RELATIONS

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

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

Report of the Directors

The Board has pleasure in presenting the report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2015.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 43 to 117 of the annual report.

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 118 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment of the Group, and investment properties of the Group during the year ended 31 December 2015 are set out in notes 17 and 19 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2015 are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF SHARES OF THE COMPANY

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except for the trustee of the Employees' Share Award Scheme adopted by the Board on 4 November 2014 (the "Scheme"). Pursuant to the terms of the rules and trust deed of the Scheme, a total of 5,134,000 shares of the Company at a total consideration of about HK\$4,166,705 (equivalent of RMB3,740,000) were purchased on the Stock Exchange for the year ended 31 December 2015.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2015 are set out in note 45 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 December 2015, the Company's reserves, including the share premium account and contributed surplus less the accumulated loss, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"), amounted to approximately 2,786.2 million. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account and contributed surplus under certain circumstances.

DONATION

Charitable and other donations made by the Group during the year ended 31 December 2015 amounted to RMB0.1 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2015, the aggregate sales attributable to the Group's five largest customers and the sales attributable to the Group's largest customer were approximately 7.4% and 2.5%, respectively, of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers and the purchases attributable to the Group's largest supplier were approximately 18.7% and 4.5%, respectively, of the Group's total purchases during the year ended 31 December 2015.

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

DIRECTORS

During the year ended 31 December 2015 and up to the date of this report, the Directors were:

Executive Directors:

Mr. LO Peter (*Chairman*)

Mr. ZHANG Yongli (*Chief Executive Officer*)

Mr. SUN David Lee

Ms. HUANG Xiaoyun

Non-executive Directors:

Mr. WANG Wei

Mr. LIN Yang

Mr. KWONG Wilson Wai Sun*

Mr. CUI Yi*

Mr. YEUNG Chi Wai*

* Independent Non-executive Directors

In accordance with the Company's articles of association, Mr. KWONG Wilson Wai Sun, Mr. WANG Wei and Mr. LIN Yang will retire from the Board by rotation and will offer themselves for re-election at the annual general meeting ("AGM").

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 17 to 20 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during or at the end of the year ended 31 December 2015.

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

As at 31 December 2015, the interests and short positions of the Directors and chief executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

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

Name of director	Nature of Interest	Number of Ordinary Shares Owned	Underlying Shares Interested (Note 1)	Total	Percentage of the Company's issued share capital (%)
Mr. LO Peter	Beneficial owner	1,000,000	20,328,000	21,328,000	0.62
Mr. ZHANG Yongli	Beneficial owner	9,028,000	20,328,000	29,356,000	0.85
	Corporate interest (Note 2)	1,789,636,000	–	1,789,636,000	51.94
Mr. SUN David Lee	Beneficial owner	452,000	8,328,000	8,780,000	0.25
Ms. HUANG Xiaoyun	Beneficial owner	396,000	14,400,000	14,796,000	0.43
Mr. KWONG Wilson Wai Sun	Beneficial owner	–	1,000,000	1,000,000	0.03
Mr. CUI Yi	Beneficial owner	–	1,000,000	1,000,000	0.03
Mr. YEUNG Chi Wai	Beneficial owner	–	1,000,000	1,000,000	0.03

Note:

- (1) The number of underlying shares represents the shares in which the Directors are deemed to be interested as a result of holding share options.
- (2) CEC Outfitters Limited, holding 1,789,636,000 shares (long position) of the Company, was owned as to 56.13% and 43.87% by CEC Menswear Limited ("CEC Menswear") and Vinglory Holdings Limited ("Vinglory") respectively. CEC Menswear was wholly owned by China Enterprise Capital Limited. Vinglory was wholly owned by Mr. ZHANG Yongli.

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SHARE OPTION SCHEMES

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

Share Option Scheme

A share option scheme (“Share Option Scheme”) was conditionally approved by the written resolutions of the shareholders passed on 25 November 2011 (the “Resolutions”) and the terms of such Share Option Scheme are disclosed in the Prospectus. No share option was granted, exercised or cancelled by the Company under the Share Option Scheme during the year ended 31 December 2015.

Pre-IPO Share Option Scheme (“Pre-IPO Share Option Scheme”)

1. Summary of Terms

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

- (a) the subscription price per share under the Pre-IPO Share Option Scheme is HK\$1.64;
- (b) the total number of shares which may be issued upon the exercise of all share options granted under the Pre-IPO Share Option Scheme is 205,552,000 shares representing approximately 6.00% of the enlarged issued share capital of the Company immediately after completion of the global offering and the capitalisation issue (assuming that the over-allotment option is not exercised);
- (c) save for the share options which have been granted, no further share options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date; and
- (d) each share option granted under the Pre-IPO Share Option Scheme has a three-year exercise period after vesting of the relevant option.

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

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

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

2. Outstanding Share Options Granted

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

The details of valid grantees and share options under the Pre-IPO Share Option Scheme during the year ended 31 December 2015 by category of grantees are set out below:

Category of grantees	Number of grantees		
	Valid as at 31 December 2014	Invalid during the year	Valid as at 31 December 2015
Executive Directors	4	–	4
Non-executive Directors	–	–	–
Independent Non-executive Directors	3	–	3
Other employees and consultant	10	–	10
	17	–	17

Category of grantees	Number of shares to be issued upon fully exercise of all share options granted under the Pre-IPO Share Option Scheme		
	Outstanding as at 31 December 2014	Forfeited during the year	Outstanding as at 31 December 2015
Executive Directors	63,384,000	–	63,384,000
Non-executive Directors	–	–	–
Independent Non-executive Directors	3,000,000	–	3,000,000
Other employees and consultant	101,640,000	–	101,640,000
	168,024,000	–	168,024,000

Details of the share options granted by the Company under the Pre-IPO Share Option Scheme are set out on pages 102 to 105 of the annual report.

Saved as disclosed above, no share option granted under Pre-IPO Share Option Scheme was exercised, forfeited, lapsed or cancelled during the year ended 31 December 2015.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2015.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2015.

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

As at 31 December 2015, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	Nature of Interest	Number of Shares	Percentage of the Company's Issued Share Capital
China Enterprise Capital Limited	(1)	Corporate interest	1,786,656,000	51.86
CEC Menswear Limited	(1)	Corporate interest	1,786,656,000	51.86
Mr. ZHANG Yongli	(1)	Corporate interest	1,789,636,000	51.94
	(1)	Beneficial owner	29,356,000	0.85
Vinglory Holdings Limited	(1)	Corporate interest	1,789,636,000	51.94
CEC Outfitters Limited	(1)	Beneficial owner	1,786,656,000	51.86
Managecorp Limited	(2)	Trustee	491,784,000	14.27
Ms. LAM Lai Ming	(2)	Other	491,784,000	14.27
Mr. LI Gabriel	(2)	Other	491,784,000	14.27
YM Investment Limited	(3)	Corporate interest	491,784,000	14.27
Orchid Asia IV Investment, Limited	(3)	Corporate interest	482,078,000	13.99
Orchid Asia IV Group, Limited	(3)	Corporate interest	482,078,000	13.99
Orchid Asia IV Group Management, Limited	(3)	Corporate interest	482,078,000	13.99
OAIV Holdings, L.P.	(3)	Corporate interest	482,078,000	13.99
Orchid Asia IV, L.P.	(3)	Beneficial owner	482,078,000	13.99
Mr. KRAVIS Henry Roberts	(4)	Corporate interest	285,366,000	8.33
Mr. ROBERTS George R.	(4)	Corporate interest	285,366,000	8.33
KKR Management LLC	(4)	Corporate interest	285,366,000	8.33
KKR & Co. L.P.	(4)	Corporate interest	285,366,000	8.33
KKR Group Limited	(4)	Corporate interest	285,366,000	8.33
KKR Fund Holdings GP Limited	(4)	Corporate interest	285,366,000	8.33
KKR Group Holdings L.P.	(4)	Corporate interest	285,366,000	8.33
KKR Fund Holdings L.P.	(4)	Corporate interest	285,366,000	8.33
KKR China Growth Limited	(4)	Corporate interest	285,366,000	8.33
KKR SP Limited	(4)	Corporate interest	285,366,000	8.33
KKR Associates China Growth L.P.	(4)	Corporate interest	285,366,000	8.33
KKR China Growth Fund L.P.	(4)	Corporate interest	285,366,000	8.33
KKR China Apparel Limited	(4)	Beneficial owner	285,366,000	8.33

Report of the Directors

Notes:

- (1.1) CEC Outfitters Limited, holding 1,789,636,000 shares (long position) of the Company, was owned as to 56.13% and 43.87% by CEC Menswear Limited (“CEC Menswear”) and Vinglory Holdings Limited (“Vinglory”) respectively. CEC Menswear was wholly owned by China Enterprise Capital Limited. Vinglory was wholly owned by Mr. ZHANG Yongli. The interest in 1,789,636,000 shares (long position) relates to the same block of shares in the Company.
- (1.2) Mr. ZHANG Yongli held interests in a total of 29,356,000 shares (long position) of the Company, including 20,328,000 underlying shares interested as a result of holding share options.
- (2) YM Investment Limited, holding 491,784,000 shares (long position) of the Company, was owned by Managecorp Limited as trustee of a discretionary trust with Mr. LI Gabriel and Ms. LAM Lai Ming as founders and Managecorp Limited as trustee.
- (3) YM Investment Limited held interests in a total of 491,784,000 shares (long position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:
 - (3.1) Orchid Asia IV, L.P. held 482,078,000 shares (long position) in the Company. Orchid Asia IV, L.P. was wholly owned by OAIV Holdings, L.P. which was in turn wholly owned by Orchid Asia IV Group Management, Limited. Orchid Asia IV Group Management, Limited was wholly owned by Orchid Asia IV Group, Limited which was in turn wholly owned by Orchid Asia IV Investment, Limited. Orchid Asia IV Investment, Limited was owned as to 92.61% by YM Investment Limited.
 - (3.2) Orchid Asia IV Co-Investment, Limited held 9,706,000 shares (long position) in the Company. Orchid Asia IV Co-Investment Limited was a wholly owned subsidiary of YM Investment Limited.
- (4) KKR China Apparel Limited, holding 285,366,000 shares (long position) of the Company, was owned as to 90% by KKR China Growth Fund L.P. KKR Associates China Growth L.P. (“KKR Associates”) is the general partner of KKR China Growth Fund L.P. KKR SP Limited is the voting partner of KKR Associates while KKR China Growth Limited is the general partner of KKR Associates. KKR China Growth Limited was wholly owned by KKR Fund Holdings L.P. KKR Fund Holdings GP Limited is the general partner of KKR Fund Holdings L.P. KKR Group Holdings L.P. is the general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings G.P. Limited. KKR Group Limited is the general partner of KKR Group Holdings L.P. KKR Group Limited was wholly owned by KKR & Co. L.P. while KKR Management LLC is the general partner of KKR & Co. L.P. Each of Mr. KRAVIS Henry Roberts and Mr. ROBERTS George R. is a designated member of KKR Management LLC. Mr. KRAVIS Henry Roberts and Mr. ROBERTS George R. disclaim any beneficial ownership interest in the shares held by KKR China Apparel Limited. The interest in 285,366,000 shares (long position) relates to the same block of shares in the Company.

Save as disclosed above, as at 31 December 2015, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section “Directors’ and chief executive’s interests and short positions in shares and underlying shares and debentures” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS

Save as disclosed under the sections headed “Directors’ and chief executive’s interests and short positions in shares and underlying shares and debentures” and “Share option schemes” above, at no time during the year ended 31 December 2015 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2015, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

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

DISCLOSURES PURSUANT TO RULES 13.21 AND 13.22 OF THE LISTING RULES

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

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year ended 31 December 2015 and up to the date of this report, none of the Directors has any interest in business, which competes or may compete with the business of the Group.

REMUNERATION POLICY

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

PENSION SCHEME

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

EVENT AFTER THE REPORTING PERIOD

Details of the significant event took place subsequent to 31 December 2015 of the Group are set out in note 44 to the financial statements.

CORPORATE GOVERNANCE

A report on the principal governance practices adopted by the Company is set out on pages 21 to 30 of the annual report.

AUDIT COMMITTEE

The Company established the Audit Committee pursuant to the Resolutions in compliance with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures of the Company. At present, the Audit Committee of the Company consists of three members who are Mr. KWONG Wilson Wai Sun, Mr. CUI Yi and Mr. YEUNG Chi Wai. Mr. KWONG Wilson Wai Sun is the chairman of the Audit Committee. The Company's and the Group's financial statements for the year ended 31 December 2015 have been reviewed by the Audit Committee.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these financial statements for the year ended 31 December 2015, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable; and have prepared the financial statements on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

AUDITORS

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

ON BEHALF OF THE BOARD

LO Peter

Chairman

Hong Kong

21 March 2016

Independent Auditors' Report



To the shareholders of China Outfitters Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Outfitters Holdings Limited (the “Company”) and its subsidiaries set out on pages 43 to 117, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

Independent Auditors' Report

reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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

Ernst & Young

Certified Public Accountants

Hong Kong

21 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	8	1,012,764	1,094,327
Cost of sales		(347,307)	(328,789)
Gross profit		665,457	765,538
Other income and gains, net	8	30,041	30,424
Selling and distribution expenses		(497,309)	(454,304)
Administrative expenses		(61,486)	(53,410)
Other expenses		(9,063)	(12,726)
Operating profit		127,640	275,522
Finance income	9	44,619	55,137
Finance costs	10	(12,003)	(7,512)
Share losses of:			
Joint ventures		(4,112)	(3,590)
PROFIT BEFORE TAX	11	156,144	319,557
Income tax expense	14	(53,434)	(116,646)
PROFIT FOR THE YEAR		102,710	202,911
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(14,600)	5,505
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		88,110	208,416
Profit attributable to:			
Owners of the parent		104,837	203,607
Non-controlling interests		(2,127)	(696)
		102,710	202,911
Total comprehensive income attributable to:			
Owners of the parent		90,161	209,111
Non-controlling interests		(2,051)	(695)
		88,110	208,416
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	16		
Basic and diluted		RMB3.05cents	RMB5.91cents

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	246,834	207,367
Prepaid land lease payments	18	85,765	88,136
Investment properties	19	4,653	4,945
Investments in joint ventures	20	141,621	117,824
Goodwill	21	70,697	70,697
Other intangible assets	22	112,449	112,697
Deferred tax assets	24	108,941	94,928
Total non-current assets		770,960	696,594
CURRENT ASSETS			
Inventories	25	398,599	409,361
Trade and bills receivables	26	118,595	128,955
Prepayments, deposits and other receivables	27	75,720	76,153
Derivative financial assets	28	5,026	2,243
Structured bank deposits	29	380,734	707,700
Pledged bank deposits	30	437,890	432,098
Cash and cash equivalents	30	165,086	190,154
Total current assets		1,581,650	1,946,664
CURRENT LIABILITIES			
Interest-bearing bank borrowings	31	360,245	646,827
Trade and bills payables	32	105,700	53,986
Deposits received, other payables and accruals	33	106,041	116,172
Tax payable		150,238	150,783
Total current liabilities		722,224	967,768
NET CURRENT ASSETS		859,426	978,896
TOTAL ASSETS LESS CURRENT LIABILITIES		1,630,386	1,675,490
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	7,595	38,438
Net assets		1,622,791	1,637,052

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	34	280,661	280,661
Shares held for share award scheme	36	(7,409)	(3,669)
Reserves	37	1,347,714	1,356,184
		1,620,966	1,633,176
Non-controlling interests		1,825	3,876
		1,622,791	1,637,052

LO Peter
Director

SUN David Lee
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to the owners of the parent											
	Shares held			Merger reserve	Acquisition reserve	Share option reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	Issued capital	Award Scheme	Capital redemption reserve									
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(note 34)	(note 36)		(note 37 (a))	(note 37 (b))	(note 35)	(note 37 (c))						
At 1 January 2015	280,661	(3,669)	543	389,848	(186,036)	50,523	47,783	4,413	1,049,110	1,633,176	3,876	1,637,052
Profit for the year	-	-	-	-	-	-	-	-	104,837	104,837	(2,127)	102,710
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	-	-	-	-	-	5	-	(14,681)	-	(14,676)	76	(14,600)
Total comprehensive income for the year	-	-	-	-	-	5	-	(14,681)	104,837	90,161	(2,051)	88,110
Appropriations to statutory surplus reserve	-	-	-	-	-	-	259	-	(259)	-	-	-
Equity-settled share option arrangements	-	-	-	-	-	3,173	-	-	-	3,173	-	3,173
Share award scheme arrangements	-	(3,740)	-	-	-	-	-	-	-	(3,740)	-	(3,740)
Final 2014 dividends declared	-	-	-	-	-	-	-	-	(101,804)	(101,804)	-	(101,804)
At 31 December 2015	280,661	(7,409)	543*	389,848*	(186,036)*	53,701*	48,042*	(10,268)*	1,051,884*	1,620,966	1,825	1,622,791

* These components of equity comprise the consolidated reserves of RMB1,347,714,000 (2014: RMB1,356,184,000) in the consolidated statement of financial position as at 31 December 2015.

	Attributable to the owners of the parent											
	Shares held			Merger reserve	Acquisition reserve	Share option reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	Issued capital	Award Scheme	Capital redemption reserve									
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(note 34)	(note 36)		(note 37 (a))	(note 37 (b))	(note 35)	(note 37 (c))						
At 1 January 2014	280,661	-	543	389,848	(186,036)	50,392	47,507	(699)	1,502,466	2,084,682	2,388	2,087,070
Profit for the year	-	-	-	-	-	-	-	-	203,607	203,607	(696)	202,911
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	-	-	-	-	-	392	-	5,112	-	5,504	1	5,505
Total comprehensive income for the year	-	-	-	-	-	392	-	5,112	203,607	209,111	(695)	208,416
Appropriations to statutory surplus reserve	-	-	-	-	-	-	276	-	(276)	-	-	-
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	-	-	2,183	2,183
Equity-settled share option arrangements	-	-	-	-	-	9,318	-	-	-	9,318	-	9,318
Transfer of share option reserve upon the forfeiture of share options	-	-	-	-	-	(9,579)	-	-	-	(9,579)	-	(9,579)
Share award scheme arrangements	-	(3,669)	-	-	-	-	-	-	-	(3,669)	-	(3,669)
Final and special final 2013 dividends declared	-	-	-	-	-	-	-	-	(326,318)	(326,318)	-	(326,318)
Special 2014 dividend declared	-	-	-	-	-	-	-	-	(330,369)	(330,369)	-	(330,369)
At 31 December 2014	280,661	(3,669)	543	389,848	(186,036)	50,523	47,783	4,413	1,049,110 [#]	1,633,176	3,876	1,637,052

[#] Retained profits have been adjusted for the proposed final 2014 dividend in accordance with the current year's presentation, which is described in note 5 to the financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		156,144	319,557
Adjustments for:			
Finance income	9	(44,619)	(55,137)
Finance costs	10	12,003	7,512
Share of losses of joint ventures		4,112	3,590
Equity-settled share option expenses	11	3,173	9,318
Share option forfeiture		–	(9,579)
Fair value gains, net: derivative instruments			
– transactions not qualifying as hedges	11	(2,783)	(2,243)
Depreciation of items of property, plant and equipment	11	12,233	9,585
Depreciation of investment properties	11	292	277
Amortisation of prepaid land lease payments	11	2,020	1,892
Amortisation of intangible assets	11	1,572	1,572
Impairment of intangible assets	11	4,680	11,500
Write-down of inventories to net realisable value	11	136,134	114,688
		284,961	412,532
Increase in inventories		(145,096)	(153,810)
Decrease/(increase) in trade and bills receivables		10,360	(8,933)
Decrease/(increase) in prepayments, deposits and other receivables		17,720	(19,218)
Increase in trade and bills payables		6,980	22,087
Decrease in deposits received, other payables and accruals		(10,131)	(11,868)
Cash generated from operations		164,794	240,790
Interest paid		(12,003)	(7,512)
Withholding tax paid		(34,413)	–
PRC corporate income tax paid		(64,423)	(132,458)
Net cash flows from operating activities		53,955	100,820

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Net cash flows from operating activities		53,955	100,820
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(50,445)	(83,219)
Proceeds from disposal of items of property, plant and equipment		611	98
Additions to prepaid land lease payments		–	(13,885)
(Increase)/decrease in short term deposits with original maturity of over three months		(1,000)	59,060
Decrease in a prepayment for fixed assets		–	24,000
Interest received from bank deposits		2,323	10,929
Interest received from structured bank deposits		37,920	44,208
Decrease in structured bank deposits		371,700	220,300
Decrease/(increase) in a loan to a joint venture		7,889	(7,889)
Purchase of shareholding in a joint venture		(16,075)	(17,495)
Prepayment for an available-for-sale investment		(12,567)	–
Net cash flows from investing activities		340,356	236,107
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		–	646,827
Repayment of bank loans		(286,582)	–
Capital injected by non-controlling interests		–	2,183
Purchase of shares for share award scheme		(3,740)	(3,669)
Increase in pledged deposits		(6,836)	(418,864)
Dividends paid	15	(101,804)	(656,687)
Net cash flows used in financing activities		(398,962)	(430,210)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Effect of foreign exchange rate changes, net		(22,461)	4,907
Cash and cash equivalents at beginning of year		199,388	287,764
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		172,276	199,388

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		160,086	186,154
Time deposits		5,000	4,000
Cash and cash equivalents as stated in the consolidated statement of financial position	30	165,086	190,154
Time deposits with original maturity of less than three months when acquired, pledged as security for issuing bank acceptance notes and forward currency contracts	30	12,190	13,234
Less: Time deposits with original maturity of over three months		(5,000)	(4,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows		172,276	199,388

Notes to Financial Statements

31 December 2015

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place and date of incorporation/ registration	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Doright Group Limited	BVI 30 October 2009	US\$1	100	–	Investment holding
CEC Menswear Limited ⁽¹⁾	Hong Kong 11 July 2006	HK\$100	–	100	Investment holding
Faith Enterprise Limited ⁽¹⁾	Hong Kong 5 June 2006	HK\$100	–	100	Investment holding
Sky Trend Hong Kong Investment Limited ⁽¹⁾	Hong Kong 24 October 2007	HK\$10,000	–	100	Investment holding
Zoo York (China) Limited ⁽⁶⁾	Hong Kong 11 October 2013	HK\$10,000	88	–	Investment holding
Lincs (China) Limited ⁽¹⁾	Hong Kong 11 April 2014	HK\$13,750,000	84	–	Investment holding

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (continued)

Company name	Place and date of incorporation/ registration	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
London Fog (China) Limited ("London Fog (China)") ⁽¹⁾	Hong Kong 26 February 2009	RMB9,000,000	100	–	Holding trademarks and investment holding
Manhattan (China) Limited ⁽¹⁾	Hong Kong 11 April 2012	RMB10,000,000	75	–	Investment holding
Shanghai Doright Fashion Co., Ltd. (上海同瑞服飾有限公司) ("Shanghai Doright") ^{# * (2)}	PRC 6 August 2003	US\$8,500,000	–	100	Manufacture and sale of menswear and womenswear and accessories
Dezhou Sino-Union Garment Co., Ltd. (德州中合服飾有限公司) ("DZ Sino-union") ^{# * (2)}	PRC 6 January 2005	US\$600,000	–	100	Manufacture and sale of menswear and accessories
Guangdong Leaderway Garment Co., Ltd. (廣東利威製衣有限公司) ^{# * (3)}	PRC 25 March 1999	RMB3,000,000	–	100	Manufacture and sale of menswear and accessories
Shanghai Baowei Fashion Co., Ltd. (上海保威服飾有限公司) ^{# * (3)}	PRC 5 April 1999	RMB1,000,000	–	100	Sale of menswear and accessories
Shanghai Bolderway Fashion Co., Ltd. (上海保德威服飾有限公司) ^{# * (3)}	PRC 28 November 2001	RMB6,000,000	–	100	Sale of menswear and womenswear and accessories
Beijing Bolderway Fashion Co., Ltd. (北京保德威服飾有限公司) ^{# * (3)}	PRC 28 November 2003	RMB3,000,000	–	100	Sale of menswear and womenswear and accessories
Sichuan Bolderway Trading Co., Ltd. (四川保德威商貿有限公司) ^{# * (3)}	PRC 19 March 2004	RMB300,000	–	100	Retail trading of menswear and accessories
Guangzhou Ruitang Trading Co., Ltd. (廣州瑞唐貿易有限公司) ^{# * (3)}	PRC 24 May 2004	RMB500,000	–	100	Retail trading of menswear and accessories
Shanghai Jiancheng Trading Co., Ltd. (上海簡成商貿有限公司) ^{# * (3)}	PRC 31 May 2004	RMB3,000,000	–	100	Sale of menswear and accessories
London Fog (Shanghai) Fashion Co., Ltd. (倫頓弗格(上海)服飾有限公司) ^{# (4)}	PRC 31 May 2009	RMB10,000,000	–	100	Sale of menswear and womenswear and accessories

1. CORPORATE AND GROUP INFORMATION (Continued)**Information about subsidiaries** (continued)

Company name	Place and date of incorporation/ registration	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Shanghai Ruiguo Fashion Co., Ltd. (上海瑞國服飾有限公司) ^{# (2)}	PRC 14 June 2012	US\$1,000,000	100	–	Sale of menswear and womenswear and accessories
Shanghai Ruihe Fashion Co., Ltd. (上海瑞合服飾有限公司) ^{# (3)}	PRC 5 September 2011	RMB5,000,000	–	100	Sale of menswear and womenswear and accessories
Shanghai Manhattan Fashion Co., Ltd. (上海曼克頓服飾有限公司) ^{# (2)}	PRC 6 September 2012	US\$1,000,000	–	75	Sale of menswear
Shanghai Ruiguo Real Estate Co., Ltd. (上海瑞國置業有限公司) ^{# (3)}	PRC 9 August 2013	RMB5,000,000	–	100	Property development, operation and management
Shanghai Ruiguan Information Technology Co., Ltd. (上海瑞全信息科技有限公司) ^{# (3)}	PRC 8 January 2014	RMB1,000,000	–	100	Sale of software
Zoo York (Shanghai) Fashion Co., Ltd. (卓約(上海)服飾有限公司) ^{# (2)}	PRC 21 October 2014	HK\$1,200,000	–	100	Sale of menswear and accessories
Lincs (Shanghai) Fashion Co., Ltd. (菱科斯(上海)服飾有限公司) ^{# (2)}	PRC 11 August 2014	HK\$10,000,000	–	84	Sale of menswear and accessories

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

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

Notes:

- (1) The statutory financial statements of these companies were prepared under Hong Kong Financial Reporting Standards and audited by Ernst & Young, certified public accountants registered in Hong Kong.
- (2) Wholly-foreign-owned enterprises under PRC law.
- (3) Limited liability companies under PRC law.
- (4) A Sino-foreign equity joint venture under the PRC law.
- (5) These companies were incorporated in Hong Kong.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IAS”) and Interpretations) issued by the International Accounting Standards Board (the “IASB”), accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings classified as property, plant and equipment, derivative financial instruments and equity investments which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

2. BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(continued)*

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

Annual Improvements to IFRSs 2010-2012 Cycle

Annual Improvements to IFRSs 2011-2013 Cycle

Except that certain presentation and disclosure of financial statement items have been revised, the adoption of these revised standards did not have any significant effect on the financial position or performance of the Group.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9	<i>Financial Instruments</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> ¹
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹
IFRS 14	<i>Regulatory Deferral Accounts</i> ³
IFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to IAS 1	<i>Disclosure Initiative</i> ¹
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i> ¹
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of IFRSs ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2015, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

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

4. ISSUED BUT NOT EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

(Continued)

(b) Impairment

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

The amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018. During the year ended 31 December 2015, the Group performed a preliminary assessment on the impact of the adoption of IFRS 15.

4. ISSUED BUT NOT EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

(Continued)

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

- (i) the materiality requirements in IAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Goodwill

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

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

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

Goodwill *(Continued)*

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

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

Investments in joint ventures

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

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

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

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

Fair value measurement

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

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

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

Fair value measurement *(Continued)*

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

Property, plant and equipment and depreciation

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

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

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

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

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

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

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

Investment properties

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

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

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

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss and other comprehensive income in the year of retirement or disposal.

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

Other intangible assets (other than goodwill)

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

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

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

Other intangible assets (other than goodwill) *(Continued)*

Licensing agreements

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

Retail networks

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

Trademarks

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

Operating leases

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

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

Investments and other financial assets *(Continued)*

Loans and receivables

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

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

Held-to-maturity investments

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement of loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

Treasury shares

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Income tax *(Continued)*

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

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

Government grants

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

Revenue recognition

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) subsidy income, on a cash basis;
- (c) arrangement fees, on a cash basis;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (e) rental income, on a time proportion basis over the lease terms.

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

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the binomial option pricing model, further details of which are given in note 35 and note 36 to the financial statements.

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

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

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

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

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

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

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

Shares held for the Share Award Scheme

As disclosed in note 36 to the financial statements, the Group has set up the Share Award Scheme Trust for the Share Award Scheme, where the Share Award Scheme Trust purchases shares issued by the Group, the consideration paid by the Company, including any directly attributable incremental costs, is presented as “Shares held for Share Award Scheme” and deducted from the Group’s equity.

Other employee benefits

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

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

Dividends

Final and special final dividends proposed by the Directors are classified as a separate allocation of retained profits or share premium within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

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

Borrowing costs

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

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

Foreign currencies

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

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

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

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

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

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Judgements

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

Operating lease commitments - Group as lessor

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

Classification between investment properties and owner-occupied properties

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

Tax

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 24 below.

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

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

Estimation uncertainty

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

Useful lives and residual values of property, plant and equipment

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

Useful lives of intangible assets

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

Write-down of inventories to net realisable value

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was RMB70,697,000 (2014: RMB70,697,000). More details are given in note 23 below.

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

Estimation uncertainty *(Continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating units exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating units and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 23 below.

7. OPERATING SEGMENT INFORMATION

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

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

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

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

8. REVENUE AND OTHER INCOME AND GAINS, NET

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

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

	2015 RMB'000	2014 RMB'000
Revenue		
Sale of goods	1,012,764	1,094,327
Other income, net		
Government subsidies*	24,641	26,958
Arrangement fees [#]	218	328
Rental income, net	1,649	793
Sale of consumables, net	71	88
	26,579	28,167
Gains, net		
Fair value gains, net:		
Derivative instruments – transactions not qualifying as hedges	2,783	2,243
Others	679	14
	3,462	2,257
	30,041	30,424

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

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

9. FINANCE INCOME

	2015 RMB'000	2014 RMB'000
Interest income on bank deposits	2,323	10,929
Interest income on structured bank deposits	42,296	44,208
	44,619	55,137

10. FINANCE COSTS

	2015	2014
	RMB'000	RMB'000
Interest on bank loans	12,003	7,512

11. PROFIT BEFORE TAX

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

	Notes	2015	2014
		RMB'000	RMB'000
Cost of inventories sold		211,173	214,101
Depreciation:			
Property, plant and equipment	17	12,233	9,585
Investment properties	19	292	277
		12,525	9,862
Amortisation of prepaid land lease payments*	18	2,020	1,892
Amortisation of intangible assets*	22	1,572	1,572
Minimum lease payments under operating leases in respect of buildings		17,038	14,111
Auditors' remuneration		2,224	2,197
Employee benefit expenses (including directors' remuneration (note 12)):			
Wages and salaries		96,446	85,948
Equity-settled share option expenses		3,173	9,318
Transfer of share option reserve upon the forfeiture of share options		–	(9,579)
Pension scheme contributions		14,058	11,275
		113,677	96,962
Impairment of other intangible assets^	23	4,680	11,500
Fair value gains, net:			
Derivative instruments — transactions not qualifying as hedges		(2,783)	(2,243)
Write-down of inventories to net realisable value#		136,134	114,688
Foreign exchange differences, net		4,383	1,226

11. PROFIT BEFORE TAX *(Continued)*

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

- * The amortisation of prepaid land lease payments and the amortisation of intangible assets for the year are included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.
- # The write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.
- ^ The impairment of other intangible assets is included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

12. DIRECTORS' REMUNERATION

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

	2015	2014
	RMB'000	RMB'000
Fees	2,920	2,920
Other emoluments:		
Salaries, allowances and benefits in kind	3,216	3,221
Equity-settled share option expenses	1,025	3,109
Pension scheme contributions	48	41
	4,289	6,371
	7,209	9,291

In prior years, certain directors were granted share options, in respect of their services to the Group, under the Pre-IPO Share Option Scheme of the Company, further details of which are set out in note 35 to the financial statements. The fair value of these options, which has been recognised in the consolidated statement of profit or loss and other comprehensive income. Over the vesting period, was determined as at the date of grant, and the amount included in the consolidated financial statements for the current year is included in the above directors' remuneration disclosures.

12. DIRECTORS' REMUNERATION (Continued)**(a) Independent non-executive directors**

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

	Fees	Equity-settled share option expenses	Total remuneration
	RMB'000	RMB'000	RMB'000
2015			
KWONG Wilson Wai Sun (鄭偉信)	200	15	215
CUI Yi (崔義)	200	15	215
YEUNG Chi Wai (楊志偉)	200	15	215
	600	45	645
2014			
KWONG Wilson Wai Sun (鄭偉信)	200	44	244
CUI Yi (崔義)	200	44	244
YEUNG Chi Wai (楊志偉)	200	44	244
	600	132	732

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

12. DIRECTORS' REMUNERATION (Continued)**(b) Executive directors and non-executive directors**

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2015					
Executive directors:					
LO Peter (路嘉星)	600	–	314	15	929
ZHANG Yongli (張永力)	600	2,520	314	6	3,440
SUN David Lee (孫如曄)	380	–	129	15	524
HUANG Xiaoyun (黃曉雲)	380	696	223	12	1,311
	1,960	3,216	980	48	6,204
Non-executive directors:					
WANG Wei (王瑋)	180	–	–	–	180
LIN Yang (林揚)	180	–	–	–	180
	360	–	–	–	360
	2,320	3,216	980	48	6,564
2014					
Executive directors:					
LO Peter (路嘉星)	600	–	894	13	1,507
ZHANG Yongli (張永力)	600	2,528	894	5	4,027
SUN David Lee (孫如曄)	380	–	366	13	759
HUANG Xiaoyun (黃曉雲)	380	693	633	10	1,716
	1,960	3,221	2,787	41	8,009
Non-executive directors:					
LI Guoqiang (李國強) (resigned on 10 Jan 2014)	–	–	190	–	190
WANG Wei (王瑋)	180	–	–	–	180
LIN Yang (林揚) (appointed on 10 Jan 2014)	180	–	–	–	180
	360	–	190	–	550
	2,320	3,221	2,977	41	8,559

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

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2014: three), details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining one (2014: two) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2015	2014
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	417	407
Equity-settled share option expenses	223	1,266
Pension scheme contributions	15	32
	655	1,705

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

	Number of employees	
	2015	2014
Nil to HK\$1,000,000	1	2
	1	2

In prior years, share options were granted to two non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 35 to the financial statements. The fair value of these options, which has been recognised in the consolidated statement of profit or loss and other comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

14. INCOME TAX EXPENSE

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

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

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

14. INCOME TAX EXPENSE (Continued)

In accordance with the relevant PRC income tax rules and regulations, the Group's subsidiaries registered in the PRC are subject to Corporate Income Tax ("CIT") at a statutory rate of 25% on their respective taxable income for the year ended 31 December 2015.

	2015	2014
	RMB'000	RMB'000
Current — PRC		
Charge for the year	63,877	118,047
Deferred (note 24)	(10,443)	(1,401)
Total tax charge for the year	53,434	116,646

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

	2015		2014	
	RMB'000	%	RMB'000	%
Profit before tax	156,144		319,557	
Tax charge at the statutory tax rate	39,036	25	79,889	25
Entities subject to lower statutory income tax rates	(30)	—	(101)	—
Effect of withholding tax on undistributed profits of the PRC subsidiaries	3,058	2	30,000	9
Effect of withholding tax on services fee	1,800	1	1,797	1
Loss attributable to joint ventures	1,028	1	897	—
Adjustments in respect of current tax of previous periods	4,714	3	—	—
Tax losses not recognised	3,408	2	4,118	2
Others	420	—	46	—
Tax charge at the Group's effective tax rate	53,434	34	116,646	37

No share of tax attributable to joint ventures (2014: Nil) is included in "Share of losses of joint ventures" in the consolidated statement of profit or loss and other comprehensive income.

15. DIVIDENDS

	2015 RMB'000	2014 RMB'000
No final dividend proposed (2014: HK3.7 cents per ordinary share)	-	101,804
	-	101,804

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

The final dividends for the year ended 31 December 2014 on ordinary shares of RMB101,804,000 were approved by shareholders of the company at the annual general meeting on 18 May 2015 and were subsequently paid on 5 June 2015.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,438,220,000 (2014: 3,444,915,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the impact of the share options under the Pre-IPO Share Option Scheme outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	2015 RMB'000	2014 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	104,837	203,607
	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue	3,445,450,000	3,445,450,000
Weighted average number of shares purchased for the Share Award Scheme	(7,230,000)	(535,000)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	3,438,220,000	3,444,915,000

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office and other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014, net of accumulated depreciation	77,204	5,776	6,407	5,482	33,374	128,243
Additions	37,859	1,080	2,349	1,231	46,266	88,785
Disposals	-	-	(34)	(64)	-	(98)
Depreciation provided during the year	(5,496)	(1,024)	(1,502)	(1,563)	-	(9,585)
Exchange realignment	22	-	-	-	-	22
At 31 December 2014 and 1 January 2015, net of accumulated depreciation	109,589	5,832	7,220	5,086	79,640	207,367
Additions	25,347	129	559	470	23,940	50,445
Disposals	(570)	-	(34)	(7)	-	(611)
Depreciation provided during the year	(8,337)	(975)	(1,940)	(981)	-	(12,233)
Exchange realignment	1,866	-	-	-	-	1,866
Transfers	103,580	-	-	-	(103,580)	-
At 31 December 2015, net of accumulated depreciation	231,475	4,986	5,805	4,568	-	246,834
At 31 December 2014:						
Cost	134,143	10,010	19,218	15,015	79,640	258,026
Accumulated depreciation	(24,554)	(4,178)	(11,998)	(9,929)	-	(50,659)
Net carrying amount	109,589	5,832	7,220	5,086	79,640	207,367
At 31 December 2015:						
Cost	263,719	10,097	18,719	16,323	-	308,858
Accumulated depreciation	(32,244)	(5,111)	(12,914)	(11,755)	-	(62,024)
Net carrying amount	231,475	4,986	5,805	4,568	-	246,834

As at 31 December 2015, three certificates of ownership in respect of properties in Haikou with net carrying amount of RMB19,191,000, and two certificates of ownership in respect of two warehouses in Shanghai and Chengdu with net carrying amount of approximately RMB106,478,000 and RMB5,786,000 respectively (2014: a certificate of ownership in respect of a warehouse in Chengdu with a net carrying amount of approximately RMB6,143,000) have not been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

18. PREPAID LAND LEASE PAYMENTS

	2015	2014
	RMB'000	RMB'000
Carrying amount at 1 January	89,805	77,812
Additions	–	13,885
Amortisation charged during the year	(2,020)	(1,892)
Carrying amount at 31 December	87,785	89,805
Current portion included in prepayments, deposits and other receivables	(2,020)	(1,669)
Non-current portion	85,765	88,136

As at 31 December 2015, no certificate of a land use right in respect of a piece of land (2014: a certificate of land use right with a net carrying amount of approximately RMB36,105,000) has not been issued by the relevant PRC authorities.

19. INVESTMENT PROPERTIES

	2015	2014
	RMB'000	RMB'000
Cost at 1 January, net of accumulated depreciation	4,945	5,222
Depreciation provided during the year	(292)	(277)
At 31 December	4,653	4,945
At 31 December:		
Cost	5,907	5,907
Accumulated depreciation	(1,254)	(962)
Net carrying amount	4,653	4,945

The Group's investment properties are situated in the PRC and are leased to third parties under operating leases, further summary details of which are included in note 38(a) below.

The Group's investment properties were revalued on 31 December 2015 by Dezhou Tianqu Assets Appraisals Co., Ltd. (德州天衢資產評估有限公司), independent professionally qualified valuers, at RMB18,185,000 (31 December 2014: RMB10,473,000) on an open market, existing use basis.

19. INVESTMENT PROPERTIES (Continued)**Fair value hierarchy**

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

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

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Commercial properties	–	–	10,473	10,473

20. INVESTMENTS IN JOINT VENTURES

	2015 RMB'000	2014 RMB'000
Share of net assets	85,175	53,489
Goodwill on acquisition	56,446	56,446
	141,621	109,935
Loan to a joint venture	–	7,889
	141,621	117,824

The loan to a joint venture is unsecured, interest-free and has no fixed terms of payment. In the opinion of the directors, the loan is considered as part of the Group's net investments in the joint ventures.

20. INVESTMENTS IN JOINT VENTURES *(Continued)*

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

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

The above investments are directly held by the Company.

(i) MCS Apparel Hong Kong Limited

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

20. INVESTMENTS IN JOINT VENTURES *(Continued)***(i) MCS Apparel Hong Kong Limited** *(Continued)*

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

	2015	2014
	RMB'000	RMB'000
Cash and cash equivalents	29,984	23,881
Other current assets	29,296	17,911
Current assets	59,280	41,792
Non-current assets	62,120	60,497
Current financial liabilities (excluding trade and other payables)	(15,936)	(23,944)
Other current liabilities	(7,050)	(5,071)
Current liabilities	(22,986)	(29,015)
Non-current financial liabilities (excluding trade and other payables)	-	-
Other non-current liabilities	(1,969)	(1,287)
Non-current liabilities	(1,969)	(1,287)
Net assets	96,445	71,987
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture	48,223	35,994
Goodwill on acquisition	56,446	56,446
Carrying amount of the investment	104,669	92,440
Revenue	62,820	53,501
Depreciation and amortisation	(191)	(247)
Income tax expense	(7,646)	(4,721)
Other comprehensive income	(94)	162
Profit and total comprehensive income for the year	24,901	5,348

20. INVESTMENTS IN JOINT VENTURES (Continued)**(ii) Henry Cotton's Greater China Company Limited**

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

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

	2015	2014
	RMB'000	RMB'000
Cash and cash equivalents	10,961	–
Other current assets	6,321	139
Current assets	17,282	139
Non-current assets	35,465	34,851
Current financial liabilities (excluding trade and other payables)	(2,494)	–
Other current liabilities	(6,822)	–
Current liabilities	(9,316)	–
Non-current financial liabilities (excluding trade and other payables)	–	–
Other non-current liabilities	(1,676)	–
Non-current liabilities	(1,676)	–
Net assets	41,755	34,990
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture	20,877	17,495
Carrying amount of the investment	20,877	17,495
Revenue	15,384	–
Income tax expense	(1,801)	–
Other comprehensive income	80	–
Profit and total comprehensive income for the year	6,314	–

20. INVESTMENTS IN JOINT VENTURES *(Continued)***(iii) Marina Yachting Hong Kong Limited**

Marina Yachting Hong Kong Limited, which is considered a material joint venture of the Group in the future, will act as the Group's operation centre of apparels branded "Marina Yachting" and is accounted for using the equity method. The financial statements of the joint venture have the same reporting date of the Group. Up to the date of the financial statement, Marina Yachting Hong Kong Limited has not commenced operation.

The following table illustrates the financial information of Marina Yachting Hong Kong Limited:

	2015
	RMB'000
Share of the profit for the year	-
Carrying amount of the Group's investment in the joint venture	16,075

21. GOODWILL

As at 31 December 2015, the carrying value of goodwill was RMB70,697,000 (2014: RMB70,697,000).

No impairment loss provision for the carrying value of goodwill has been considered necessary by the directors as at the end of the financial period. Impairment testing of goodwill is detailed in note 23 below.

22. OTHER INTANGIBLE ASSETS

	Licensing agreements RMB'000	Retail networks RMB'000	Trademarks RMB'000	Total RMB'000
At 1 January 2014, net of accumulated amortisation and impairment	11,909	3,217	110,292	125,418
Additions	–	–	–	–
Amortisation charged during the year	(1,323)	(249)	–	(1,572)
Impairment during the year	–	–	(11,500)	(11,500)
Exchange realignment	–	–	351	351
At 31 December 2014 and 1 January 2015, net of accumulated amortisation and impairment	10,586	2,968	99,143	112,697
Amortisation charged during the year	(1,323)	(249)	–	(1,572)
Impairment during the year	–	–	(4,680)	(4,680)
Exchange realignment	–	–	6,004	6,004
At 31 December 2015, net of accumulated amortisation and impairment	9,263	2,719	100,467	112,449
At 31 December 2014:				
Cost	97,460	4,981	99,143	201,584
Accumulated amortisation and impairment	(86,874)	(2,013)	–	(88,887)
Net carrying amount	10,586	2,968	99,143	112,697
At 31 December 2015:				
Cost	97,460	4,981	100,467	202,908
Accumulated amortisation and impairment	(88,197)	(2,262)	–	(90,459)
Net carrying amount	9,263	2,719	100,467	112,449

The Group classified the trademarks of “London Fog”, “Artful Dodger” and “Zoo York” as intangible assets with indefinite lives. The Group has performed impairment reviews of the carrying values of trademarks as at 31 December 2015 and 31 December 2014 based on a forecast of operating performance, cash flows and the key assumptions as detailed in note 23 below. Based on the result of the impairment test, the recoverable amount of the trademark of “London Fog” was RMB49,120,327 as 31 December 2015. Accordingly, management had determined that there was an impairment of the trademark of “London Fog”, and recognised an impairment charge of RMB4,680,000 (2014:RMB11,500,000), which was recorded within other expenses in the statement of profit or loss and other comprehensive income.

23. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES

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

The recoverable amount of the Menswear cash-generating units has been determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period approved by senior management. For the year ended 31 December 2015, the discount rate applied to the cash flow projections is 19.0% (2014: 19.0%) and cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2014: 3%) which does not exceed the projected long term average growth rate for the relevant industry in the PRC.

The recoverable amount of the trademarks with indefinite lives has been determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period approved by senior management. For the year ended 31 December 2015, the discount rates applied to the cash flow projection were 20.0% (2014: 20.0%) for London Fog and 25.0% (2014: 25.0%) for Artful Dodger and Zoo York and cash flows beyond the five-year period were extrapolated using a growth rate of 3% (2014: 3%) which does not exceed the projected long term average growth rate for the relevant industry in the PRC.

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

Budgeted gross profit margins

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

Discount rates

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

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

24. DEFERRED TAX

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

Deferred tax assets

	Impairment of assets	Unrealised profits on inventories	Losses available for offsetting against future taxable profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	60,220	110	2,819	63,149
Deferred tax credited/(charged) to the consolidated statement of profit or loss and other comprehensive income during the year (note 14)	26,379	2,699	2,701	31,779
At 31 December 2014 and 1 January 2015	86,599	2,809	5,520	94,928
Deferred tax credited/(charged) to the consolidated statement of profit or loss and other comprehensive income during the year (note 14)	13,522	(1,328)	1,819	14,013
At 31 December 2015	100,121	1,481	7,339	108,941

The Group had tax losses arising in the PRC of approximately RMB31,000,000 and RMB51,908,000 as at 31 December 2014 and 2015, respectively, that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the losses amounting to RMB22,552,000 as at 31 December 2015 (31 December 2014: RMB8,920,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the taxable losses can be utilised.

The Group has recognised deferred tax assets of approximately RMB29,356,000 as at 31 December 2015 (31 December 2014: RMB22,080,000), the utilisation of which is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The amount of deferred tax assets is based on the profit forecast approved by the management of the Group.

24. DEFERRED TAX (Continued)**Deferred tax liabilities**

	Fair value adjustments arising from acquisitions RMB'000	Fair value adjustments from financial instruments RMB'000	Withholding tax on distributable profits of the PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2014	5,560	–	2,500	8,060
Deferred tax charged/(credited) to the consolidated statement of profit or loss and other comprehensive income during the year (note 14)	(184)	562	30,000	30,378
At 31 December 2014 and 1 January 2015	5,376	562	32,500	38,438
Deferred tax transferred out in respect of withholding tax paid by PRC subsidiaries	–	–	(34,413)	(34,413)
Deferred tax charged/(credited) to the consolidated statement of profit or loss and other comprehensive income during the year (note 14)	(184)	696	3,058	3,570
At 31 December 2015	5,192	1,258	1,145	7,595

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

At 31 December 2015, the Group has not recognised deferred tax liabilities of RMB47,563,000 (2014: RMB44,504,000) in respect of temporary differences relating to the unremitted profits of the Group’s subsidiaries established in the PRC, amounting to RMB951,254,000 (2014: RMB890,080,000), that would be payable on the distribution of these profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

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

25. INVENTORIES

	2015	2014
	RMB'000	RMB'000
Raw materials	11,997	15,855
Work in progress	6,365	9,307
Finished goods	380,237	384,199
	398,599	409,361

26. TRADE AND BILLS RECEIVABLES

	2015	2014
	RMB'000	RMB'000
Trade receivables	115,213	123,742
Trade receivables, net	115,213	123,742
Bills receivable	3,382	5,213
	118,595	128,955

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

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

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

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

26. TRADE AND BILLS RECEIVABLES *(Continued)*

An aged analysis of the trade receivables as at 31 December 2014 and 2015, based on the invoice date and net of provision, and the balances of bills receivable are as follows:

	2015	2014
	RMB'000	RMB'000
Trade receivables		
Within 60 days	107,929	117,127
61 to 90 days	800	1,763
91 to 180 days	2,057	2,032
181 to 360 days	3,383	2,262
Over 360 days	1,044	558
	115,213	123,742
Bills receivable	3,382	5,213
	118,595	128,955

The bills receivable are due to mature within six months.

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

	2015	2014
	RMB'000	RMB'000
Neither past due nor impaired	107,929	117,127
1 to 180 days past due	2,857	3,795
181 to 360 days past due	4,427	2,820
	115,213	123,742

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

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	RMB'000	RMB'000
Prepayments	43,208	31,066
Deposits and other receivables	32,512	45,087
	75,720	76,153

The carrying amounts of the other receivables which are neither past due nor impaired and included in the above balances relate to receivables for which there was no recent history of default (2014: one individually impaired other receivable related to a debtor that was in default in payments, which was written off during the year of 2015). The carrying amounts of the financial assets included in the above balances approximate to their fair values.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	2015	2014
	RMB'000	RMB'000
Forward currency contracts	5,026	2,243

The Group has entered into various forward currency contracts to manage its exchange rate exposure. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging currency derivatives amounting to RMB2,783,000 were charged to profit or loss during the year (2014: RMB2,243,000).

29. STRUCTURED BANK DEPOSITS

	2015	2014
	RMB'000	RMB'000
Structured bank deposits, in licensed banks in PRC, at amortised cost	380,734	707,700

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

30. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2015 RMB'000	2014 RMB'000
Cash and bank balances	160,086	186,154
Time deposits	442,890	436,098
	602,976	622,252
Less: Bank deposits pledged*	(437,890)	(432,098)
Cash and cash equivalents as stated in the consolidated statement of financial position	165,086	190,154

* Bank deposits pledged for securing short term bank loans, forward currency contracts and for issuing bank acceptance notes amounted to RMB390,000,000, RMB37,723,000 and RMB10,167,000, respectively.

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB496,137,000 (2014: RMB525,732,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

31. INTEREST-BEARING BANK BORROWINGS

	2015			2014		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Interest-bearing bank loans – secured (USD)*	-	-	-	3.25%	2015	120,808
Interest-bearing bank loans – secured (HKD)*	HIBOR +1.8%	2016	360,245	HIBOR +1.8%- HIBOR +2.33%	2015	526,019
Total:			360,245			646,827

* These bank borrowings are secured by RMB denominated pledged bank deposits placed with financial institutions in China of RMB390,000,000 as at 31 December 2015.

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

The pledged deposits for securing the bank borrowings were included in “Pledged bank deposits” in the consolidated statement of financial position as at 31 December 2015.

	2015	2014
	RMB'000	RMB'000
Analysed into:		
Within one year and denominated in HK\$	360,245	526,019
Within one year and denominated in US\$	–	120,808
	360,245	646,827

The Group has the following undrawn banking facilities:

	2015	2014
	RMB'000	RMB'000
At floating rate	–	110,442

32. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables as at 31 December 2014 and 2015, based on the invoice date, and the balances of bills payable are as follows:

	2015	2014
	RMB'000	RMB'000
Trade payables		
Within 30 days	36,904	36,517
31 to 90 days	10,582	11,315
91 to 180 days	692	395
181 to 360 days	2,621	809
	50,799	49,036
Bills payable	54,901	4,950
	105,700	53,986

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

33. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	2015	2014
	RMB'000	RMB'000
Advances from customers	66,755	67,150
Other payables	29,679	32,396
Accruals	9,607	6,856
Other taxes payable	–	9,770
	106,041	116,172

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

34. ISSUED CAPITAL**Shares**

	2015	2014
	RMB'000	RMB'000
Issued and fully paid: 3,445,450,000 (2014: 3,445,450,000) ordinary shares of HK\$0.1 each	344,545	344,545
Equivalent to RMB'000	280,661	280,661

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 35 to the financial statements.

35. SHARE OPTION SCHEMES

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

Pre-IPO Share Option Scheme

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

- (a) the subscription price per share under the Pre-IPO Share Option Scheme is HK\$1.64;
- (b) the total number of shares which may be issued upon the exercise of all share options granted under the Pre-IPO Share Option Scheme is 205,552,000 shares, representing approximately 6.00% of the enlarged issued share capital of the Company immediately after the completion of IPO and the capitalisation issue (assuming that the Over-allotment Option is not exercised);
- (c) save for the share options which have been granted, no further share options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date; and
- (d) each share option granted under the Pre-IPO Share Option Scheme has a three-year exercise period after the vesting of the relevant option.

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

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

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

35. SHARE OPTION SCHEMES (Continued)**Pre-IPO Share Option Scheme** (continued)

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

	Year ended 31 December 2015		Year ended 31 December 2014	
	Weighted average exercise price HK\$ per share	Number of share options	Weighted average exercise price HK\$ per share	Number of share options
At beginning of year	1.64	168,024,000	1.64	199,224,000
Forfeited	–	–	1.64	(31,200,000)
At the end of year	1.64	168,024,000	1.64	168,024,000

The fair value of the share options under the Pre-IPO Share Option Scheme granted was estimated at approximately RMB65,108,000, of which the Group recognised a share option expense of RMB3,173,000 during the year ended 31 December 2015 (2014: RMB9,318,000).

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

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

35. SHARE OPTION SCHEMES *(Continued)*

Pre-IPO Share Option Scheme *(continued)*

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

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

No share option was exercised during the year. As at 31 December 2015, the Company had 168,024,000 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 168,024,000 additional ordinary shares of the Company and additional share capital of HK\$16,802,400 (equivalent to RMB13,666,000) and share premium of HK\$258,756,960 (equivalent to RMB210,454,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 168,024,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 4.9% of the Company's shares in issue as at that date.

Share Option Scheme

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

35. SHARE OPTION SCHEMES *(Continued)*

Share Option Scheme *(continued)*

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

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

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

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

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

As at 31 December 2015 and the date of approval of these financial statements, no share option was granted and outstanding under the Share Option Scheme.

36. SHARE AWARD SCHEME

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

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

- (a) recognise the contributions by certain employees and to give incentives to them in order to retain them for the continual operation and development of the Group; and
- (b) attract suitable personnel for further development of the Group.

To facilitate the implementation of the Share Award Scheme, a trust deed is entered into by the Group and South Zone Holding Limited (the "Trustee") pursuant to which the Trustee shall purchase and hold shares for the benefit of certain employees of the Group and any subsidiary and in such manner as the Board may determine from time to time.

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date being 4 November 2014 unless being earlier terminated by a resolution of the Board.

The Board may from time to time at its absolute discretion, select any employee (excluding any excluded employee) for participation in the Share Award Scheme as a selected employee and grant to such selected employee the award shares for free or at a price/consideration per award share determined by the Board at its sole discretion.

The Trustee will hold the shares and any income derived from them in accordance with the terms of the trust deed.

The Trustee purchased 5,134,000 shares of the Company at a total cost (including related transaction costs) of HK\$4,166,705 (equivalent to RMB3,740,000) during the year ended 31 December 2015.

The Board did not yet grant any shares to any employees from 4 November 2014 to 31 December 2015.

37. RESERVES

The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on page 46 of the financial statements.

- (a) The merger reserve represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the corporate reorganisation (the "Reorganisation") and the nominal value of the Company's shares issued in exchange therefor.
- (b) The acquisition reserve represents the differences between considerations paid and the book value of the share of net assets acquired in respect of the acquisition of non-controlling interests in the PRC Doright Group.
- (c) In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses), determined in accordance with generally accepted accounting principles in the PRC, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase the registered capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the registered capital after these usages.

38. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 19 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to three years.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015	2014
	RMB'000	RMB'000
Within one year	2,110	432
In the second to fifth years, inclusive	1,096	864
	3,206	1,296

38. OPERATING LEASE ARRANGEMENTS *(Continued)***(b) As lessee**

The Group leases certain of its retail outlets and office premises under non-cancellable operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years.

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015	2014
	RMB'000	RMB'000
Within one year	8,600	8,140
In the second to fifth years, inclusive	6,965	8,432
	15,565	16,572

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38(b), the Group had the following capital commitments at the end of the reporting period:

	2015	2014
	RMB'000	RMB'000
Contracted, but not provided for:		
Lands and buildings	-	14,134
	-	14,134

40. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group, including directors' remuneration as detailed in note 12 above, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	2,920	2,920
Salaries, allowances and benefits in kind	4,414	4,364
Equity-settled share option expenses	2,619	6,275
Pension scheme contributions	154	152
Total compensation paid to key management personnel	10,107	13,711

None of the transactions with related parties as described above falls under the definition of "connected transaction" or "continuing connected transaction" under the Listing Rules.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets	2015			2014		
	Loans and receivables RMB'000	Held-to-maturity investments RMB'000	Total RMB'000	Loans and receivables RMB'000	Held-to-maturity investments RMB'000	Total RMB'000
Trade and bills receivables	118,595	-	118,595	128,955	-	128,955
Financial assets included in prepayments, deposits and other receivables (note 27)	32,512	-	32,512	45,087	-	45,087
Structured bank deposits	-	380,734	380,734	-	707,700	707,700
Cash and cash equivalents	165,086	-	165,086	190,154	-	190,154
	316,193	380,734	696,927	364,196	707,700	1,071,896

41. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities	Financial liabilities at amortised cost	
	2015 RMB'000	2014 RMB'000
Trade and bills payables	105,700	53,986
Financial liabilities included in deposits received, other payables and accruals (note 33)	29,679	32,396
Interest-bearing bank borrowings	360,245	646,827
	495,624	733,209

42. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's instruments, other than those with carrying amounts that reasonable approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Financial assets				
Derivative financial instruments	5,026	2,243	5,026	2,243

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related parties, and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the value of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

42. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair values of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including forward currency contracts and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 December 2015

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB'000	RMB'000	RMB'000	
Derivative financial instruments	–	5,026	–	5,026

As at 31 December 2014

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB'000	RMB'000	RMB'000	
Derivative financial instruments	–	2,243	–	2,243

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 31 December 2015 (2014: Nil).

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and structured bank deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The effective interest rates and terms of repayment of the interest-bearing bank loans of the Group are set out in note 31 above.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings) and the Group's equity during the year.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
31 December 2015			
RMB	100	(104)	–
RMB	(100)	104	–

* Excluding retained profits

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**Foreign currency risk**

All of the Group's turnover and substantially all of the Group's cost of sales and operating expenses are denominated in RMB. Accordingly, the transactional currency exposures of the Group are not significant. However, the Group's financial assets and liabilities including certain cash and cash equivalents denominated in Hong Kong dollars ("HK\$") and United States dollars ("US\$") are subject to foreign currency risk. Therefore, the fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

There are limited hedging instruments available in the PRC to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risks. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Group may not be able to hedge the Group's exposure successfully, or at all.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK\$ against RMB exchange rate, with all other variables held constant, of the Group's equity (due to changes in the fair value of monetary assets and liabilities):

	Increase/ (decrease) in HK\$ exchange rate %	Increase/ (decrease) in equity* RMB'000
31 December 2015		
If RMB weakens against HK\$	5	(1,778)
If RMB strengthens against HK\$	(5)	1,778
31 December 2014		
If RMB weakens against HK\$	5	5,577
If RMB strengthens against HK\$	(5)	(5,577)

* Excluding retained profits

Credit risk

There are no significant concentrations of credit risk within the Group as the Group's trade and bills receivables are widely dispersed among different customers. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables and other receivables are disclosed in notes 26 and 27.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents and structured bank deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)***Liquidity risk**

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The Group's policy is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2015		
	On demand RMB'000	Less than 1 year RMB'000	Total RMB'000
Trade and bills payables	–	105,700	105,700
Other payables	–	29,679	29,679
Interest-bearing bank borrowings	–	360,245	360,245
	–	495,624	495,624
	31 December 2014		
	On demand RMB'000	Less than 1 year RMB'000	Total RMB'000
Trade and bills payables	–	53,986	53,986
Other payables	–	32,396	32,396
Interest-bearing bank borrowings	–	646,827	646,827
	–	733,209	733,209

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)***Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes trade and bills payables, other payables and interest-bearing bank borrowings less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2015	2014
	RMB'000	RMB'000
Trade and bills payables	105,700	53,986
Other payables	29,679	32,396
Interest-bearing bank borrowings	360,245	646,827
Less: Cash and cash equivalents	(165,086)	(190,154)
Net debt	330,538	543,055
Capital - equity attributable to owners of the parent	1,620,966	1,633,176
Capital and net debt	1,951,504	2,176,231
Gearing ratio	16.9%	25.0%

44. EVENTS AFTER THE REPORTING PERIOD

There have been no events subsequent to year end which require adjustment of or disclosure in the financial statements or notes thereto.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015	2014
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property	31,136	30,086
Other intangible assets	51,349	48,351
Investments in subsidiaries	3,700,109	3,700,109
Investments in joint ventures	128,797	115,150
Total non-current assets	3,911,391	3,893,696
CURRENT ASSETS		
Prepayments and other receivables	13,185	541
Amounts due from related parties	–	633
Amounts due from subsidiaries	20,464	15,110
Cash and cash equivalents	29,902	37,826
Total current assets	63,551	54,110
CURRENT LIABILITIES		
Interest-bearing bank borrowings	360,245	526,019
Amounts due to subsidiaries	309,954	144,484
Other payables and accruals	612	2,802
Total current liabilities	670,811	673,305
NET CURRENT LIABILITIES	(607,260)	(619,195)
Net assets	3,304,131	3,274,501
EQUITY		
Issued capital	280,661	280,661
Shares held for share award scheme	(7,409)	(3,669)
Reserves (note)	3,030,879	2,895,705
Proposed final and special final dividends	–	101,804
Total equity	3,304,131	3,274,501

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Share award scheme RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
As at 1 January 2014	-	543	3,404,746	50,392	-	(215,800)	72,348	3,312,229
Total comprehensive loss for the year	-	-	-	392	-	343,247	(1,411)	342,228
Equity-settled share option arrangements	-	-	-	9,318	-	-	-	9,318
Transfer of share option reserve upon the forfeiture of share options	-	-	-	(9,579)	-	-	-	(9,579)
Share Award Scheme	-	-	-	-	(3,669)	-	-	(3,669)
Proposed final and special 2015 dividends	-	-	(101,804)	-	-	-	-	(101,804)
Final and special final 2014 and special 2015 dividends declared	-	-	(656,687)	-	-	-	-	(656,687)
As at 31 December 2014 and 1 January 2015	-	543	2,646,255	50,523	(3,669)	127,447	70,937	2,892,036
Total comprehensive loss for the year	-	-	-	5	-	62,955	170,845	233,805
Equity-settled share option arrangements	-	-	-	3,173	-	-	-	3,173
Share Award Scheme	-	-	-	-	(3,740)	-	-	(3,740)
Proposed final and special 2015 dividends	-	-	-	-	-	-	-	-
Final and special final 2014 and special 2015 dividends declared	-	-	-	-	-	-	(101,804)	(101,804)
As at 31 December 2015	-	543	2,646,255	53,701	(7,409)	190,402	139,978	3,023,470

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Reorganisation detailed in the prospectus of the Company dated 29 November 2011, over the nominal value of the Company's shares issued in exchange therefor.

Pursuant to the Companies Law (2001 Second Revision) of the Cayman Islands, the share premium account and the contributed surplus are distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 5 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

46. APPROVAL OF THE FINANCIAL STATEMENTS

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

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interest of the Group for the last four financial years, as extracted from the published audited financial statements, is set out below:

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Results					
REVENUE	1,012,764	1,094,327	1,247,158	1,407,777	1,248,026
Cost of sales	(347,307)	(328,789)	(320,587)	(353,325)	(298,124)
Gross profit	665,457	765,538	926,571	1,054,452	949,902
Other income and gains	30,041	30,424	50,180	45,509	26,122
Selling and distribution costs	(497,309)	(454,304)	(441,592)	(443,595)	(385,087)
Administrative expenses	(61,486)	(53,410)	(63,036)	(75,426)	(33,581)
Other expenses	(9,063)	(12,726)	–	(1,424)	(17,802)
Finance income	44,619	55,137	48,732	45,445	16,262
Finance costs	(12,003)	(7,512)	–	–	–
Share of loss of:					
Joint Venture	(4,112)	(3,590)	(225)	–	–
PROFIT BEFORE TAX	156,144	319,557	520,630	624,961	555,816
Income tax expense	(53,434)	(116,646)	(136,739)	(164,706)	(144,590)
PROFIT FOR THE YEAR	102,710	202,911	383,891	460,255	411,226
Attributable to:					
Owners of the parent	104,837	203,607	383,951	460,246	408,226
Non-controlling interests	(2,127)	(696)	(60)	9	3,000
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Assets, Liabilities and Non-controlling interests					
TOTAL ASSETS	2,352,610	2,643,258	2,420,263	2,342,082	2,074,322
TOTAL LIABILITIES	729,819	1,006,206	333,193	370,603	413,712
Non-controlling interests	1,825	3,876	2,388	2,476	4,552