ANNUAL REPORT 2016

Koradior Holdings Limited
珂萊蒂爾控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3709)

CONTENTS

CORPORATE PROFILE

ABOUT KORADIOR

We are one of the leading and fast growing high-end ladies-wear companies in the People's Republic of China (the "PRC"). We engage in the design, promotion, marketing and sales of our self-owned branded products, Koradior, La Koradior and Koradior elsewhere that target affluent ladies between the ages of 30 and 45.

Our business was established in 2007 by Mr. Jin Ming, our chief executive officer, chairman and executive director. Our "Koradior" brand, which targets the high-end stylish and smart-casual ladies-wear market, is positioned to offer our customers feminine, stylish, chic and young-looking designs for all seasons. In response to our customers' demand for high-end formal ladies-wear, we launched the "La Koradior" brand in September 2012 which is positioned to offer luxurious and elegant designs for all seasons and has a brand theme of "glamorous, distinctive and vibrant". Our "Koradior elsewhere" brand, which is positioned to offer simple yet feminine, stylish and modern relaxed designs, was launched by us in September 2014. We acquired 65% of Shenzhen Mondial Industrial Ltd in 24 June 2016 Ltd, its "CADIDL" brand, which is positioned to offer our customers pursuit of artistic designs. We entered into a strategic cooperation agreement with Qingdao Kute Smart Co. Ltd（青島酷特智能股份有限公司）in July 2016 to jointly develop the personal tailor made fashion brand "DE KORA" which has created new benchmarks for customized clothing in the field of fashion brand. Our products include dresses, skirts, trousers, shirts, knitwear, vests, jackets, overcoats, scarves and accessories.

Our products are sold across a nationwide sales network, majority of which consist of self-operated retail stores, covering 29 provinces, autonomous regions and municipalities in the PRC. As at 31 December 2016, there were 592 retail stores of which 506 were operated by us and 86 were operated by our distributors.

We have started to sell our products through the third party e-commerce platform Tmall since 2011 under which we operate a flagship store and now we are also an authorized merchant on other third party e-commerce platforms including Dangdang.com and VIP.com.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. JIN Ming *(Chairman and Chief Executive Officer)*
Ms. HE Hongmei
Mr. DENG Shigang

NON-EXECUTIVE DIRECTOR

Mr. YANG Weiqiang (appointed on 1 March 2016)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WONG Wai Kong
Mr. ZHOU Xiaoyu (appointed on 30 June 2016)
Mr. ZHONG Ming

REGISTERED OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

7/F, B Block, Hongsong Building
Terra 9th Road
Futian District
Shenzhen, Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit C, 17/F, OfficePlus@Mong Kok
No.998 Canton Road
Kowloon
Hong Kong

JOINT COMPANY SECRETARIES

Ms. WU Huiming
Mr. LEUNG Ka Wai

AUTHORISED REPRESENTATIVES

Mr. DENG Shigang
Mr. LEUNG Ka Wai

AUDIT COMMITTEE

Dr. WONG Wai Kong *(Chairman)*
Mr. ZHOU Xiaoyu
Mr. ZHONG Ming

AUDITOR

KPMG

REMUNERATION COMMITTEE

Mr. ZHOU Xiaoyu *(Chairman)*
Dr. WONG Wai Kong
Mr. DENG Shigang

NOMINATION COMMITTEE

Mr. JIN Ming *(Chairman)*
Mr. ZHOU Xiaoyu
Dr. WONG Wai Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Pingan Bank

Shenzhen branch, Jinsha sub-branch

China Merchants Bank

Shenzhen branch, Tairan Jingu sub-branch

COMPANY WEBSITE

www.koradior.com

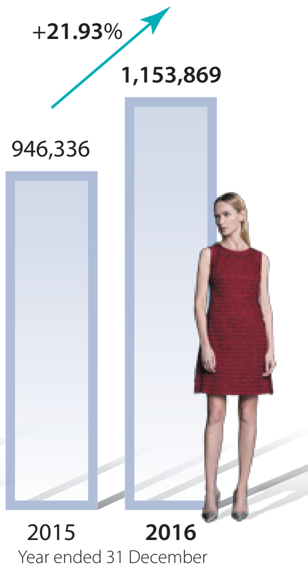
STOCK CODE

3709

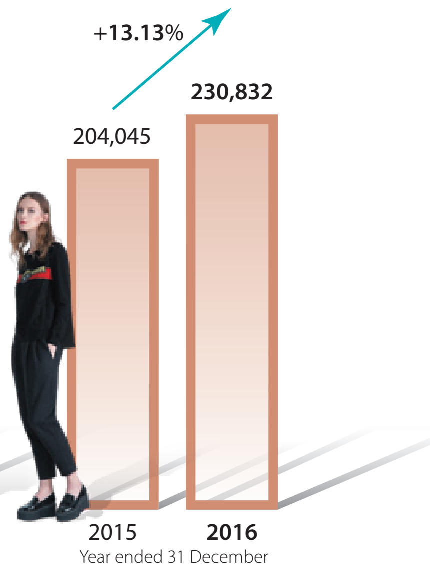
FINANCIAL HIGHLIGHTS

REVENUE
RMB'000

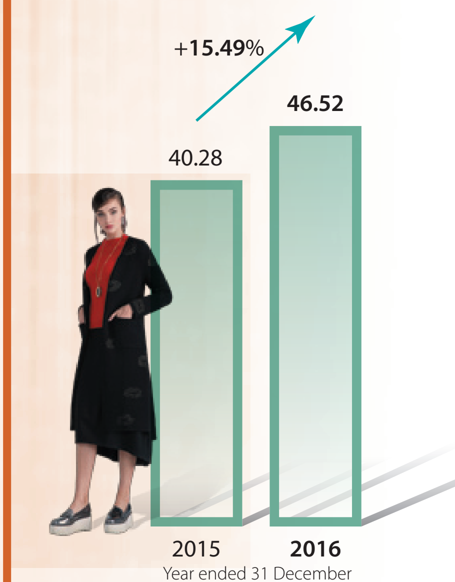
GROSS PROFIT
RMB'000



NET PROFIT
RMB'000

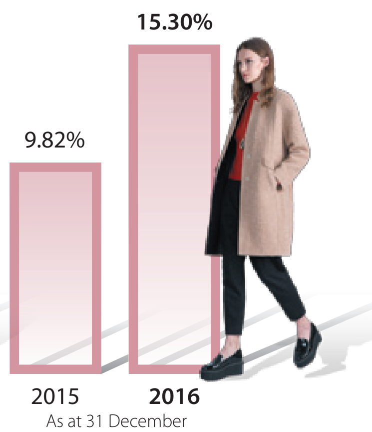


EARNINGS PER SHARE – BASIC
RMB Cents



NET ASSETS
RMB'000

GEARING RATIO



	Year ended 31 December		
	2016	2015	Increase
	RMB'000	RMB'000	%
Revenue	**1,599,486**	1,284,772	24.50%
Gross profit	**1,153,869**	946,336	21.93%
Operating profit	**297,005**	268,218	10.73%
Net Profit	**230,832**	204,045	13.13%
Net cash flows from operating activities	**185,180**	180,522	2.58%
Earnings per share[1]			
– Basic (RMB cents)	**46.52**	40.28	15.49%
– Diluted (RMB cents)	**46.06**	39.85	15.58%
	(%)	(%)	(% points)
Profitability Ratio			
Gross margin	**72.14%**	73.66%	(1.52)
Operating margin	**18.57%**	20.88%	(2.31)
Net margin	**14.43%**	15.88%	(1.45)

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Liquidity Ratio		
Current ratio[2] (times)	**2.75**	3.44
Trade and bills receivables turnover days[3]	**43.87**	47.04
Trade and bills payables turnover days[4]	**42.81**	68.65
Inventory turnover days[5]	**244.95**	248.78
Capital Ratio		
Gearing Ratio[6]	**15.30%**	9.82%
Interest coverage ratio[7] (times)	**89.92**	230.23

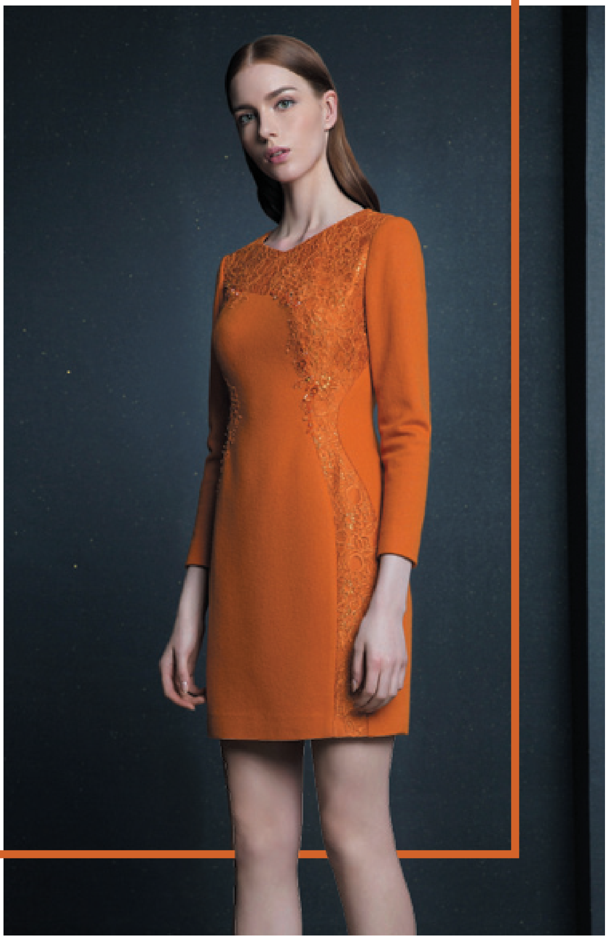
Key ratios:

1. Basic earnings per share = Profit attributable to owners of the Company/Weighted average number of ordinary shares (the weighted average number of shares in 2016 was 502,306,644 versus 506,620,526 in 2015)
2. Current ratio = Current assets/Current liabilities
3. Trade and bills receivables turnover days = Average of opening and closing balances on trade and bills receivables/Revenue x 365 days
4. Trade and bills payables turnover days = Average of opening and closing balances on trade and bills payables/Cost of sales x 365 days
5. Inventory turnover days = Average of opening and closing balances on inventory/Cost of sales x 365 days
6. Gearing ratio = Total bank borrowings/Total equity x 100%
7. Interest coverage ratio = Profit before interest and tax/Interest expenses

FINANCIAL SUMMARY

(Financial figures are expressed in RMB'000)

	Year ended/as at 31 December				
	2016	2015	2014	2013	2012
Operating results					
Revenue	**1,599,486**	1,284,772	1,036,608	701,880	484,939
Profit from operations	**297,005**	268,218	181,424	110,848	39,226
Profit attributable to shareholders	**233,692**	204,045	128,450	80,112	27,812
Assets and liabilities					
Non-current assets	**264,752**	133,667	50,377	43,939	34,106
Current assets	**1,072,766**	956,544	839,985	323,993	175,087
Current liabilities	**390,399**	277,782	208,048	209,929	165,900
Net current assets	**682,367**	678,762	631,937	114,064	9,187
Total assets less current liabilities	**947,119**	812,429	682,314	158,003	43,293
Non-current liabilities	**13,807**	–	–	–	–
Shareholders' Equity	**933,312**	812,429	682,314	158,003	43,293



CHAIRMAN'S STATEMENT

2016 is a year full of volatility and uncertainty, with major changes such as the United Kingdom leaving the European Union and the election of the new president of the United States of America, the global economy became more and more unpredictable. As for China, as the potential of the "quantity-priority economy economy" driven by demographic dividend and low-end manufacturing gradually disappear, the society starts to develop towards the "quality-priority economy economy" driven by new forces such as industry upgrading and technological innovation. The retailing industry presents a weak recovery in the second half of the year. The growth of e-commerce slows down after rapid and extensive development. More and more brand owners began to try the new retailing mode integrating offline and online commerce with advanced technology and the development of industry is facing new uncertainties.

During the last the Five-Year Plan, the Group captured the opportunity in the rapid development of the middle and high-end women's apparel industry, adopted the "large input and large output" development strategy, completed the national network layout and ranked fifth in the industry. 2016 is the opening year of the new Five-Year Plan of the Group, under the management principle that focuses on quality growth and management efficiency, the Group achieved favorable results once more depending on the endeavors of all staff, with a revenue of more than 1,599 million, representing an increase of 24.50% compared with 2015, and a net profit of 231 million, representing an increase of 13.13% compared with 2015. The main brand "Koradior" and the new brand "Koradior elsewhere" continued to grow steadily, and the high-end brand "La Koradior" achieved great progress in the year after eight years' development. The newly-acquired brand "CADIDL" achieved a smooth integrated transition in the second half of the year, performing as expected. But the cooperation between the customized brand "DE KORA" and the smart supply chain faced a long adaption period, the progress of which was slower than expected. The Group believed that a steady proposed approach could provide better shopping experiences for customers, which would be beneficial for the long term development of customized business.

As a fashion enterprise with a history of only 10 years, the Group attaches great importance to its brand promotion. After "La Koradior" became the first fashion brand from the PRC officially invited by the Milan Fashion Week in September 2015, the Group's brand "Koradior" made its debut in the Milan Fashion Week as well, demonstrating the beauty of Chinese women wear. The Group also paid close attention to the development of new media, for the first time, it collaborated with an online celebrity "MOLLY" to conduct street snap in the Milan Fashion Week. On the fifth anniversary of its Tmall flagship store, the Group launched a limited edition parent-child T-shirt line with the theme "Love and Reunion" in the PRC market together with a famous illustrator from the UK, Ashley Percival, who is known for her therapeutic art style. The Group upholds such an idea that stores represent frontline show windows to our customers, thus it upgrades its store images on regular basis. In particular, the Group fully promoted its fifth generation store image in 2016 and received favorable comments from customers. With the increase of its investments and its diversified promotion, the awareness and influence of the Group's brands have been enhanced significantly.

The Group commits to explore the unique beauty of every lady. In respect of fashion wear, the Group provides high quality, good taste and high concept products and professional services for ladies to demonstrate their stylish, elegant and glamorous lives. The Group will stick to the in-depth development in the mid- and high-end women's wear sector. According to its strategy for next 5 years' development, it will adhere to the strategy of diversified brands; establish an operation policy of self-operated physical stores as the main focus while supported by e-commerce and franchise; continuously enhance its brand recognition; improve the operational efficiency from design to sales; and closely monitor and conduct research on the mobile services of online sales, in order to assume a leading position in the industry by positively responding to changes and capturing market opportunities based on the established advantages. In 2017, the Group and its entire staff will strengthen and expand the business in line with the idea of driving by innovation, stimulating by mechanism, mutual communication and connection, diversified brands, all-round forms and everyone being an operator.

Finally, I would like to take this opportunity, on behalf of the Board to offer my heartfelt thanks to all the shareholders, customers, business partners and our staff for their continuous support and trust to the Group.

By order of the Board
Jin Ming
Chairman and CEO

Hong Kong, 27 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEWS

Affected by various factors including the devaluation of RMB as well as the increase in the cost of online purchasing tax, sales of the world's luxury groups rebounded in China in the second half of the year and high-end consumption showed the trend of structural increase. In 2016, the total retail sales of social consumer goods exceeded RMB33 trillion, representing an increase of 10.9% year on year, of which the retail sales of online goods amounted to RMB4.2 trillion, representing an increase of 25.6% year on year, accounting for 12.6% of the total retail sales of social consumer goods, with 1.8 percentage points of growth as compared to last year. After the extensive growth of the e-commerce industry, the decrease of flow dividends led to a significant slowdown in the growth of the industry. In 2016, the industry of mid- and high-end women's wears maintained the momentum of development, but the differentiation between brands was more obvious. Brands with conservative and traditional styles were facing greater pressure; while personalized fashion and designer brands were well-recognized, especially certain of mid- and high-end women's wears brands targeting 28 to 35-year-old young consumers grew significantly.

As the generation after 80s and 90s become more and more mature with age, their seek consumption in pursuit of freshness gradually fade away and turn to the rational consumption in pursuit of high quality and cost-effective performance. The consumers of the generation after 80s and 90s who have strong self-awareness are willing to pay for themselves. They are inclined to purchase the best things for themselves within their affordability and tend to buy upgraded consumer goods with good design. excellent function and high cost in one step, The development of the Internet makes the information more and more transparent. After the industry talents share their trial experience, consumers can accurately evaluate the value of goods of the brands, thus encouraging the generation after 80s and 90s to buy upgraded consumer goods. Once the habit of upgrading consumption forms, it is difficult to reverse it, which means that it is difficult for the generation after 80s and 90s to degrade their consumption but only to reduce their shopping lists despite of the pressure from the mortgage and raising children. In addition, the generation after 80s and 90s's consumptions are increasingly subdivided in terms of clothing affected by circle culture, they pursue practical clothes which match with their own temperament and highlight their beauties and personalities.

INDUSTRY REVIEWS *(Continued)*

Given the uncertainty of the environment and the new features of the consumers of the generation after 80s and 90s, companies in the industry vary in their development strategies significantly. Companies having landing in the capital market focus on developing more brands or diversified paths by leveraging the strength of the capital market; companies which have not yet open up the capital market still focusing on the scale expansion, with a small number of companies adjusting their brand styles to focus on the market dislocation competition in the niche market. For channels, online and offline integration has accelerated with new retail models, such as micro-mall, lifestyle shops and buyers shops, springing up. Overall, companies with strong strength continue to invest more resources into expanding the number of brands and try to innovate, so as to keep their market shares increasing steadily; companies with personalized trendy brands focus on niche market, growing rapidly; middle-tier companies are facing more challenges as they are under pressure from both sides. With the continuation of the differentiation of the industry and the enhanced concentration, the stronger becomes stronger and the industry leader will soon be revealed!

FINANCIAL REVIEWS

Revenue

The principal activities of the Group are design, promotion, marketing and sales of self-owned branded ladies' wear products in the PRC. The Group's revenue is generated primarily from (a) retail sales to end customers in our self-operated retail stores; (b) sales on third party e-commerce platforms; (c) wholesales to our distributors, who in turn sell our products to end customers through the retail stores operated by them; and (d) other sale which were mainly derived from staff sales or direct sales through promotional activities outside our retail stores. Revenue represents the sales value of goods sold, excluding VAT and other sales taxes, less sales returns and trading discounts. Total revenue increased from RMB1,284.77 million for the year ended 31 December 2015 to RMB1,599.49 million for the year ended 31 December 2016, representing an increase of 24.5% or RMB314.72 million. Sales generated by our self-operated retail stores accounted for about 85.71% and 85.02% of our total revenue in 2016 and 2015 respectively, as it is our strategy to grow our business and sales network predominantly through expanding the number of our self-operated retail stores.

Total revenue from e-commerce increased by 9.43% from RMB102.13 million for the year ended 31 December 2015 to RMB111.76 million for the year ended 31 December 2016, primarily due to an increase in sales of our products through online retail stores, which was driven by an increase in expenditure on advertising and promotion through e-commerce platforms and search engines in the PRC as well as, our effort in developing our online retail stores through expanding our e-commerce team and establishing a business division dedicated to the e-commerce business.

FINANCIAL REVIEWS *(Continued)*

Revenue *(Continued)*

Total revenue from distributors increased 38.86% from RMB82.31 million for the year ended 31 December 2015 to RMB114.30 million for the year ended 31 December 2016.

Cost of sales

Cost of sales increased from RMB338.44 million during the year ended 31 December 2015 to RMB445.62 million for the year ended 31 December 2016, representing an increase of 31.67% or RMB107.18 million, mainly due to the increase in the cost of inventories sold as a result of the growth of our sales.

Gross profit and gross margin

Gross profit increased from RMB946.34 million for the year ended 31 December 2015 to RMB1,153.87 million for the year ended 31 December 2016, representing an increase of 21.93% or RMB207.53 million. Our overall gross profit margin slightly decreased from 73.66% for 2015 to 72.14% for 2016.

Operating expenses

Operating expenses increased from RMB692.44 million for the year ended 31 December 2015 to RMB873.86 million for the year ended 31 December 2016, representing an increase of 26.20% or RMB181.42 million. Operating expenses include selling and distribution expenses, administrative expenses and other operating expenses, and details are listed below:

FINANCIAL REVIEWS *(Continued)*

Selling and distribution expenses

Selling and distribution expenses increased by 25.53% from RMB628.63 million for the year ended 31 December 2015 to RMB789.09 million for the year ended 31 December 2016, primarily due to (a) the increase in store concession fees as a result of the increase in sales; (b) the increase in salaries and staff benefits for sales and marketing staff due to the expansion of retail stores and improvement in remuneration; (c) the increase in advertising and brand building and promotion expenses, which are in line with the expansion of our sales network as well as business growth; and (d) the increase in rental expenses due to increase in stores.

Administrative and other operating expenses

Administrative and other operating expenses increased by 32.85% from RMB63.81 million for the year ended 31 December 2015 to RMB84.77 million for the year ended 31 December 2016 primarily due to (a) the increase in salaries and benefits for our administrative staff as we expanded our business and increased the head-count of our administrative staff; and (b) the increase in research and development costs with new brands.

Finance costs

Finance costs increased by 182.05% from RMB1.17 million for the year ended 31 December 2015 to RMB3.30 million for the year ended 31 December 2016, mainly due to the increase in the bank borrowings made by the Group in Hong Kong and the PRC.

Income tax expenses

Income tax expenses decreased by 0.22% from RMB63.01 million for the year ended 31 December 2015 to RMB62.87 million for the year ended 31 December 2016, mainly due to over-provision in the prior years for PRC Corporate Income Tax.

Net profit and profit margin

As a result of the foregoing factors, the net profit of the Company attributable to shareholders was RMB233.69 million for the year ended 31 December 2016 as compared to RMB204.05 million for the year ended 31 December 2015, representing an increase of 14.53% or RMB29.64 million. Net profit margins were 15.88% and 14.43% for the years ended 31 December of 2015 and 2016 respectively.

Capital structure

The Group requires working capital to support its design and development, retail and other business operations. As at 31 December of 2016, the Group's total current assets were RMB1,072.77 million (31 December 2015: RMB956.54 million) and total current liabilities were RMB390.40 million (31 December 2015: RMB277.78 million). The current ratio was 2.75 (31 December 2015: 3.44). The Directors believe that this healthy capital structure and the net cash inflow from operating activities are sufficient to support the operating activities of the Group.

As at 31 December 2016, the Group's interest bearing loans are bank loans denominated in Hong Kong dollars and Renminbi which included HK$130 million (equivalent to RMB116.29 million) term loans at variable interest rate which will expire within two years, RMB20 million bank loans at variable interest rate which will expire within a year, and another RMB6.48 million bank loans at fixed interest rate which will expire within a year. All loans are guaranteed by the Company.

Financial position, liquidity and gearing ratio

As at 31 December 2016, the Group's cash and cash equivalents were RMB470.89 million (31 December 2015: RMB436.80 million), denominated as to 93.41% in RMB, 0.16% in United States dollar and 6.43% in Hong Kong dollar. The net cash inflow from operating activities generated was RMB185.18 million for the year ended 31 December 2016, up 2.58% from RMB180.52 million for the year ended 31 December 2015.

As at 31 December 2016, the gearing ratio (i.e. outstanding bank loans divided by total equity) was 15.30% (31 December 2015: 9.82%).

FINANCIAL REVIEWS *(Continued)*

Exposures to fluctuation in foreign exchange

The Group is exposed to currency risk attributable to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of relevant subsidiaries. The management actively monitors foreign exchange rate fluctuations to ensure that its net exposure is kept to an acceptable level. The Group mainly operates its business in the PRC with most of the transactions settled by RMB. Hence, the Board considers that the risk exposure to foreign exchange rate fluctuation is not significant and no financial instrument of hedging was employed to hedge against the currency risks.

Charges of assets

As at 31 December 2016, the Group had no banking facilities secured by pledged bank deposits (31 December 2015: HK$50,000,000).

Contingent liabilities

As at 31 December 2016, the Group had no significant contingent liabilities (31 December 2015: Nil).

Material acquisition

On 24 June 2016, the Group, through its wholly-owned subsidiary, La Kora International Limited, entered into an agreement with Li Wenjie, Yang Renjie, Hangzhou Zhisu Shares Investment Limited Partnership（杭州至素股權投資合夥企業）and Shenzhen Lappland Asset Management Co., Ltd.（深圳市拉普蘭資產管理有限公司）to acquire 65% of the equity interests of Shenzhen Mondial Industrial Co., Limited ("Mondial") for a cash consideration of RMB76,700,000. Mondial was established in Shenzhen, the PRC in 2000 and is principally engaged in the design, manufacturing and sale of high-end ladies wear in the PRC and has a self-owned brand "CADIDL" which targets affluent ladies between the ages of 30 and 40. The completion of the acquisition took place on 13 July 2016.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries and associated companies by the Group during the year ended 31 December 2016.

Significant Investments

On 15 December 2015, the Group entered into a partnership agreement with Shenzhen Dongfang Ruizhe Assets Management Co., Ltd.（深圳東方瑞哲資產管理有限責任公司）, Shenzhen HT Intelligent Control Co., Ltd.（深圳和而泰智能控制股份有限公司）and Hangzhou Xinkun Equity Investment Partnership（杭州心坤股權投資合夥企業）, to jointly establish Shenzhen Qianhai Ruilin Investment Management Co., L.P.（深圳前海瑞霖投資管理企業（有限合夥））("Qianhai Ruilin") with a total investment amount of RMB110 million. As at 31 December 2016, the Group invested RMB30 million in Qianhai Ruilin (2015: RMB20 million). The establishment of Qianhai Ruilin was solely for investing in Qingdao Kute Smart Co., Ltd（青島酷特智能股份有限公司）.

Use of proceeds

With the successful listing of the Company's shares on the Main Board of the Stock Exchange on 27 June 2014, net proceeds of HK$534.74 million have been raised, of which HK$522.19 million had been utilised as at 31 December 2016 as follows:

Items	**Amount** (HK$ million)
Establish new self-operated retail stores	267.37
Develop new brands of our Group	106.95
Further development of e-commerce business	53.47
Koradior brand promotion and marketing	53.47
Working capital and general corporate purposes	26.74
Upgrading ERP system	14.19
Total	522.19

BUSINESS REVIEWS

1. Business

The Group operates three major brands of high-end women's wear: (i) Koradior brand launched in April 2007, which focuses on affluent ladies between the ages of 30 and 45, designed to be feminine, stylish, chic and young-looking for those women chasing casual elegance, and is committed to providing quality lifestyle; (ii) La Koradior launched in September 2012, branded luxury atmosphere and distinctive style, advocating the luxury and elegance of life and meeting the formal female social occasion dress needs; and (iii) Koradior elsewhere, a new brand launched by the Group in September 2014, which is positioned to offer a simple yet feminine, stylish, modern relaxed, leisurely elegance from the heart, demonstrating that life is elsewhere. The three major brands meet various dressing needs of our customers. On 13 July 2016, the Group completed its acquisition of 65% equity interest of Mondial. Mondial was established in Shenzhen, PRC in 2000 and is principally engaged in the design, manufacturing and sale of high-end ladies wear in the PRC and has a majority-owned brand "CADIDL" which targets affluent ladies between the ages of 30 and 40. The Group established personal tailor made fashion brand "DE KORA" in July 2016 which has created new benchmarks for customized clothing in the field of fashion brand. As at 31 December 2016, there were 592 retail stores, including 79 retail stores under the brand "CADIDL" resulted from Mondial acquisition, covering 29 cities of provinces, autonomous regions and municipalities, of which 506 were operated by us and 86 were operated by our distributors under our own four brands. Out of the 506 self-operated retail stores, there were 363 retail stores in department stores, 69 retail stores in shopping malls, 52 retail stores in outlets and 22 retail stores on street levels. For the year ended 31 December 2016, the Group's revenue increased to RMB1,599.49 million, representing an increase of 24.5% as compared to in 2015. Revenue generated by our self-operated retail stores accounted for 85.71% of total revenue and e-commerce revenue was RMB111.76 million, representing 6.99% of total revenue, primarily generated through third party e-commerce platforms such as Tmall, VIP.com and Dangdang. In 2016, Koradior was awarded "Top 10 Riser" in the first Shenzhen 100-China Corporate Globalization Innovation Forum, and our brand Koradior was awarded by China National Commercial Information Centre the "Top 5 Brands in Overall Market Share Among Similar Products 2015".

Revenue analysis by brands

Brand	2015		**2016**		**Increase**	**Increase**
	RMB'000	%	**RMB'000**	**%**	RMB'000	**by %**
Koradior	1,118,715	87.07%	**1,234,360**	**77.18%**	115,645	10.34%
La Koradior	87,730	6.83%	**112,645**	**7.04%**	24,915	28.40%
Koradior elsewhere	78,327	6.10%	**181,575**	**11.35%**	103,248	131.82%
CADIDL (note1)	–	–	**70,906**	**4.43%**	70,906	100%
Total	1,284,772	100%	**1,599,486**	**100%**	314,714	24.50%

Note1: The Group acquired 65% equity interest of Shenzhen Mondial Industrial Co., Limited which has self-owned brand "CADIDL" on 13 July 2016.

Revenue analysis by sales channels

Sales channel	2015		**2016**		**Increase**	**Increase**
	RMB'000	%	**RMB'000**	**%**	RMB'000	**by %**
Self-operated retail stores	1,092,328	85.02%	**1,370,890**	**85.71%**	278,562	25.50%
Wholesales to distributors	82,312	6.41%	**114,302**	**7.15%**	31,990	38.86%
E-commerce	102,125	7.95%	**111,760**	**6.99%**	9,635	9.43%
Others	8,007	0.62%	**2,534**	**0.15%**	–5,473	–68.35%
Total	1,284,772	100%	**1,599,486**	**100.00%**	314,714	24.50%

BUSINESS REVIEWS *(Continued)*

1. Business *(Continued)*

The Group has always placed a strong focus on establishing self-operated retail stores. For the year ended 31 December 2016, 506 self-operated retail stores generated revenue of RMB1,370.89 million in aggregate, representing an increase of 25.5% as compared to 2015. Direct revenue comes mainly from the existing stores sales growth and new opened store sales.

The Group's brand is further expanded after the large-scale development, with more dealers seeking collaboration with the Group. There were 14 new retail stores operated by distributors under three brands (Koradior, La Koradior and Koradior elsewhere) in 2016. As at 31 December 2016, there were 86 retail stores operated by distributors and the revenue of retail stores operated by distributors reached RMB114.30 million, representing an increase of 38.86% as compared to 2015.

The Group makes use of third party e-commerce platforms as one of its sales channels. E-commerce revenues for the year of 2016 amounted to RMB111.76 million, of which RMB92.28 million or 82.57% of total e-commerce revenue was from Tmall, RMB19.45 million or 17.40% of total e-commerce revenue was from VIP.com. E-commerce revenues for the year of 2015 amounted to RMB102.13 million, of which RMB69.19 million or 67.75% of total e-commerce revenue was from Tmall, RMB32.04 million or 31.37% of total e-commerce revenue was from VIP.com and RMB0.88 million or 0.86% of total e-commerce revenue was from Dangdang.com.

Revenue of retail stores analysis by geographical regions
(Excluding e-commerce and others)

The following table sets out the breakdown of our revenue generated from our self-operated retail stores and wholesales to distributors by geographical regions for the years ended 31 December 2015 and 2016, respectively:

	Year ended 31 December			
	2015		**2016**	
Region	(RMB million)	%	**(RMB million)**	**%**
Central PRC[1]	130.64	11.12	**163.40**	**11.00**
Eastern PRC[2]	385.14	32.79	**495.35**	**33.35**
North Eastern PRC[3]	65.64	5.59	**77.00**	**5.19**
North Western PRC[4]	83.52	7.11	**116.74**	**7.86**
Northern PRC[5]	137.28	11.68	**157.91**	**10.63**
South Western PRC[6]	246.17	20.96	**319.17**	**21.49**
Southern PRC[7]	126.25	10.75	**155.62**	**10.48**
Total	1,174.64	100.00	**1,485.19**	**100.00**

BUSINESS REVIEWS *(Continued)*

1. Business *(Continued)*

Notes:

[1] Central PRC includes Henan, Hubei and Hunan.

[2] Eastern PRC includes Shandong, Jiangsu, Zhejiang, Anhui, Shanghai, Jiangxi and Fujian.

[3] North Eastern PRC includes Jilin, Heilongjiang and Liaoning.

[4] North Western PRC includes Shaanxi, Ningxia, Qinghai, Gansu and Xinjiang.

[5] Northern PRC includes Tianjin, Beijing, Inner Mongolia, Hebei and Shanxi.

[6] South Western PRC includes Guizhou, Chongqing, Yunnan, Tibet and Sichuan.

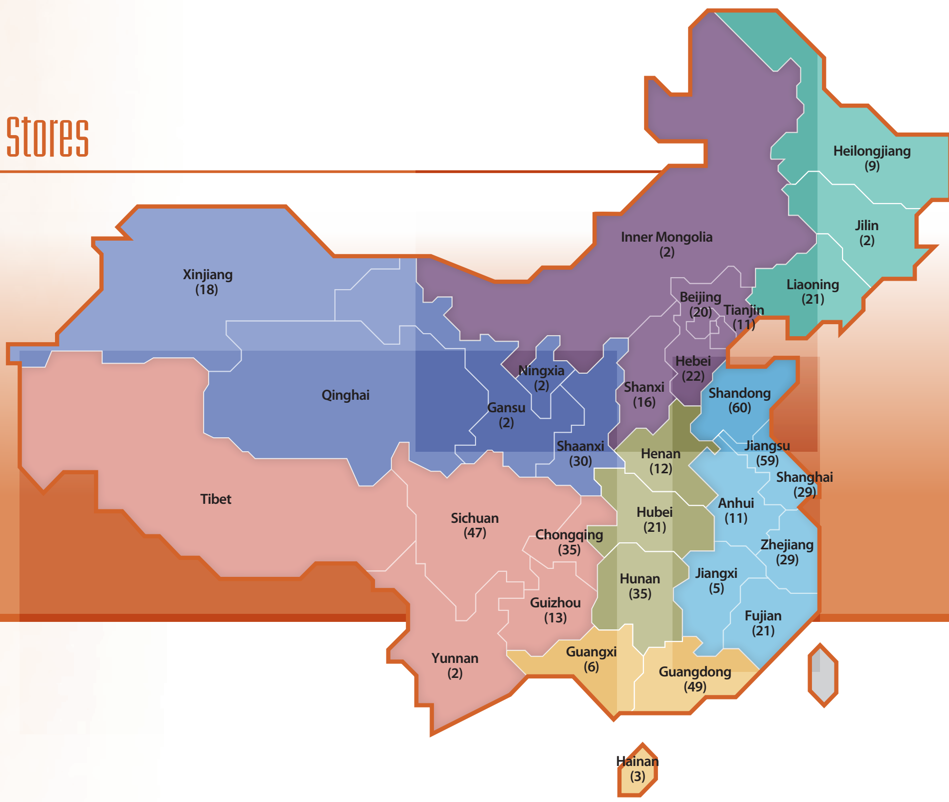
[7] Southern PRC includes Guangxi, Hainan and Guangdong.

During the year ended 31 December 2016, the revenue of retail stores generated from Eastern PRC and South Western PRC contributed to more than half of the total revenue of self-operated retail stores and wholesales to distributors.

Breakdown of retail stores by geographical regions

During 2016, the Group opened 107 new retail stores (of which 93 are self-operated) and closed 52 retail stores (of which 46 are self-operated stores), representing a net increase of 55 retail stores. The following table sets out the number of retail stores in our sales network by geographical regions in the PRC as at 31 December 2016, including both self-operated retail stores and retail stores operated by distributors:

592 Retail Stores



BUSINESS REVIEWS *(Continued)*

1. Business *(Continued)*

Region	As at 1 January 2015	Opened during the year	Closed during the year	As at 31 December 2016	
	Number of retail stores				
	Koradior				CADIDL
Central PRC[1]	45	15	(6)	54	14
Eastern PRC[2]	179	38	(27)	190	25
North Eastern PRC[3]	26	5	(1)	30	–
North Western PRC[4]	26	10	(2)	34	18
Northern PRC[5]	60	9	(7)	62	10
South Western PRC[6]	78	16	(6)	88	10
Southern PRC[7]	44	14	(3)	55	2
Total	458	107	(52)	513	79

Notes:

1 Central PRC includes Henan, Hubei and Hunan.

2 Eastern PRC includes Shandong, Jiangsu, Zhejiang, Anhui, Shanghai, Jiangxi and Fujian.

3 North Eastern PRC includes Jilin, Heilongjiang and Liaoning.

4 North Western PRC includes Shaanxi, Ningxia, Qinghai, Gansu and Xinjiang.

5 Northern PRC includes Tianjin, Beijing, Inner Mongolia, Hebei and Shanxi.

6 South Western PRC includes Guizhou, Chongqing, Yunnan, Tibet and Sichuan.

7 Southern PRC includes Guangxi, Hainan and Guangdong.

2. Design, research and development

The Group launched 162 series of products under four brands in 2016, compared with 127 series of products in 2015. The total number of SKU[1] reached 3,800 in 2016, representing an increase of 31.03% from a total of 2,900, SKU in 2015. Our research and design team members rapidly expanded to 182 as at 31 December 2016 from 129 as at 31 December 2015.

Note 1: Stock keeping unit with products that are exactly the same except to their different colours deemed as different stock keeping units, and products that are exactly the same except for their different size deemed as one stock keeping unit

BUSINESS REVIEWS *(Continued)*

2. Design, research and development *(Continued)*

The Group engages well-known designers from overseas and China as its brand creative directors for "Koradior", "La Koradior", "Koradior elsewhere", "CADIDL" and "DE KORA". Research and development expenses were RMB25.09 million, representing 1.57% of the Group's total revenue for the year ended 31 December 2016, as compared to RMB19.56 million, representing 1.52% of the Group's total revenue for the year ended 31 December 2015. The research and development of products not only earned customer's satisfaction but were also highly recognized by government departments. During the year, the Group released a series of creative design including Koradior "Melody of South China" for Milan Fashion Week and La Koradior 33 series, Koradior elsewhere "Ellworth Kelly" for Shenzhen Fashion 2016, CADIDL "Light of Future" series.

3. Marketing and promotion

Airport advertising is one of the most effective ways to promote brands. The Group has placed advertisements at Shenzhen Bao'an International Airport, Shanghai Pudong International Airport, Shanghai Hongqiao International Airport, Chengdu Shuangliu International Airport and Xian Xianyang International Airport presently. One of our self-owned brands Koradior was a participant at the Milan Fashion Week Spring/Summer in September 2016, and also the sole fashion brand from the PRC officially invited by the Milan Fashion Week in Italy, and Miranda Kerr, an internationally famous top model was the Group's brands spokesperson. The Group increased brand promotions and customer interactions through the public platform Wechat's lucky draw cards, greeting cards, and to increase its brand awareness and influence. The Group also placed brand imaging advertisements in selected top nationwide circulated fashion/lifestyle magazines and publications, such as "VOGUE", "COSMO Bride" etc. The Group became the sole apparel brand placed in Les interprétes "親愛的翻譯官", a TV drama starring Yang Mi, a famous actress in the PRC, which started to be broadcast on the national famous Hunan Satellite TV Channel in June 2016, and ranked first among dramas shown in the same period. The Group invited a famous British Illustrator – Ashley Percival had a cross-border collaboration, launching limited edition parent-child t-shirts with the theme "love". For the year ended 31 December 2016, the brand and marketing promotion expenses (excluded sales promotion expenses) were RMB51.56 million which accounted for 3.22% of the Group's total revenue, representing an increase of RMB8.98 million or 21.09% as compared to RMB42.58 million which accounted for 3.31% of the Group's total revenue for the year ended 31 December 2015 primarily due to the increase in advertisements in airports.

4. Human resources

As at 31 December 2016, we had a total of 3,265 full-time employees in the PRC. The following table sets forth a breakdown of our employees allocation by departments as at 31 December 2015 and 2016:

	2016	2015
	Number of employees	
Management, administration and finance	**101**	64
Product design and research and development	**182**	129
Sales and marketing	**2,770**	2,352
Procurement, logistics and quality control	**97**	74
Production for Mondial	**115**	–
Total	**3,265**	2,619

BUSINESS REVIEWS *(Continued)*

4. Human resources *(Continued)*

The Group has implemented various programs for staff training and development, focusing on the training of sales and marketing skills. We provide competitive salary and welfare package for our staff. For the year ended 31 December 2016, the total salary and welfare expenses were RMB237.75 million, representing 14.86% of the Group's total revenue and an increase of RMB56.56 million or 31.22% as compared to RMB181.19 million or 14.10% of the Group's total revenue for the year ended 31 December 2015.

The Group has a share option scheme in place for selected participants as incentive and reward for their contribution to the Group. A mandatory provident fund scheme and local retirement benefit schemes are also in effect. The Group encourages employees to seek training to strengthen their work skills and for personal development. The Group also provides workshops for staff at different levels to enhance their knowledge of work safety and to build team spirit. Staff are rewarded based on performance of the Group as well as on individual performance and contribution.

5. Prospect

Looking ahead into 2017, the Group will maintain its proactive strategies and tap into the capital advantage to invest more on brand marketing and promotion, product innovation and design as well as sales networks. In addition, the Company will seek acquisition opportunities which can expand the brand mix to satisfy the growing needs and demands of customers in a broader prospective. Meanwhile, the Company will further develop its e-commerce business and design more specific online products, so as to fully leverage the advantage of the platform.

RISK MANAGEMENT

The Group is devoted to establishing risk management systems that we consider to be appropriate to manage risks in business operations, and the Group is dedicated to monitoring these systems for effectiveness and modifying them as necessary as business grows to maintain effectiveness.

ENVIRONMENTAL AND SAFETY MEASURES

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

We do not own or operate any manufacturing facilities. We believe (i) our internal guidelines and policies are adequate to comply with all applicable PRC environmental laws and regulations and (ii) our annual cost of compliance with applicable rules and regulations during the period under review and the cost of compliance going forward is expected to be immaterial. Our business operation only discharges domestic wastewater and generates garbage as we outsource all of our production to our OEM contractors.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. JIN Ming（金明）, aged 46, is the founder and chief executive officer of our Group. He is also the chairman of our Board and was appointed as a Director on 23 March 2012 and re-designated as an executive Director on 5 March 2014. Mr. Jin has over 12 years of experience in the ladies-wear fashion and retail industry and is primarily responsible for our overall corporate strategies, planning and business development. In May 2001, Mr. Jin started working at Shenzhen Yingjia Fashion Co, Ltd ("Yingjia Fashion"), our largest OEM contractors, as a marketing manager, in which he has gained extensive management experience in the ladies fashion and retail industry. He was then responsible for retail channels' development and maintenance. In January 2003, he became the general manager of marketing of Yingjia Fashion and was put in charge of brand promotion, the development and maintenance of sales channel and retail activities. In March 2007, he was appointed as chairman of the board of our Group. Mr. Jin graduated from University of Science and Technology of China（中國科學技術大學）with a Bachelor Degree of Arts in English for Science and Technology*（科技英語）in Anhui Province in July 1992 and completed his Executive Master of Business Administration from China Europe International Business School（中歐國際工商學院）in Shanghai in October 2013. Mr. Jin is also the sole director of Koradior Investments Limited, one of our controlling shareholders.

Ms. HE Hongmei（賀紅梅）, aged 44, was appointed as one of our executive Directors on 5 March 2014. Ms. He is mainly responsible for overseeing the whole business unit, overall business planning and strategy execution. Ms. He joined our Group in March 2007 and has approximately 22 years' experience in the ladies-wear industry, including sales, business operation and procurement. Ms. He studied in Business and Enterprise Management*（商業企業管理）in Huangshi Finance and Trade School*（黃石市財貿學校大冶中等專業學校）in Huangshi, Hubei Province from September 1995 to July 1997. Before she joined Yingjia Fashion in 2001, she worked in Hubei Daye Textile Company*（湖北省大冶市紡織品公司）for nearly 6 years. In May 2001, Ms. He joined the customer service team of Yingjia Fashion and was promoted as the regional head in July 2002. Since March 2007, she started working for Shenzhen Koradior Fashion Ltd ("Shenzhen Koradior") which is an indirect wholly-owned subsidiary of our Company as the director of brand business department and became the general manager of Shenzhen Koradior in January 2009.

Mr. DENG Shigang（鄧仕剛）, aged 44, was appointed as one of our executive Directors on 5 March 2014. Mr. Deng joined our Group in June 2012 as the Chief Financial Officer, responsible for the overall financial management and operation of our Group. Mr. Deng has over 17 years of experience in finance and accounting. From April 1999 to August 2000, he was the financial manager of Guangzhou Panyu MCP Industries Co., Ltd.*（廣州番禺美特包裝有限公司）which is a subsidiary wholly-owned by CPMC Holdings Limited (Stock code: 906), a company listed on the Stock Exchange of Hong Kong. From January 2001 to July 2003, he was the financial manager of Ming Fai Enterprise (Shenzhen) Co., Ltd（明輝實業（深圳）有限公司）, a subsidiary of Ming Fai International Holdings Limited (stock code: 3828), a company listed on the Stock Exchange of Hong Kong. From August 2003 to April 2012, he was employed by a subsidiary of Kam Hing International Holdings Limited (stock code: 2307) in which his last position is Deputy General Manager, a company listed on the Stock Exchange of Hong Kong which is engaged in the production and sale of garment and textile. He received his Bachelor of Economics Degree majoring in Accounting and Auditing and Master of Business Administration from Sun Yat-sen University（中山大學）in Guangzhou, Guangdong Province in June 1995 and June 2001 respectively. He became a qualified member of The Chinese Institute of Certified Public Accountants in January 2001.

NON-EXECUTIVE DIRECTOR

Mr. Yang Weiqiang（楊偉強）, aged 49, is currently the president of Shenzhen Qianhai Fosun Ruizhe Asset Management Limited（深圳前海復星瑞哲資產管理有限公司）("Fosun Ruizhe"). Fosun Ruizhe is an investment management company focusing on financial investment, industry investment and merger integration. Its business covers equity investments in both public and private markets. Fosun Ruizhe has successfully participated in various investment and merger deals of many industry-leading companies, including Grandland Decoration Group（廣田集團）(stock code: 002482), the Company and Red Collar Group（紅領集團）in respect to its intelligent customised manufacturing platform known as "酷特智能". Mr. Yang Weiqiang served as the chief executive officer and managing director of Heaven-Sent Capital Management Group Co., Ltd.（硅谷天堂資產管理集團股份有限公司）from 2008 to 2013. During the period from 1995 to 2007, Mr. Yang worked at TCL Corporation with various senior positions including deputy general manager of TCL sales arm, general manager of TCL computer arm, senior vice president and executive director of TCL Corporation Group. Mr. Yang Weiqiang graduated from Zhengzhou University（鄭州大學）, majoring in computer science and later obtained EMBA degree from Guanghua School of Management (Peking University)（北京大學光華管理學院）as well as EMBA degree from Cheung Kong Graduate School of Business（長江商學院）.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WONG Wai Kong（黃偉桄）, aged 51, was appointed as an independent non-executive Director on 6 June 2014. Dr. Wong obtained a Bachelor Degree of Business Administration from the Hong Kong Baptist University in Hong Kong in November 1990, a Master Degree of Business Administration from the University of Sheffield in the United Kingdom in May 1995, a Master Degree of Science in Business Information Technology from the Middlesex University in the United Kingdom in January 2003 and a Doctor of Philosophy in Business Administration from the Bulacan State University in the Republic of the Philippines in July 2015. Dr. Wong is a certified public accountant (practising) in Hong Kong and was admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants in December 2010 and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom in August 2003. Dr. Wong has over 21 years of experience in corporate finance, financial advisory and management, professional accounting and auditing. Dr. Wong has worked as an auditor in two international accounting firms for 5 years. He worked as a chief financial officer from December 2002 to September 2008 and has been an executive director since October 2008 in Kam Hing International Holdings Limited (stock code: 2307), a company listed on the Stock Exchange of Hong Kong which is engaged in the production and sale of garment and textile. Dr. Wong is also an independent non-executive director of Odella Leather Holdings Limited (Stock Code: 8093) on 28 January 2015 and resigned on 17 March 2017, a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong.

Mr. Zhou Xiaoyu（周曉宇）, aged 48, was graduated from 西安電子科技大學 (Xian Electronic Technology University) with a bachelor's degree of electronic engineering in 1990 and from 中歐工商學院 (China Europe International Business School) with a degree of executive master of business administration in 2013. From 1990 to 1997, Mr. Zhou worked as an engineer and economist at 中國電子信息產業集 團公司 (China Electronics Corporation). From 1997 to 2000, he was a business manager in 中 國電子工業深圳總公司 (China Electronics Industry (Shenzhen) Corporation). Mr. Zhou was the founder of 深圳市迪威視訊技術有限公司 (Shenzhen Diwei Video Technology Company Limited) and was the managing director during 2000 to 2004. In 2001, Mr. Zhou founded 深圳桑海通投資有限公司 (Shenzhen Sanghaitong Investment Company Limited) and was the managing director. In 2005, Mr. Zhou founded 深圳市秉宏投資有限公司 (Shenzhen Binghong Investment Company Limited) and was the managing director.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. ZHONG Ming（鐘鳴）, aged 47, was appointed as an independent non-executive Director on 6 June 2014. He graduated from University of Science and Technology of China（中國科學技術大學）with a Bachelor Degree of Science in Biology in Anhui Province in July 1992 and completed his Executive Master of Business Administration from China Europe International Business School（中歐國際工商學院）in Shanghai in September 2007. From July 1992 to January 2002, Mr. Zhong worked for Procter & Gamble (Guangzhou) Limited*（廣州寶潔有限公司）as a brand manager. Then he joined Wall's (China) Co, Ltd. Shanghai Branch（和路雪（中國）有限公司上海分公司）as vice president of marketing from August 2003 to June 2006. He was employed by Reckitt Benckiser Household Products (China) Co., Ltd（利潔時家化（中國）有限公司）as marketing director from June 2006 to June 2008. From June 2012 to November 2013, Mr. Zhong worked as the senior vice president of operation of TPG Huhua (Shanghai) Equity Investment Management Enterprise (Limited Partnership). Mr. Zhong works as the general manager of China for Luxottica (Shanghai) Trading Co., Limited.

SENIOR MANAGEMENT

Mr. GUO Zhongqiao（郭忠橋）, aged 37, is the sales director of our Group. Mr. Guo joined our Group in November 2011 and oversees the sales and operation of our Group. Mr. Guo has over 11 years of experience in sales and distribution in fashion industry. Prior to joining our Group, Mr. Guo has been the region manager and director of self-operated distribution of Yingjia Fashion from July 2005 to October 2011. He was a manager of the Northern region for the marketing department of Shenzhen Taiming Fashion Limited*（深圳市臺茗服飾有限公司）from February 2004 to June 2005. He obtained an Adult Education Graduation Certificate in Computer and Information Management*（電腦與信息管理）from Jiangxi Economic Administration Cadres College*（江西經濟管理幹部學院）in Nanchang, Jiangxi Province in July 1999.

Mr. HU Qi（胡琦）, aged 38, is the design director of our Group. Mr. Hu joined our Group in March 2007 and primarily takes responsibility for the design and development of ladies-wear of our Group. Mr. Hu has over 14 years of experience in fashion design. Prior to joining our Group, Mr. Hu was the chief designer of Shenzhen Fei Ying Si Fashion Limited*（深圳市飛影思服飾有限公司）from June 2004 to August 2006. He also worked in the design team for Shenzhen Zeyuan Houye Fashion Co.,Ltd.*（深圳市澤源厚業時裝有限公司）from May 2003 to June 2004 and Shenzhen Yezi Garment Limited*（深圳市葉子服裝實業有限公司）from September 2001 to May 2003. He obtained a bachelor degree in Fashion Art and Design*（服裝藝術設計）from the Hubei Academy of Fine Arts*（湖北美術學院）in Wuhan, Hubei Province in July 2001.

Mr. WU Ting（吳頲）, aged 40, is the e-commerce director of our Group. Mr. Wu joined our Group in March 2007 and primarily takes responsibility for the operation, management and development of e-commerce of our Group. He has been the manager of our operations and sales department from March 2007 to March 2010 and senior manager of our planning department from March 2010 to February 2013. Mr. Wu has over 14 years of experience in sales, operation, and marketing in the apparel industry. Prior to joining our Group, Mr. Wu has been the manager of the products department, the operations department and marketing department of Yingjia Fashion during the period from October2001 to January 2007. He obtained a bachelor degree in Fashion Design*（服裝）from Suzhou University*（蘇州大學）in Suzhou, Jiangsu Province in June 1999.

SENIOR MANAGEMENT *(Continued)*

Ms. HU Lifen（胡麗芬）, aged 46, is the operations director of our Group, primarily responsible for the operations and management of the supply chain of our Group. Ms. Hu joined our Group in March 2007 and has been the manager of our product planning department till March 2013. Ms. Hu has over 14 years of experience in marketing and production planning of fashion companies. Prior to joining our Group, Ms. Hu was the manager of products department of Yingjia Fashion from December 2005 to March 2007. She was a marketing manager for Shenzhen Yinzuo Fashion Limited*（深圳市銀座時裝有限公司）from July 2001 to December 2005. She passed the specialty test in accounting in Zhongnan University of Economics*（中南財經大學）, which is Zhongnan University of Economics and Law（中南財經政法大學）now in Wuhan, Hubei Province in December 1999.

JOINT COMPANY SECRETARIES

Ms. WU Huiming（吳惠明）, aged 36, is one of the joint company secretaries of our Company, primarily responsible for company secretarial affairs and coordination of investor relations of our Group. Ms. Wu joined our Group as a strategic planner in November 2012. Ms. Wu has over 4 years of experience in strategic research and mergers and acquisition affairs. From October 2009 to November 2012, Ms. Wu was an analyst and a senior analyst of the strategic investment department of Shenzhen World Union Properties Consultancy Co., Limited (SZ: 002285 深圳世聯行地產顧問股份有限公司), a company listed on the Shenzhen Stock Exchange. She worked as the business manager in the purchasing department from August 2005 to October 2006 and product market engineer in the trade department form July 2003 to August 2005 for Shenzhen Eyang Technology Development Co., Limited（深圳市宇陽科技發展有限公司）, which is engaging in electronic manufacturing services and a subsidiary of Eyang Holdings (Group) Co. Limited (stock code: 117). She obtained her Bachelor of Economics in International Economics and Trade from University of Science and Technology Beijing（北京科技大學）in Beijing in July 2003 and a Master Degree in Business and Administration from Tsinghua University（清華大學）in Beijing in July 2009.

Mr. LEUNG Ka Wai（梁嘉偉）, aged 46, is one of the joint company secretaries of our Company, primarily responsible for company secretarial affairs of our Group. Mr. Leung is a member of the Hong Kong Institute of Certified Public Accountants. He was also admitted as a solicitor in Hong Kong in 2000 and is a partner in Michael Li & Co.

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and the implementation of effective corporate governance commitments. The Company has adopted and met the relevant code provisions set out in the Corporate Governance Code based on the principles set out in appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong since 27 June 2014, being the date of listing of the Company, and up to the date hereof except for code provision A.2.1 of the Corporate Governance Code which requires that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. Mr. Jin Ming currently performs these two roles in our Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired considering the background and experience of our Directors and the number of independent non-executive Directors on the Board and this structure will enable our Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company as and when appropriate and suitable by taking into account the circumstances of our Group as a whole.

THE BOARD OF DIRECTORS

The Company's Board of Directors (the "Board") is responsible for formulating overall strategy and a review of the Company's and the Group's operations and financial performance. The chairman is responsible for the management and leadership of the Board to ensure that adequate, complete and reliable information is provided to all Directors in a timely manner.

Board composition

The Board now comprises seven Directors including three executive Directors, a non-executive Director and three independent non-executive Directors. The composition of the Board and representation on Board committees are set out below:

Title	Name	Position	Gender	Age	Length of services
Executive Directors:	Mr. Jin Ming	Chairman of the Board, Chief Executive Officer and Chairman of Nomination Committee	Male	46	10 years
	Ms. He Hongmei		Female	44	10years
	Mr. Deng Shigang	Member of Remuneration Committee	Male	44	4 years
Non-Executive Director	Mr. Yang Weiqiang (Appointed on 1 March 2016)		Male	50	10 months
Independent Non-Executive Directors:	Dr. Wong Wai Kong	Chairman of Audit Committee Member of Remuneration Committee Member of Nomination Committee	Male	51	3 years
	Mr. Zhou Xiaoyu (Appointed on 30 June 2016)	Chairman of Remuneration Committee Member of Audit Committee Member of Nomination Committee	Male	48	6 months
	Mr. Zhong Ming	Member of Audit Committee	Male	47	3 years

THE BOARD OF DIRECTORS *(Continued)*

Board composition *(Continued)*

Our Directors are experienced in a range of corporate and industry expertise such as accounting, finance and business and operation management. The diversity of the Directors' experience provides useful exchange of ideas and views to ensure that decisions are made with a balanced judgement. There is no financial, business, family or other material or relevant relationship among the Directors. The biographical details of the Directors are set out on pages 20 to 22 of this annual report.

The Board has established three sub-committees of the Board, namely the Audit Committee, Remuneration Committee and Nomination Committee. The Chairman of Remuneration Committee and Audit Committee are independent non-executive directors. Written terms of reference of each of these sub-committees are available on the websites of the Company and the Stock Exchange.

Board meetings

The Board discusses the overall strategy as well as the operational and financial performance of the Company. Other Board meetings are held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. The table below sets out the attendance of all members of the Board at the meetings held during the year ended 31 December 2016:

	Regular Board Meetings	**Annual general meeting held on 24 May 2016**
Executive Directors:		
Mr. JIN Ming *(Chairman and Chief Executive Officer)*	5/5	1/1
Ms. HE Hongmei	5/5	1/1
Mr. DENG Shigang	5/5	1/1
Non-executive Director:		
Mr. Yeung Weiqiang	4/4	1/1
Independent Non-executive Directors:		
Dr. WONG Wai Kong	5/5	1/1
Mr. HUNG Man Sing (note1)	1/1	1/1
Mr. ZHOU Xiaoyu (note2)	4/4	1/1
Mr. ZHONG Ming	5/5	1/1

note 1: Mr. Hung Man Sing passed away on 4 May 2016.

note 2: Mr. Zhou Xiaoyu was appointed on 30 June 2016

There are three independent non-executive Directors who represent more than one-third of the Board, and Dr. Wong Wai Kong has the appropriate professional qualifications as required by Rule 3.10(2) of the Listing Rules.

THE BOARD OF DIRECTORS *(Continued)*

Board meetings *(Continued)*

Notices are given to all Directors at least 14 days prior to regular Broad meetings, and due and proper notices are given to all Directors in advance for attending other Board meetings. Meeting agendas and other relevant information are provided to the Directors in advance of Board meetings. All Directors are consulted to include additional matters in the agenda for Board meetings.

Directors have access to the advisory and secretarial services, at the Company's expenses, of the joint company secretaries with a view to ensure that Board procedures, and all applicable rules and regulations, are followed.

Both draft and final versions of the Board meetings minutes are sent to all Directors for their comment and records. Minutes of Board meetings are recorded in sufficient details for the matters considered by the Board and the decisions reached, including any concerns raised by the Directors, and such minutes are kept by the company secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, the Company has confirmed with all Directors that they have complied with the required standard set out in the Model Code and its code of conduct regarding any Director's securities transactions during the year ended 31 December 2016.

Confirmation of independence

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

Appointment, re-election and removal

Each of the executive Directors has entered into a service contract for a fixed term of three years, and each of the non-executive Director and the independent non-executive Directors has entered into a letter of appointment with the Company for a specific term of three years and two years respectively, subject to normal rotation in accordance with the articles of association of the Company (the"Articles of Association").

Directors' training

During the year ended 31 December 2016, Directors were provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. During the year, the Company has organized seminars for all the then Directors of the Company namely Mr. Jin Ming, Ms. He Hongmei, Mr. Deng Shigang, Dr. Wong Wai Kong, Mr. Zhou Xaioyu and Mr. Zhong Ming. The workshop covered topics including leadership development and social and governance reporting. In addition to formal courses, all Directors namely Mr. Jin Ming, Ms. He Hongmei, Mr. Deng Shigang, Dr. Wong Wai Kong, Mr. Zhou Xaioyu and Mr. Zhong Ming developed themselves through (i) conducting focused discussion on issues relating to the business and operations of the Company at committee meetings; (ii) research, reading and study of relevant regulations and standards; and (iii) attending relevant courses, seminars and talks in order to strengthen the skills and knowledge relevant for their respective roles.

All Directors have provided the Company with their respective training records in compliance with Code A.6.5 of the CG Code.

THE AUDIT COMMITTEE

The Company has complied with Rule 3.21 of the Listing Rules for the establishment of an Audit Committee. The Audit Committee currently consists of three independent non-executive Directors, namely Dr. Wong Wai Kong (as chairman), Mr. Zhou Xiaoyu and Mr. Zhong Ming. Dr. Wong Wai Kong possesses the appropriate professional qualification. The primary duties of the Audit Committee are to maintain relationship with our auditors, review our financial information and oversee our financial reporting system, internal control and risk management procedures. The terms of reference of the audit committee have been revised in January 2016 to specifically include the review of the risk management system as required by the CG Code.

For the year ended 31 December 2016, three audit committee meetings were held to review and discuss with the management of the Company and the external auditors the accounting principles and practices adopted by the Group, as well as internal control, risk management and other financial reporting matters. The attendance records of individual committee members are set out below:

Dr. WONG Wai Kong *(Chairman)*	3/3
Mr. ZHOU Xiaoyu (note 2)	1/1
Mr. ZHONG Ming	3/3
Mr. HUNG Man Sing (note 1)	2/2

note 1: Mr. Hung Man Sing passed away on 4 May 2016.

note 2: Mr. Zhou Xiaoyu was appointed on 30 June 2016

THE REMUNERATION COMMITTEE

The Company has complied with the Rule 3.25 of the Listing Rules to set up the Remuneration Committee. In accordance with its terms of reference, the primary function of the Remuneration Committee is to consult the Chairman of the Board and/or the Chief Executive officer about the remuneration for other executive Directors, and to make recommendations to our Board on our Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee currently consists of one executive Director, namely Deng Shigang, and two independent non executive Directors, namely Mr. Zhou Xiaoyu (Chairman) and Dr. Wong Wai Kong.

Details of remuneration of Directors are set out in note 8 to the Financial Statements.

For the year ended 31 December 2016, three meetings of the Remuneration Committee were held to, amongst others, review and approve the remuneration packages of the Directors and senior management of the Company. The attendance records of individual committee members are as follows:

Mr. ZHOU Xiaoyu *(Chairman)* (note 2)	Nil
Mr. HUNG Man Sing (note 1)	2/2
Dr. WONG Wai Kong	3/3
Mr. DENG Shigang	3/3

note 1: Mr. Hung Man Sing passed away on 4 May 2016.

note 2: Mr. Zhou Xiaoyu was appointed on 30 June 2016

THE NOMINATION COMMITTEE

In compliance with the CG Code, the Company has established a Nomination Committee. In accordance with its terms of reference, the primary duties of the Nomination Committee are to make recommendations to our Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular our chairman and chief executive officer. The Company adopted a board diversity policy in March 2015 which set out the objective and strategies to achieve diversity on the Board, taking into consideration a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The final decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee currently consists of one executive Director, namely Mr. Jin Ming (as chairman), and two independent non-executive Directors, namely Mr. Zhou Xiaoyu and Dr. Wong Wai Kong.

For the year ended 31 December 2016, three meetings of the Remuneration Committee were held to, amongst others, review and approve the remuneration packages of the Directors and senior management of the Company. The attendance records of individual committee members are as follows:

Mr. JIN Ming *(Chairman)*	3/3
Mr. ZHOU Xiaoyu (note 2)	Nil
Mr. HUNG Man Sing (note 1)	2/2
Dr. WONG Wai Kong	3/3

note 1: Mr. Hung Man Sing passed away on 4 May 2016.

note 2: Mr. Zhou Xiaoyu was appointed on 30 June 2016

BOARD DIVERSITY

Pursuant to Code Provision A.5.6 of the CG Code, the Company has adopted a board diversity policy which consists of the following main aspects:

a. Board composition to be reviewed in terms of the size of the Board, the number of non-executive directors and executive directors in relation to the Board overall,

b. Board effectiveness which requires members to have diverse skills, knowledge and experiences that combine to provide different perspectives and effective board dynamics, and

c. Nominations and appointments to be carried out in view of maintaining an appropriate mix of required skills, experience, expertise and diversity on the Board.

The Nomination Committee is responsible for reviewing the policy on board diversity and any measurable objectives for its implementation and the progress on achieving the objectives.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Remuneration bands	Number of persons
Up to HK$1,000,000	8
HK$1,000,001 to HK$2,000,000	2
HK$2,000,001 to HK$3,000,000	Nil

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to the Listing Rules are set out in notes 8 and 9 to the financial statements.

AUDITOR'S REMUNERATION

KPMG has been appointed as the external auditor of the Company. The independence of the external auditor is recognised and annually reviewed by the Board and the Audit Committee of the Company. During the year, the fee payable to KPMG in respect of its audit services provided to the Group was RMB2.3 million. No non-audit service was provided by KPMG during the year.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor.

FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

Financial reporting

The Board acknowledges its responsibility to prepare the Company's accounts which give a true and fair view of the Group's state of affairs, results and cash flows for the year and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and are not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

The responsibilities of KPMG, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT *(Continued)*

Internal control and risk management

The Board recognizes its responsibility to ensure the Company maintains a sound and effective internal control and risk management systems and the Board has conducted a review of the effectiveness of the internal control and risk management systems of the Group on an annual basis.

The Group has an independent internal audit department. The independent internal audit is primarily responsible for carrying out review of the internal control system and risk management process. This is part of the on-going process to ensure that the effectiveness of material controls is monitored.

During the year of 2016, the Board has conducted a review on the effectiveness of the Group's internal control and risk management systems which covers financial, operational, compliance procedural and risk management functions and have considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Group believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Group has therefore made continued efforts to uplift its quality of corporate governance. It has established a highly effective system of internal control and risk management and adopted a series of measures to ensure their safety and effectiveness. As a result, the Group is able to safeguard its assets and protect the interests of its Shareholders. The Board is of the view that the systems of internal control and risk management are effective and there are no irregularities or improprieties identified.

JOINT COMPANY SECRETARIES

Ms. Wu Huiming is one of the joint company secretaries of our Company, primarily responsible for company secretarial affairs and coordination of investor relations of our Group.

Mr. Leung Ka Wai is one of the joint company secretaries of our Company, primarily responsible for company secretarial affairs of our Group. Mr. Leung is a member of the Hong Kong Institute of Certified Public Accountants. He was also admitted as a solicitor in Hong Kong in 2000 and is a partner in Michael Li & Co.

The Company confirms that Mr. Leung Ka Wai and Ms. Wu Huiming have attended no less than 15 hours of relevant professional training during 2016.

Minutes of all meetings of the Board and Committees are kept by the company secretary, and are open for inspection by the Directors upon request.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes in engaging in regular, effective and fair communication with shareholders and is committed to conveying important and relevant information to shareholders on a timely basis.

The Company is mindful to ensure that information is made publicly available on a timely basis. A Shareholders' communication policy was adopted by the Company to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company. The Board will review the policy on a regular basis to ensure its effectiveness.

Disclosure of information is made by way of publishing announcements, notices, circulars and financial reports through the website of the Stock Exchange, press releases, general meetings, as well as the website of the Company.

SHAREHOLDERS' RIGHTS

In accordance with Article 58 of the Articles of Association of the Company, one or more shareholders of the Company holding as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitioner(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Directors shall be reimbursed to the requisitioner(s) by the Company.

Shareholders may by ordinary resolution elect any person to be a Director of the Company. If a shareholder wishes to nominate a person to be elected as a Director, the following documents shall have been lodged at the head office of the Company and the office of Hong Kong branch share registrar of the Company: (i) his/her notice of intention to propose a resolution at the general meeting; (ii) a notice executed by the nominated candidate of his/her willingness to be elected as a director and consent of publication of his/her personal information together with his full name and biographical details as required by Rule 13.51(2) of the Listing Rules; and (iii) the contact details, within the period commencing on the day after the dispatch of the notice of the general meeting appointed for such election and ending on the date falling seven days prior to the date of such general meeting.

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar: Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Other enquiries or comments raised by any Shareholder can be mailed to the Board at the Company's principal place of business in Hong Kong at Unit C, 17/F, OfficePlus @Mongkok, No. 998 Canton Road, Kowloon, Hong Kong, through the Company's official website (www.koradior.com), or sent through fax number at (852) 2325 5685, or through the Company's hotline at (852) 2325 5292.

CONSTITUTIONAL DOCUMENTS

There was no change in the memorandum and articles of association of the Company during the year ended 31 December 2016.

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL PLACE OF BUSINESS

Koradior Holdings Limited (the "Company", together with its subsidiaries, the "Group") was incorporated in Hong Kong and has its registered office at Codan Trust Company (Cayman) Limited, Cricked Square, Hutchins Drive P.O Box 2681 Grand Cayman KY1-111 Cayman Islands and principal place of business in Hong Kong at Unit C, 17/F, OfficePlus@Mongkok, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The Group is leading and fast growing high-end ladies-wear companies in the People's Republic of China (the "PRC"). The principal activities and other particulars of the subsidiaries are set out in note 14 to the financial statements.

BUSINESS REVIEW

During the year ended 31 December 2016, with the uncertainty brought about by the United Kingdom leaving the European Union and the election of the new president of the United States of America, the global economy struggled to attain steady growth and became more and more unpredictable. The retailing industry presents a weak recovery in the second half of the year. The growth of e-commerce slows down after rapid and extensive development. More and more brand owners began to try the new retailing mode integrating offline and online with high technology and the development of industry is facing new uncertainties.

2016 is the opening year of the new Five-Year Plan of the Group, under the management principle that focuses on quality growth and management efficiency, the Group achieved favorable results once more by putting a strong focus on brand promotion, collaboration with other brands and exploring and expanding its operation on e-commerce platforms. Details of business review and prospect of the Company are disclosed in the section headed "Management Discussion and Analysis" on pages 14 to 19 of this annual report. Details of the financial key performance indicators are set out in the section headed "Financial Highlights" on pages 4 to 5 of this annual report. Important event affecting the Group that has occurred since the financial year end is set out in note 32 to the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, some of which are inherent to the fashion business and some are from external sources. Major risks are summarized below.

(a) Fashion risk

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

PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

(b) Intense competition

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

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

(c) Macroeconomic environment

Macroeconomic changes may result in changes in the business environment. Ladies-wear products may be considered as discretionary items for customers. Slower consumer spending may result in reduced demand for our products, leading to higher inventories, lower revenue and margin. It is therefore important that the Group is aware of any such changes of economic environment and adjusts its store opening plan, buying volume and business plan under different market conditions.

(d) Supply chain

We engage independent third-party manufacturers to produce our fabrics and raw materials, all accessory products and certain apparel products. Any disruption in the supply of fabrics, raw materials and products from suppliers may cause problems in our supply chain. We do not have long-term contracts with any of our suppliers and we may need to compete with other companies for fabrics, raw materials and other products. Nevertheless, we have developed long-standing and good relationships with a number of our vendors so as to minimize the impact from any supply disruptions and ensure we can locate alternative suppliers of comparable quality at a reasonable price all the time. For the year ended 31 December 2016, 25.79% (2015: 22.55%) of our products were produced by our top five suppliers.

(e) Credit Risk

We sold substantially all our products directly to end-consumers through our self-operated retail stores in shopping malls and department stores in the PRC. Proceeds from the sales made in these leased retails stores are mainly collected by the department stores and the shopping malls on our behalf, Then we issue invoices and offer from 30 to 60 days. However, there is no assurance that we will be able to fully recover our receivables from our shopping malls and department stores, or that they will be settled on a timely basis.

(f) Weather

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

PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

(g) Information system

We are dependent on information technology systems and networks, including the internet and third-party hosted services across many of our operating activities, including sales and distribution, ordering and purchases, sales and distribution, inventory management in all retail outlets, e-commerce business, customer relationship management, digital marketing and financial reporting. Any material disruption or slowdown of our IT systems, including a disruption or slowdown caused by our failure to successfully upgrade our systems, system failures, viruses or cyber attacks could cause a loss of data or operation interruption.

Therefore, we invest continuously in our IT and ERP system so as to keep up with the technology security and availability and integrity of critical operation data.

KEY RELATIONSHIPS

(a) Employees

Employees are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer to committed employees. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

The Group provides induction and on-the-job training and development opportunities to its employees. The training programs cover areas such as managerial skills, sales and production, quality control, sales fairs planning and training of other areas relevant to the industry.

In addition, the Group offers competitive remuneration packages to its employees. The Group has also adopted share option scheme to recognize and reward the contribution of the employees to the growth and development of the Group.

(b) Suppliers

We have developed long-standing and good relationships with our vendors and taken great care to ensure that they can share our commitment to product quality. We carefully select OEM contractors and raw material suppliers, we require them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

(c) Customers

Our customers consist of end customers and distributor customers that purchase products from us and sell to end customers. We are committed to offer high-end stylish and smart-casual ladies-wear apparel fashion with our four brands to our customers. We maintain our VIP database and have ongoing communications with our customers through various channels like the Company's website, public platform, direct mail, marketing materials and social media. We also provide training to our sales personnel to provide quality and value-added customer services at retail channels.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group is committed to supporting environmental sustainability. Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group encourages environmental protection and promotes awareness towards environmental protection to the employees. Our Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting the use of recycled paper, introducing the e-employee handbook and reducing energy consumption by switching off idle lightings and electrical appliance. Our Group will review its environmental practices from time to time and implement further eco-friendly measures and practices in the operation of our Group's businesses such as using LED light system in our stores to enhance environmental sustainability.

REGULATORY COMPLIANCE

As disclosed in the prospectus of the Company dated 17 June 2014, the Company's business is subject to various laws and regulations such as: The Administrative Measures for Fair Transactions between Retailers and Suppliers《零售商供應商公平交易管理辦法》(which provides the code of business conduct, collection of charges, payment of purchases, return policies and punishments between retailers and suppliers during the transactions), The Measures for Administration on Sales Promotion Acts of Retailers《零售商促銷行為管理辦法》(which provides the standards and requirements of retailers' sales promotion and advertisement); and The Administrative Measures for Online Trading (which are applicable to all behaviours in relation to online product trading and relevant services). During 2016, there was no incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business.

USE OF PROCEEDS

With the successful listing of the Company's shares on the Main Board of the Stock Exchange, the net proceeds of HK$534.74 million (including the partial exercise of the over-allotment option on 21 July 2014) have been raised and were kept at the bank account of the Group to be used in accordance with the plan of use of proceeds as stated in the prospectus of the Company dated 17 June 2014. The Company has utilised HK$522.19 million as at 31 December 2016.

MAJOR CUSTOMERS AND SUPPLIERS

The customers consist of end customers and distributor customers that purchase products from the Group and sold to end customers. During the year ended 31 December 2016, aggregate sales to the Group's largest and five largest customers accounted for 2.01% (2015: 2.29%) and 3.18% (2015: 3.42%) respectively, of the Group's total revenue for the year.

The suppliers of the Group consist of OEM contractors and raw material suppliers. Aggregate purchases from the Group's largest and five largest suppliers accounted for 7.95% (2015: 6.24%) and 25.79% (2015: 22.55%), respectively, of the Group's total purchases from suppliers for the year ended 31 December 2016. The second largest OEM contractor, Shenzhen Yingjia Fashion Ltd ("Yingjia Fashion"), is a connected person owned as to 53% by Ms. Chen Lingmei who is the mother of Mr. Jin Ming, and all other OEM contractors are independent third parties. The VAT-inclusive processing fees incurred to Yingjia Fashion for the years ended 31 December 2015 and 2016 amounted to RMB28.33 million and RMB24.77 million, respectively, representing 10.99% and 8.17% of total purchase of outsourced products and sub-contracting fees during the same periods, respectively.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on page 6 of the annual report. This summary does not form part of the audited consolidated financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2016 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 62 to 124 of the annual report.

DIVIDENDS

The Board has resolved not to declare any final dividend for the year ended 31 December 2016 (2015: HK$0.15 per share).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2016 are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

As at 31 December 2016, the total issued share capital of the Company was 495,120,000 ordinary shares.

As stated in the announcement of the Company dated 24 May 2016, the Board approved the repurchase of up to 50,407,400 shares of the Company by way of on-market repurchase pursuant to the general mandate to repurchase shares approved at the annual general meeting. During the Period under Review, the Company carried out an on-market repurchase of a total of 8,954,000 on the Hong Kong Stock Exchange and the repurchase amount totalled HK$93,716,860 (excluding any fees or taxes). The Company has cancelled all such repurchased shares. Accordingly, the total issued share capital of the Company was reduced from 504,074,000 shares to 495,120,000 ordinary shares.

RESERVES

Details of movements in reserves of the Company and the Group are set out in note 26 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Group's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB254.1 million.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit schemes of the Group and the employer's costs charged to the consolidated statement of profit or loss and other comprehensive income for the year are set out in notes 6 and 24 to the financial statements.

SUBSIDIARIES

Details of the subsidiaries of the Company are set out in note 14 to the financial statements.

CAPITAL EXPENDITURE

During the year, the Group's total capital expenditure amounted to approximately RMB51.55 million (2015: RMB94.95 million) which was used for store decorating and purchase of office, furniture and equipment for each retail store capitalised under leasehold improvements and furniture, fixtures and equipment.

The details of the properties, plant and equipment of the Group are set out in note 11 to the financial statements.

BORROWINGS

Particulars of borrowings of the Group as at the balance sheet date are set out in note 22 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors
Mr. JIN Ming *(Chairman and Chief Executive Officer)* (appointed on 23 March 2012)
Ms. HE Hongmei (appointed on 3 March 2014)
Mr. DENG Shigang (appointed on 3 March 2014)

Executive Director
Mr. Yang Weiqiang (appointed on 1 March 2016)

Independent Non-executive Directors
Dr. WONG Wai Kong (appointed on 6 June 2014)
Mr. ZHONG Ming (appointed on 6 June 2014)
Mr. HUNG Man Sing (passed away on 4 May 2016)
Mr. ZHOU Xiaoyu (appointed on 30 June 2016)

Each of the executive Directors of the Company has entered into a service contract with the Company for a term of three years and each of the non-executive Director and the independent non-executive Directors of the Company has entered into a letter of appointment with the Company for a specific term of three years and two years respectively, commencing from the Listing Date subject to his retirement and re-election at annual general meeting in accordance with the Company's Articles of Association. The details of the remuneration of each of the Directors are set out in note 8 to the consolidated financial statements.

The Company has received annual confirmation on independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and all of them are considered to be independent.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the related paragraph headed "Connected transactions" below and the related party transactions in note 30 to the financial statements, there was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the paragraph headed "Directors 'and chief executive's interest in securities" and in the paragraph headed "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director, or their respective spouse or minor children, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Directors and Senior Management Profile" on pages 20 to 23 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 31 December 2016, the following Directors or the chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Name of Director	Nature of interest	No. of Shares/ underlying shares held	Position	Approximate percentage of issued share capital
Mr. Jin Ming	Interest of party to agreement under Section 317 (note 1)	300,450,500	Long	60.68%
Ms. He Hongmei	Beneficial owner	500,000 (note 2)	Long	0.10%
Mr. Deng Shigang	Beneficial owner	500,000 (note 2)	Long	0.10%

Notes:

1. These shares are held by Koradior Investments Limited. The entire issued share capital of Koradior Investments Limited is now owned as to 85% by Eeka Fashion (Hong Kong) Limited ("HongKong Fashion") and as to 15% by Mr. Jin. HongKong Fashion is an investment holding company newly incorporated in Hong Kong with limited liability. The entire issued share capital of HongKong Fashion is owned by Yingjia Fashion (Ganzhou) Co., Ltd. ("Jiangxi Yingjia"). Jiangxi Yingjia is wholly-owned by Shenzhen Yingjia Fashion Co., Ltd ("Yingjia Fashion") which in turn is owned as to 47% by Mr. Jin Jingquan, Mr. Jin's father, and as to 53% by Ms. Chen, Mr. Jin's mother.

2. These represent the underlying shares under the share options granted to them.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN SHARE AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors and the chief executive of the Company, as at 31 December 2016, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares held	Position	Approximate percentage of issued share capital
Koradior Investments Limited (note 1)	Beneficial owner	300,450,500	Long	60.68%
HongKong Fashion (note 1)	Interest in a controlled corporation/ Interest of party to agreement under Section 317	300,450,500	Long	60.68%
Yingjia Fashion (Ganzhou) Co., Ltd. (note 1)	Interest in a controlled corporation/ Interest of party to agreement under Section 317	300,450,500	Long	60.68%
Shenzhen Yingjia Fashion Co., Ltd. (note 1)	Interest in a controlled corporation/ Interest of party to agreement under Section 317	300,450,500	Long	60.68%
Jin Jingquan (note 1)	Interest in a controlled corporation/ Interest of party to agreement under Section 317	300,450,500	Long	60.68%
Chen Lingmei (note 1)	Interest in a controlled corporation/ Interest of party to agreement under Section 317	300,450,500	Long	60.68%
Chui Jinny (note 2)	Interest in a controlled corporation	40,749,578	Long	8.12%
Sisu Holdings Limited (note 2)	Beneficial owner	40,749,578	Long	8.12%
Fosun International Limited (note 3)	Interest in a controlled corporation	25,800,000	Long	5.21%
Fosun International Holdings Ltd (note 3)	Interest in a controlled corporation	25,800,000	Long	5.21%
Guo Guangchang (note 3)	Interest in a controlled corporation	25,800,000	Long	5.21%

Notes:

1. These shares are held by Koradior Investments Limited. The entire issued share capital of Koradior Investments Limited is now owned as to 85% by HongKong Fashion and as to 15% by Mr. Jin. HongKong Fashion is an investment holding company newly incorporated in Hong Kong with limited liability. The entire issued share capital of HongKong Fashion is owned by Jiangxi Yingjia. Jiangxi Yingjia is wholly-owned by Yingjia Fashion which in turn is owned as to 47% by Mr. Jin Jingquan, Mr. Jin's father, and as to 53% by Ms. Chen, Mr. Jin's mother

2. Sisu Holdings Limited is wholly owned by Ms. Jinny Chui, an independent third party.

3. As at 31 December 2016, Fosun International Limited was 71.55% owned by Fosun Holding Limited, which was wholly owned by Fosun International Holdings Limited, which was 64.45% owned by Mr. Guo Guangchang.

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme (the "Scheme") pursuant to the resolutions of the shareholders of the Company passed on 6 June 2014:

1. The purpose of the Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of our Company and its shareholders as a whole. The Scheme, which is valid for 10 years from 6 June 2014, will provide our Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants.

2. The participants include any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and full-time employees of any member of the Group and any advisors, consultants, distributors, contractors, contract manufacturers, suppliers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

3. Unless otherwise approved by shareholders in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company from time to time.

4. An option may be exercised in whole or in part in accordance with the terms of the Scheme at any time during a period to be notified by the Directors to each grantee. The period for exercise may commence on the date upon which the offer for grant of options is made ("Offer Date") but shall expire on the day immediately preceding the tenth anniversary of the Offer Date.

5. The Shares which may be issued upon exercise of all options to be granted under the Scheme and other share option schemes of our Company shall not exceed 10% of the aggregate of the Shares in issue on the date the Shares commence trading on the Stock Exchange and any Shares which may be allotted and issued by our Company pursuant to the over-allotment option (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

6. The subscription price for shares under the Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Directors, but shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations on the Offer Date; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of the Shares.

SHARE OPTION SCHEME *(Continued)*

As at 31 December 2016, there were 7,960,000 share options granted under the Scheme which were outstanding, and there were 4,951,200 shares available for issue under the Scheme Mandate Limit (representing 1% of the issued share capital of the Company as at 31 December 2016).

The following table shows the movements in the Company's share options outstanding during the year:

			Number of share options						
Name or category of grantee	At 1 January 2016	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2016	Exercise period (note)	Exercise price per share	Closing price per share immediately before date of grant
Directors									
Mr. Deng Shigang	500,000	–	–	–	–	500,000	10 July 2014 to 9 July 2022	HK$4.42	HK$4.46
Ms. He Hongmei	500,000	–	–	–	–	500,000	10 July 2014 to 9 July 2022	HK$4.42	HK$4.46
Sub-total	1,000,000	–	–	–	–	1,000,000			
Employees (other than Directors) in aggregate	9,000,000	–	2,040,000	–	–	6,960,000	10 July 2014 to 9 July 2022	HK$4.42	HK$4.46
Total	10,000,000	–	2,040,000	–	–	7,960,000			

Note: The share options are exercisable in the following manner: (i) no share option shall be exercisable from 10 July 2014 up to 9 July 2015; (ii) up to 25% of the share options granted shall be exercisable from 10 July 2015 to 31 December 2015; (iii) up to 50% of the share options granted shall be exercisable from 1 January 2016 to 31 December 2016; (iv) up to 75% of the share options granted shall be exercisable from 1 January 2017 to 31 December 2017; and (v) all the share options granted shall be exercisable from 1 January 2018 to 9 July 2022.

DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESS

None of the Directors had any interest in any competing business with the Company or any of its subsidiaries during the financial year.

DEED OF NON-COMPETITION

As disclosed in the Prospectus, each of Mr. Jin Ming and Koradior Investments Limited (together as the "Controlling Shareholders") had entered into a deed of non-competition dated 16 June 2014 (the "Deed of Non-Competition") in favor of the Company (for itself and as trustee for the benefit of each of the members of our Group from time to time) that, among other matters, (i) he/it shall not, and shall use his/its best endeavours to procure each of their respective associates not carry on or be engaged in, invest in, participate or attempt to participate in, render any services to, provide any financial support to or otherwise be concerned with or interested in, directly or indirectly, whether as a director or a shareholder (other than being a director or a shareholder of our Group), partner, agent or otherwise, in the design, promotion, marketing, sales and distribution of ladies-wear in the People's Republic of China as engaged in by our Company or in any other business that may compete, directly or indirectly with such business (the "Restricted Activity"); and (ii) if the Controlling Shareholders or their associates are given any business opportunity relating to the Restricted Activity (the "Competing New Business Opportunity"), he/it shall, and shall use his/its best endeavours to procure that his/its associates (other than the Group) inform the Company of any such Competing New Business Opportunity in writing and shall use his/its best endeavours to assist the Company in obtaining such Competing New Business Opportunity on the same or more favourable terms.

In order to ensure each of the Controlling Shareholders has complied with the Deed of Non-Competition, the following actions have been taken:

(1) the Company has enquired the Controlling Shareholders, from time to time, on whether he/it or any of his/its associates has engaged in any Restricted Activity or is given any Competing New Business Opportunity;

(2) the Company has required each of the Controlling Shareholders to give confirmation to the Company on an annual basis as to whether he/it and his/its associates have complied with the Deed of Non-Competition;

(3) each of the Controlling Shareholders has provided to the Company such written confirmation in respect of the compliance with the Deed of Non-Competition by his/it and his/its associates for the year ended 31 December 2016; and

(4) the independent non-executive directors of the Company have reviewed the status of compliance by the Controlling Shareholders with the undertakings in the Deed of Non-Competition during the year ended 31 December 2016 and confirmed that, so far as they can ascertain, each of the Controlling Shareholders has complied with the Deed of Non-Competition.

The Company is not aware of any other matters regarding the compliance of the Deed of Non-Competition that are required to be brought to the attention of the shareholders of the Company, and there has not been any change in terms of the Deed of Non-Competition for the year ended 31 December 2016.

CONNECTED TRANSACTIONS

The Group had entered into a number of transactions with parties which, upon the listing of the Company's shares on the Stock Exchange, have become connected persons of the Company within the meanings of the Listing Rules. These transactions are considered to be continuing connected transactions under the Listing Rules, which need to be disclosed herein in compliance with the requirements under the Listing Rules or the conditions of waivers previously granted by the Stock Exchange. Details of the continuing connected transactions are as follows:

Mr. Jin Ming is our chief executive officer, chairman and executive Director and one of our controlling shareholders of our Company and is therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules. Shenzhen Yingjia Fashion Ltd ("Yingjia Fashion") is 53.00% owned by Ms. Chen Lingmei who is the mother of Mr. Jin. Accordingly, Yingjia Fashion is a connected person of our Company under Rule 14A.12(2)(b) of the Listing Rules by virtue of it being a company which the mother of Mr. Jin can exercise or control the exercise of more than 50.00% of the voting power at general meetings.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

(A) Set out below are the details of the exempted continuing connected transactions entered into between our connected persons and a member of our Group. Pursuant to Rule 14.07 of the Listing Rules, the applicable percentage ratios (other than the profits ratio) of the following exempted continuing connected transactions are on an annual basis, less than 5.00% and the annual consideration less than HK$3,000,000. By virtue of Rule 14A.76(1) of the Listing Rules, they are exempted from the reporting, announcement requirements and the independent shareholders' approval requirements.

(i) Lease of office from Mr. Jin

On 1 January 2016, Shenzhen Koradior Fashion Co. Ltd ("Shenzhen Koradior"), a wholly-owned subsidiary of the Company, has renewed the lease agreement with Mr. Jin, pursuant to which Shenzhen Koradior leased an office located at 7G, Zone B, Shum Yip Terra's Hongsong Building,Terra 6th Road North, Futian, Shenzhen, the PRC, with a total floor area of approximately 533 sq.m., from Mr. Jin at RMB64,002 per month. The annual rental will not be more than HK$999,999 if converted into Hong Kong dollars. The term of the lease agreement commenced on 1 January 2016 and will end on 31 December 2017.

By entering into the above lease agreement, our Group would be able to continue to lease the office to conduct its business operations without the need to find and relocate to alternative offices.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS *(Continued)*

(A) *(Continued)*

(ii) Lease of office from Mr. Wang

On 1 March 2014, Shenzhen Koradior entered into a lease agreement with Mr. Wang, pursuant to which Shenzhen Koradior leased an office located at 8/F, Zone B, Shum Yip Terra's Hongsong Building, Terra 6th Road North, Futian, Shenzhen, the PRC, with a total floor area of approximately 426 sq.m., from Mr. Wang at RMB51,173 per month. The annual rental will not be more than HK$999,999 if converted into Hong Kong dollars. The term of the lease agreement commenced on 1 March 2014 and ended on 31 May 2016. The lease agreement was renewed and the renewed term commenced on 1 June 2016 and will end on 31 December 2017 at RMB51,173 per month. Shenzhen Koradior may renew the lease agreement upon serving 90 days prior renewal request to Mr. Wang and upon entering into a new lease agreement after negotiation.

By entering into the above lease agreement, our Group is able to continue to lease the office to conduct its business operations without the need to find and relocate to alternative offices.

Our Directors consider that the leases stated above are in our Group's ordinary and usual course of business, on normal commercial terms, and their terms are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

(B) Processing Agreement with Yingjia Fashion

(i) Background

Since our Group does not have any in-house production facilities, since the commencement of our business in 2007, Shenzhen Koradior has outsourced the production of our products to third party OEM contractors, including Yingjia Fashion, as our Company believed such strategy would allow us to reduce the amount of fixed assets that it needs to carry on our balance sheet and would generate higher returns on our assets.

(ii) Services

On 15 March 2014, Shenzhen Koradior entered into a processing agreement with Yingjia Fashion, pursuant to which Yingjia Fashion agreed to provide certain processing and manufacturing services to Shenzhen Koradior, including but not limited to manufacturing products according to (i) the manufacturing standards and processing techniques stipulated by Shenzhen Koradior or (ii) standard samples provided and confirmed by the design team of Shenzhen Koradior and on 9 June 2014, the same parties entered into a supplemental agreement in relation to the pricing policy set out in the paragraph headed "Pricing Policy" below (the "2014 Processing Agreement"). The 2014 Processing Agreement is for a term from 15 March 2014 to 31 December 2016 and renewable for a further period of three years at our option subject to compliance with applicable requirements of the Listing Rules. We have the right to terminate the agreement at any time before expiration of the Processing Agreement. On 23 November 2016, Shenzhen Koradior and Yingjia Fashion entered into a new processing agreement (the "New Agreement") to renew the 2014 Processing Agreement in order to continue the provision of processing and manufacturing services by Yingjia Fashion to the Group for a term of three years commencing from 1 January 2017 up to and including 31 December 2019.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION *(Continued)*

(B) Processing Agreement with Yingjia Fashion *(Continued)*

(iii) Pricing Policy

Pursuant to the 2014 Processing Agreement and the New Agreement, processing fees payable to our OEM contractors, including Yingjia Fashion, are determined on the basis of (i) number of procedures involved to process a particular product, (ii) per minute processing fee for a particular procedure, and (iii) time required (in terms of minutes) to complete a particular procedure in processing that product.

(iv) Internal control procedures

To ensure future transactions with Yingjia Fashion is on normal commercial terms, we have adopted the following internal control procedures:

(i) we will develop our own estimate of processing fee based on factors mentioned above and obtain fee quotations from independent comparable OEM contractors for products which require processing services in similar quantities to determine if the price and terms offered by Yingjia Fashion are fair and reasonable and comparable to those offered by independent comparable OEM contractors;

(ii) we will select the successful OEM contractor for individual transaction based on objective standards such as publicly available raw material prices, the scale and reputation of the relevant OEM contractor, price and quality of processing services and products, and product delivery time and services; and

(iii) regular reports regarding our Group's purchase and other relevant information will be provided to the independent non-executive Directors who will conduct semi-annual review of the purchase terms (including whether these are based on factors mentioned above) and the fairness of our Group's basis of selecting its OEM contractors.

Our Directors believe that the above measures will ensure that our Group's transactions with Yingjia Fashion are and will be conducted on normal commercial terms and the terms are not and will not be prejudicial to the interests of our Company and our minority Shareholders.

(v) Reasons for and benefit of entering into the Processing Agreement

Taking into account our long term cooperation with Yingjia Fashion and their proven quality of services, our Directors consider the 2014 Processing Agreement and the New Agreement with Yingjia Fashion can provide us with a stable supply of quality services and thus is beneficial to us.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION *(Continued)*

(B) Processing Agreement with Yingjia Fashion *(Continued)*

(vi) Transaction amounts

For the year ended 31 December 2016, the VAT-inclusive processing fees incurred to Yingjia Fashion amounted to approximately RMB24.77 million and accounted for approximately 8.17% of our total purchase of outsourced products and subcontracting fees during the same periods, which is within the maximum annual amount of RMB25 million.

The prices at which we procure the processing services from Yingjia Fashion were determined on the basis of (i) number of procedures involved to process a particular product, (ii) per minute processing fee for a particular procedure, and (iii) time required (in terms of minutes) to complete a particular procedure in processing that product.

(vii) Annual caps

The maximum amount of VAT-inclusive processing fees under the 2014 Processing Agreement shall not exceed the caps of RMB36.00 million and RMB25.00 million respectively for each of the two years ended 31 December 2016, and the maximum amount of VAT-inclusive processing fees under the New Agreement shall not exceed the cap of RMB25.00 million, RMB28.00million and RMB30.00 million respectively for each of the three years ending 31 December 2017, 2018 and 2019.

In arriving at the above annual caps, our Directors have considered (i) historical processing fees Shenzhen Koradior paid to Yingjia Fashion in the past; and (ii) our access to an increasing number of independent third party processing service providers.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Our Directors are of the view that (i) each of the 2014 Processing Agreement and the New Agreement has been entered into in the ordinary and usual course of business of our Group, is on normal commercial terms and the terms of each of the 2014 Processing Agreement and the New Agreement are fair and reasonable and are in the interests of our Company and our Shareholders as a whole; and (ii) the annual caps set for each of the 2014 Processing Agreement and the New Agreement are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

The highest applicable percentage ratio (other than the profits ratio) of the transactions contemplated under the 2014 Processing Agreement is, on an annual basis, 25% or more and the total annual consideration is HK$10,000,000 or more. As such, the transactions contemplated under the 2014 Processing Agreement are subject to the requirements set out in Rule 14A.71, the independent shareholders' approval requirement set out in Rule 14A.36, the annual review requirements set out in Rules 14A.55 to 14A.59 and the requirements set out in Rules 14A.50 to 14A.53 of the Listing Rules. As all the applicable percentage ratios (other than the profit ratio) in respect of the New Agreement are less than 5%, the New Agreement is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements under the Listing Rules.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTION *(Continued)*

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules for the 2014 Processing Agreement subject to (i) the annual caps stated above are not exceeded and (ii) that we will comply with Chapter 14A of the Listing Rules, in relation to the 2014 Processing Agreement.

Corporate Governance Measures

As part of our internal corporate governance, all our Directors and employees will not disclose any confidential information or trade secrets to any independent third party including Yingjia Fashion, unless such disclosure is made to professional advisers on a need-to-know and confidential basis or is otherwise required by the government or any regulatory authorities under any applicable laws and regulations.

We have also adopted the following corporate governance measures:

(i) Mr. Jin will declare his interests and will, together with his associates (as the case may be), abstain from voting at the board meetings and general meetings of our Company in respect of the processing services arrangement between Yingjia Fashion and our Group;

(ii) the processing agreements between our Group and Yingjia Fashion will be subject to compliance with Chapter 14A of the Listing Rules and in particular, the approval of the independent Shareholders of our Company pursuant to Rule 14A.36 of the Listing Rules. The material terms of such processing agreements and the pricing policy adopted by our Group for such arrangement has been disclosed above;

(iii) the terms of the processing transactions between Yingjia Fashion and our Group will be reviewed by the independent non-executive Directors on a semi-annual basis and their views in respect of these transactions will be disclosed to the Shareholders in compliance with the Listing Rules; and

(iv) the independent non-executive Directors will be provided with a report by the auditors of our Company on all the transactions conducted between our Group and Yingjia Fashion each year and the content of such report will be in compliance with the requirements under Rule 14A.56 of the Listing Rules.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTION *(Continued)*

Corporate Governance Measures *(Continued)*

The independent non-executive Directors have reviewed and confirmed that the above non-exempt continuing connected transaction has been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the 2014 Processing Agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 43 to 48 of the Annual Report in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange of Hong Kong Limited.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company repurchased a total of 8,954,000 shares on the Stock Exchange during the year ended 31 December 2016. Details of the repurchases are as follows:

Month of repurchases	Total number	Repurchase price Per share Highest	Repurchase price Per share Lowest	Total paid of shares repurchased
		HK$	HK$	HK$
August 2016	598,000	10.24	10.06	6,055,260
September 2016	4,409,000	11.60	10.10	48,791,600
November 2016	3,947,000	9.99	9.40	38,870,000
	8,954,000			93,716,860

The repurchased shares above were all cancelled on or before 3 December 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES *(Continued)*

The purchase of the Company's shares during the year was effected by the directors, pursuant to the repurchase mandate granted by the shareholders of the Company at the annual general meeting held on 24 May 2016, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

MANAGEMENT CONTRACTS

No contract, other than directors' service contracts and employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during 2016.

PERMITTED INDEMNITY PROVISION

Subject to the applicable laws, every director and other officers of the Company shall be entitled to be indemnified by the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur in the execution and discharge of his or her duties or in relation thereto pursuant to the Company's Articles of Association. Such provisions were in force during the course of the financial year ended 31 December 2016 and remained in force as of the date of this report.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SIGNIFICANT EVENTS

Details of the events after the reporting period are set out in note 32 to the financial statements.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 24 to 31 in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the forthcoming annual general meeting ("AGM"), the register of members will be closed from Monday, 22 May 2017 to Thursday, 25 May 2017, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday 19 May 2017.

AUDIT COMMITTEE

The Company set up an audit committee (the "Audit Committee") on 6 June 2014 for the purpose of reviewing and providing supervision on the financial reporting process, internal control system and risk management of the Group.

The Audit Committee comprises the three independent non-executive Directors with Dr. Wong Wai Kong acting as Chairman.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2016. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Group with external auditor.

AUDITORS

The consolidated financial statements for the year ended 31 December 2016 have been audited by KPMG, who shall retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Jin Ming
Chairman and Chief Executive Officer

27 March 2017

ABOUT THIS REPORT

Koradior Holdings Limited ("Koradior" or the "Company", together with its subsidiaries are collectively referred to as the "Group") is pleased to present its first report on the Environmental, Social, and Governance (the "ESG") aspects (the "ESG Report"), in accordance with the guidelines of Appendix 27 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "HKEx") (the "ESG Guidelines").

Established in 2007, we are one of the leading and fast growing high-end ladies-wear companies in the PRC. We are engaged in the design, promotion, marketing and sales of products under our self-owned brands, Koradior, La Koradior and Koradior elsewhere. The ESG Report covers the Group's overall performance, commitment and approaches in workplace quality, environmental protection, operating practices and community involvement in relation to the abovementioned operations during the year ended 31 December 2016. All information and data disclosed herein were based on formal documents and internal statistics of the Group.

STAKEHOLDERS' FEEDBACK AND ENGAGEMENT

We recognise the ESG Report as an important measure to showcase our efforts in sustainable development, which is an integral part of our success and aspiration to become one of the front-running international brands with high quality in design and fabrics.

In realising sustainable development, we are devoted to strike a balance of the interests among various stakeholders, such as investors and shareholders, customers, employees, work partners and suppliers as well as the community. We also attach high importance to communication with our stakeholders as we undertake the following:

Investors and shareholders:	–	Strict compliance with the Listing Rules and other relevant laws and regulations
	–	Strengthening of corporate governance and risk control
	–	Disclosures on the Company's business and capital operations in due course
Customers:	–	Finest fashion with high quality in design and fabrics
	–	Continued improvement in shopping experience and sales services
	–	Communication to understand customers' needs
Employees:	–	Safe and healthy work environment
	–	Harassment and discrimination-Free workplace where employees are respected
	–	Impartial approach to employees' promotion and career development
Work partners and suppliers:	–	Stringent procurement mechanism to ensure fair opportunities to suppliers
	–	Efforts in maintaining long-term and close cooperative relationships
	–	No squeeze on suppliers or partners
Community:	–	Support and contributions to the community by ways of donation, voluntary works, etc.
	–	Communication with local community to address their needs

STAKEHOLDERS' FEEDBACK AND ENGAGEMENT *(Continued)*

We welcome stakeholders' feedback on our environmental, social and governance approach and performance. Please share your views with us via:

Address:	Unit C, 17/F, OfficePlus@MongKok, No. 998 Canton Road, Kowloon, Hong Kong
Phone:	(852) 2325-5292
Email:	ir@koradior.com
Website:	http://www.koradior.com

ENVIRONMENTAL PROTECTION

Environmental protection has long been one of the priorities of the PRC and other governments. We seek to comply with all laws and regulations and to respect the natural environment. The environmental challenges facing the world prompt our resolves to become an environmentally responsible company. Koradior strives to minimise its impact to the natural environment whilst operating efficiently. We promote energy efficiency and emission reduction in all processes, from design and product planning, production and logistics, to sales and disposal. Our operations have complied with all relevant laws and regulations in the PRC in relation to emission and generation of waste.

In product planning, besides comfortness and style, our designers take into consideration the fabrics we are to use in manufacturing, where environmental friendly materials are preferred. We are also committed to ethical practices in animal welfare, ensuring proper care and respect to the specific species for our leather, fur and exotic skins products chain.

We have been outsourcing the production of all our products to domestic OEM contractors since the commencement of our business in 2007. Hence, we have established a detailed mechanism to supervise our suppliers, including contractors, joint venture partners and suppliers of goods and services, to ensure they comply with relevant laws and regulations. Although we do not always have direct control over each procedure of the lifecycle of our products, we continue to seek improved quality and output efficiency from our suppliers. We only do business with suppliers who share our commitment to the environment.

With regards to logistics, we streamline our warehousing and delivery processes in order to lower transportation frequency and thereby carbon emission through the consumption of diesel and petroleum. We also tend to consume less packaging materials (such as plastics, aluminum cans, corrugates).

Currently, we have 592 retail outlets (including self-operated stores and stores operated by distributors) across the country. We look for improvement of energy efficiency of our stores and their construction. We use low-VOC paints in renovation. We adopt LED or other illumination systems to reduce electricity consumption. We constantly replace heating, ventilation, and air conditioning units with higher efficiency units. We use shopping bags and gift boxes made with more eco-friendly or recyclable packaging materials.

Additionally, we implement various measures to lower waste and consumption levels in our headquarters and other offices. We encourage reduction in paper, water and energy usage through recycling of paper and stationery, promotion of working with electronic documents instead of paper copies, limited operation of air-conditioning system, waste reduction and separation, as well as other initiatives.

HUMAN CAPITAL

There is no specific requirements or industry practices on gender in terms of our business nature. The Group has no specific requirements on employees' ages that are different to the general practices of our industry. During the Period, there is no material change in the Group's staff composition and nor unusual employee turnover to which stakeholders' attention needs to be drawn.

1. Employment

We believe employees are one of the pillars of Koradior's sustainable development. We nurture an inspirational and modern work environment where our employees are respected. We set up a comprehensive human resources management system, which was prepared in compliance with or with reference to the Hong Kong Employment Ordinance, the PRC Labour Law （《中華人民共和國勞動法》）, the PRC Labour Contract Law（《中華人民共和國勞動合同法》） and other existing laws and regulations.

Koradior respects diversity and upholds human rights as the Company seeks to eliminate all forms of discrimination. The human resources management system outlines rules and practices on employment, recruitment and promotion, remunerations and benefits, training and development, codes of ethics, safety and health, compensation and dismissal, working hours and rest periods. Employment contacts were prepared pursuant to these rules and guidelines.

We do not have a specific policy granting preference to local residents from cities where we open retail outlets, we ensure no gender, religious, racial or other forms of discrimination whatsoever during our hiring processes. Furthermore, for all our employees, we provide fair and adequate opportunities in terms of job promotion and salary increment in recognising and rewarding our employees; whilst we encourage career development within our organisation by offering on-job training. Provision of mandatory provident fund, pension, medical and unemployment insurance, and a range of other welfare benefits is guaranteed in compliance with relevant labour laws.

We work to foster better employee engagement and retention, to maintain stable workforce for long-term success.

2. Occupational Health and Safety

Koradior puts employees first as it stress the overall safety and health of its employees and their work environments. Workplace health and safety policies have been developed and are customised for both retail and operational employees. We regularly conduct assessments of our policies and update our standards to ensure that they are in compliance with the relevant laws and regulations at all times.

We also track incidents in workplaces in order to identify potential problems which may jeopardise our employees' health and safety. We aspire to eliminate all hazards and accidents in workplaces as we enforce improving measures in case of incidents.

In addition, one of our initiatives to provide a comfortable and healthy work environment is that our Administration Department sends all drinking water to authorities, such as Longhua Center for Disease Control and Prevention of Shenzhen, for water quality inspection.

HUMAN CAPITAL *(Continued)*

2. Occupational Health and Safety *(Continued)*

Koradior believes emotional well-being is as important to an employee as physical health. We encourage employees to express and share their opinions on work conditions and operation practices as we value their happiness. Also, we organise cultural, social, sports activities to create a better work-life balance for our employees. We organised for our employees "The Sports Meeting 2016" where contestants compete in rounds of team-sports oriented games with offbeat and comical obstacles and challenges. Koradior Debate Arena ("老K嘴力擂台") is a competition which endorses corporate culture. The competition involves a series of debate centered around a designated topic with the employees having to convince the judge by strong and valid arguments. Such activities promote physical or mental health while stimulate creativity, communication skills and team bonding.

3. Employee Development and Training

Koradior places strong emphasis on personnel development. Koradior's human resources management system takes into account employees' long-term growth within the Group. We coordinate sufficient internal or external trainings for employees to boost their potential, such as:

1. Induction courses for new employees upon their joining;
2. 6S management training;
3. Fire safety courses;
4. Workshops on logical thinking and communication skills;
5. Seminars on emotion and stress management skills;
6. Procurement training on fabrics knowledge, etc.;
7. Logistics management training;
8. Seminars on information technology knowledge sharing;
9. Training on budgeting and costing;
10. Seminars on latest fashion trend, clothing technology, visual merchandising;
11. On-job training or seminar on customer care and product and brand knowledge;
12. Other forms of training for daily operation processes;
13. Seminars or information on latest changes on Listing Rules and corporate governance practices for directors and management

With its growing brand awareness in the global market, Koradior's diverse business environment also allows its employees to utilise their unique talents to optimize results. Therefore, Koradior adopt an "open-door" policy and we encourage communication between employees and their supervisors or the management of the Company. Based on their requests and job performances, we provide flexible career options to them to foster a better personnel development.

HUMAN CAPITAL *(Continued)*

4. Labour Standards

Koradior is in compliance with Hong Kong Employment Ordinance, Regulations on Labour Security Supervision and other applicable laws as the Group sets a high standard in protecting employees. Relevant guidelines are set out in employment contracts, internal notices and other forms of documents.

Koradiors strictly prohibits any child labour or forced labour, or any unfair treatment to our employees. We protect employees against any kind of sexual harassment or abuse of power in the workplace. We educate employees of their rights and responsibilities. We closely monitor our workplace conditions and employees' behavior. In any case of breach of conduct, we will launch detailed investigations over the matters and improve our preventive measures.

OPERATING PRACTICES

1. Supply Chain Management

Koradior endeavours to maintain a long-term and close relationships with its suppliers and working partners. Since we rely on OEM contractors to manufacture our products, we have developed a stringent procurement mechanism. We are committed to procuring products and services in a manner which is conducive to good global citizenship; therefore we only partner with suppliers who embrace high ethical business standards in terms of environmental protection, anti-corruption, employment practices and protection of intellectual property rights.

We choose our suppliers based on their business record, product quality and cost. Before selecting suppliers, we conduct due diligence on the potential suppliers. We have close communication with and monitor our suppliers to ensure that they are in compliance with applicable laws whilst honouring the terms set out in the procurement agreement. We will immediately terminate our procurement if a supplier fail to perform its responsibilities and might blacklist the supplier.

2. Product Liability

We value our customers very highly and handle issues related to its business from the perspective of its customers. We promise our customers that Koradior will always offer high-quality products, respect customers' opinions, and create comfortable shopping experience and ensure that we comply with all health and safety, advertising, landing and privacy matters relating to our products and services.

Koradior runs successful marketing campaigns to reinforce the distinctive image for its brand or sub-brands, which include running fashion show in Milan, signing up supermodel Miranda Kerr as its brand ambassador, placing advertising billboards at airports, sponsoring cover shots of renowned fashion magazine, some of the most popular TV series or movies (namely Les Interprétes or "親愛的翻譯官"), as well as partnering with famous artists and celebrities.

While such marketing initiatives contribute to rising brand recognition and stronger customer loyalty, Koradior remains true to its convictions and the quality it presents in its brand building efforts. We show genuine interest in delivering the superior products and customer service.

OPERATING PRACTICES *(Continued)*

2. Product Liability *(Continued)*

Koradior engages with customers in a range of ways including after-sales service. We invite our customers to share their opinions on our products. Complaints are especially valuable and details of complaints are promptly shared with relevant departments. Such forms of feedback help us better understand the needs of our customers and improve our product offering. For damaged products, we offer free clothing repairing and mending services, as well as returns and exchanges.

As a renowned brand, Koradior is dedicated to providing finest fashion with high quality in design and fabrics to customers. All products are sent to inspections by relevant government authorities. Besides, the Group continues to observe every detail of its sales practices and look for improvement to make sure that customers enjoy comfortable shopping experience.

3. Anti-corruption

Koradior's Board of Directors and senior management oversee the Group's corporate governance. The Group has built its reputation in the business with, amongst other qualities, its anti-corruption approaches. The Group adheres to the philosophy of integrity and eradicates corruption acts resolutely. We have a strict anti-corruption policy with our business units which are analysed for risk related to such issue, with a view to creating a corruption-free culture. The policy lays the groundwork for our expectations regarding the ethical and legal responsibilities of our staff and partners.

All executives, procurement staff and store managers are trained and boasts sufficient knowledge about our anti-corruption practices procedures. Koradior is committed to working with suppliers who operates in an honest and transparent way. In accordance with the relevant anti-corruption laws and regulations in Hong Kong and the PRC, Koradior does not accept any forms of bribes and improper payments in attempt to gain an improper advantage, including securing procurement contracts, reservation of products, and so on.

Koradior regularly carry out inspections or compliance audits to its corporate governance policy and make necessary upgrades to ensure our compliance with the relevant laws and regulations relating to bribery, extortion fraud and money laundering. For details of the Group's corporate governance structure and practices, please refer to page 24 to page 31 of this annual report.

COMMUNITY

As a responsible corporate citizen, Koradior makes an effort to give back to the community. We address social issues and communicate with local community to understand their needs. During the Period, we made contributions to the community by ways of donation, voluntary works, as well as cultural and academic programs. We donated 1,896 pairs of shoes to elementary school students in rural areas of Sichuan Province upon a 2,062-kilometre travel.

Through these initiatives, we enhance employees' awareness of caring for the community and it is essential for them to champion a good cause. We encourage them to take the lead to aid the society through participating in corporate social responsibility activities, which enables our employees to appreciate how they and the Company can benefit from helping the community and contributes to long-term growth of both the individuals and the Company.

Independent auditor's report to the shareholders of Koradior Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Koradior Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 62 to 124, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS OF OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Valuation of inventories

Refer to note 19 to the consolidated financial statements and the accounting policies on page 75.

The Key Audit Matter

Sales of inventories in the fashion industry can be volatile with consumer demand changing according to current fashion trends.

The Group typically sells or disposes of off-season inventories at a markdown from the original price to maintain the strength of the brands and make room for new season inventories in its retail stores. Accordingly, the actual future selling prices of some inventories may fall below their purchase costs.

Management consider several factors to help determine an appropriate level of inventory provisions, which include inventory ageing, the historical percentage of inventories sold at usual price levels and channels available for selling off-season inventories.

We identified the valuation of inventories as a key audit matter because of the significant judgement exercised by management in determining an appropriate level of inventory provisions which involves predicting the amounts of inventories which will be unsold at the end of each season and the markdowns necessary to sell such off-season inventories on a discounted basis through outlets and other channels in future years. Both of these factors can be inherently uncertain and could be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of inventories included the following:

- assessing whether the inventory provisions at the reporting date were calculated in a manner consistent with the Group's inventory provision policy by recalculating the inventory provisions based on the mechanisms and parameters in the Group's inventory provision policy and considering the application of the Group's inventory provision policy with reference to the requirements of the prevailing accounting standards;

- assessing, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing bracket by comparing individual items with the underlying purchase documents;

- evaluating the Group's inventory provision policy by comparing management's forecasts of the amounts of inventories which are unlikely to be sold in the foreseeable future at current prices and the corresponding forecast markdowns to the historical sales amounts and markdown data for the current and prior years provided by management;

- comparing inventory balances by season against respective balances in prior years and the movement by season against historical movements to identify inventories which are relatively slow moving; and

- enquiring of the senior members of the sales team about any expected changes in plans for markdowns or disposals of off-season inventories and comparing their representations with actual sales transactions subsequent to the reporting date.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

The engagement partner on the audit resulting in this independent auditor's report is Ng Yu Hei.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2016 (Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Revenue	4	**1,599,486**	1,284,772
Cost of sales		**(445,617)**	(338,436)
Gross profit		**1,153,869**	946,336
Other revenue	5	**20,574**	20,987
Other net loss	5	**(3,581)**	(6,665)
Selling and distribution expenses		**(789,086)**	(628,632)
Administrative and other operating expenses		**(84,771)**	(63,808)
Profit from operations		**297,005**	268,218
Finance costs	6(a)	**(3,303)**	(1,165)
Profit before taxation	6	**293,702**	267,053
Income tax	7	**(62,870)**	(63,008)
Profit for the year		**230,832**	204,045
Attributable to:			
Equity shareholders of the Company		**233,692**	204,045
Non-controlling interests		**(2,860)**	–
Profit for the year		**230,832**	204,045
Earnings per share (RMB cents)	10		
Basic		**47**	40
Diluted		**46**	40

The notes on pages 68 to 124 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 26(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016 (Expressed in Renminbi)

	2016 RMB'000	2015 RMB'000
Profit for the year	**230,832**	204,045
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")	**(2,791)**	3,681
Total comprehensive income for the year	**228,041**	207,726
Attributable to:		
Equity shareholders of the Company	**230,901**	207,726
Non-controlling interests	**(2,860)**	–
Total comprehensive income for the year	**228,041**	207,726

The notes on pages 68 to 124 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2016 (Expressed in Renminbi)

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
Non-current assets			
Property, plant and equipment	11	**134,974**	93,635
Intangible assets	12	**30,917**	–
Goodwill	13	**21,681**	–
Deposits, prepayments and other receivables	15	**36,327**	16,969
Other financial assets	16	**30,000**	20,000
Deferred tax assets	18(b)	**10,853**	3,063
		264,752	133,667
Current assets			
Inventories	19	**337,029**	261,083
Trade and other receivables	15	**260,347**	216,773
Other financial investments	17	**4,500**	–
Pledged bank deposits	20	**–**	41,890
Cash and cash equivalents	21(a)	**470,890**	436,798
		1,072,766	956,544
Current liabilities			
Bank loans	22	**142,765**	79,817
Trade and other payables	23	**199,495**	155,613
Current taxation	18(a)	**48,139**	42,352
		390,399	277,782
Net current assets		**682,367**	678,762
Total assets less current liabilities		**947,119**	812,429

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2016 (Expressed in Renminbi)

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
Non-current liabilities			
Deferred tax liabilities	18(b)	**13,807**	–
Net assets		**933,312**	812,429
Capital and reserves			
Share capital	26	**3,936**	3,997
Reserves	26	**901,611**	808,432
Total equity attributable to equity shareholders of the Company		**905,547**	812,429
Non-controlling interests		**27,765**	–
Total equity		**933,312**	812,429

Approved and authorised for issue by the board of directors on 27 March 2017.

Jin Ming
Chairman and Chief Executive Officer

Deng Shigang
Executive Director

The notes on pages 68 to 124 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016 (Expressed in Renminbi)

	Note	Share capital RMB'000 Note 26(c)(ii)	Share premium RMB'000 Note 26(d)(i)	Capital redemption reserve RMB'000 Note 26(d)(iii)	Capital reserve RMB'000 Note 26(d)(ii)	Statutory reserve RMB'000 Note 26(d)(iv)	Exchange reserve RMB'000 Note 26(d)(v)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2015		4,038	453,538	–	(23,206)	7,628	(1,185)	241,501	682,314
Changes in equity for 2015									
Profit for the year		–	–	–	–	–	–	204,045	204,045
Other comprehensive income		–	–	–	–	–	3,681	–	3,681
Total comprehensive income		–	–	–	–	–	3,681	204,045	207,726
Dividend declared in respect of the previous year	26(b)	–	–	–	–	–	–	(40,024)	(40,024)
Repurchase and cancellation of shares	26(c)(iv)	(41)	(41,053)	41	–	–	–	–	(41,053)
Equity settled share-based transactions	26(d)(ii)	–	–	–	3,466	–	–	–	3,466
Appropriation to statutory reserves	26(d)(iv)	–	–	–	–	3,242	–	(3,242)	–
Balance at 31 December 2015		3,997	412,485	41	(19,740)	10,870	2,496	402,280	812,429

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000 Note 26(c)(ii)	Share premium RMB'000 Note 26(d)(i)	Capital redemption reserve RMB'000 Note 26(d)(iii)	Capital reserve RMB'000 Note 26(d)(ii)	Statutory reserve RMB'000 Note 26(d)(iv)	Exchange reserve RMB'000 Note 26(d)(v)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests	Total
Balance at 31 December 2015 and 1 January 2016		3,997	412,485	41	(19,740)	10,870	2,496	402,280	812,429	–	812,429
Changes in equity for 2016											
Profit for the year		–	–	–	–	–	–	233,692	233,692	(2,860)	230,832
Other comprehensive income		–	–	–	–	–	(2,791)	–	(2,791)	–	(2,791)
Total comprehensive income		–	–	–	–	–	(2,791)	233,692	230,901	(2,860)	228,041
Dividend declared in respect of the previous year	26(b)	–	(64,300)	–	–	–	–	–	(64,300)	–	(64,300)
Acquisition of a subsidiary		–	–	–	–	–	–	–	–	29,625	29,625
Capital injection from non-controlling shareholders		–	–	–	–	–	–	–	–	1,000	1,000
Repurchase and cancellation of shares	26(c)(iv)	(78)	(82,074)	78	–	–	–	–	(82,074)	–	(82,074)
Share issued under share option scheme	26(c)(iii)	17	9,055	–	(1,506)	–	–	–	7,566	–	7,566
Equity settled share-based transactions	26(d)(ii)	–	–	–	1,025	–	–	–	1,025	–	1,025
Appropriation to statutory reserves	26(d)(iv)	–	–	–	–	5,180	–	(5,180)	–	–	–
Balance at 31 December 2016		3,936	275,166	119	(20,221)	16,050	(295)	630,792	905,547	27,765	933,312

The notes on pages 68 to 124 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016 (Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Cash generated from operations	21(b)	**250,053**	226,718
Income tax paid	18(a)	**(64,873)**	(46,196)
Net cash generated from operating activities		**185,180**	180,522
Investing activities			
Acquisitions of subsidiaries, net of cash acquired	28	**(63,817)**	–
Payment for the purchase of property, plant and equipment		**(29,852)**	(97,588)
(Payment for)/proceeds from other financial investments, net		**(4,500)**	34,888
Payment for purchase of other financial assets		**(10,000)**	(20,000)
Receipts of financial income from other financial investments		**4,927**	4,263
Interest received		**4,654**	4,011
Net cash used in investing activities		**(98,588)**	(74,426)
Financing activities			
Proceeds from bank loans		**195,285**	93,780
Repayment of bank loans		**(148,767)**	(63,963)
Decrease/(increase) of pledged bank deposits		**41,890**	(41,890)
Payment for repurchase of shares		**(82,074)**	(41,053)
Net proceeds from shares issued under share option scheme		**7,566**	–
Capital injection from non-controlling shareholder		**1,000**	–
Interest paid		**(3,303)**	(1,165)
Dividend paid to equity shareholders of the Company		**(64,300)**	(40,024)
Net cash used in financing activities		**(52,703)**	(94,315)
Net increase in cash and cash equivalents		**33,889**	11,781
Cash and cash equivalents at 1 January		**436,798**	427,868
Effect of foreign exchange rate changes		**203**	(2,851)
Cash and cash equivalents at 31 December	21(a)	**470,890**	436,798

The notes on pages 68 to 124 form part of these financial statements.

1 GENERAL INFORMATION

Koradior Holdings Limited (the "Company") was incorporated in the Cayman Islands on 23 March 2012 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 Company and its subsidiaries hereinafter are collectively referred to as the "Group".

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 27 June 2014.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRSs), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and Interpretations issued by the International Accounting Standards Board (IASB). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance, and applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are discussed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries.

These consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, except when otherwise indicated.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)(ii)).

(e) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred. Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(r)(i). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(r)(i).

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Business combinations and goodwill *(Continued)*

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(j)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Available-for-sale investments

Available-for-sale investments are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs.

At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(j)(i)). Dividend income from available-for-sale investments are recognised in profit or loss in accordance with the policies set out in note 2(s)(iii).

When the investments are derecognised or impaired (see note 2(j)(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment *(Continued)*

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.

– Leasehold improvements	Shorter of 1 – 5 years or remaining term of the lease
– Motor vehicles	5 years
– Furniture, fixtures and equipment	3 – 10 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see note 2(j)(ii)). Amortisation of intangible assets is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets are amortised from the date they are available for use and their estimated useful lives are as follows:

– Customer relationships	10 years
– Trademarks	5 years

Both the period and method of amortisation are reviewed annually.

(i) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. For a component of the lease payment which is not fixed but is based on future amount of a factor, other than the passage of time, such as percentage of sales, the amount is recognised as expenses as it arises.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets

(i) Impairment of available-for-sale investments and trade and other receivables

Investments in equity securities and receivables that are stated at cost or amortised cost or are classified as available-for-sale investments are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For current and non-current trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of available-for-sale investments and trade and other receivables (Continued)

– For available-for-sale investments, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity investments are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets;

– goodwill; and

– investment in a subsidiary in the Company's statement of financial position

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(j)(i)).

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in Mainland China and Hong Kong are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits *(Continued)*

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into accounts the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share premium account) or the option expires (when it is released directly to retained earnings).

Share-based payment transactions in which the Company grants share options to subsidiaries' employees are accounted for as an increase in value of investment in a subsidiary in the Company's statement of financial position which is eliminated on consolidation.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(r)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(r)(ii).

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

The Group operates a chain of retail stores and several online stores to sell womenswear. The Group also conducts wholesale to distributors. Sales of goods are recognised when the goods are delivered, that is when the customer has accepted the related risks and rewards of ownership. Experience is used to estimate and provide for sales returns at the time of sale. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts and sale returns.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Unconditional discretionary government grants from the local municipal government authorities are recognised in the profit or loss as other revenue when the amount is received.

(t) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The functional currency of the Company and its subsidiaries outside Mainland China is Hong Kong Dollars and the functional currency of the subsidiaries in Mainland China is RMB.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Translation of foreign currencies *(Continued)*

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside Mainland China are translated into RMB at the average exchange rates for the year which approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill, are translated into RMB at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation outside Mainland China, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(v) Research and development expenditure

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group operates in a single business, retailing and wholesale of womenswear in the PRC. Accordingly, no segmental analysis is presented.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 2. Note 18 and 25 contain information about the assumptions and their risk factors relating to recognition of deferred tax liabilities in respect of undistributed profits of the Group's subsidiaries in the PRC and fair value of share options granted. Apart from these, the Group believes the following critical accounting policy involve the most significant judgements and estimates used in the preparation of the financial statements.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates at the end of the reporting period.

4 REVENUE

The principal activities of the Group are design, retail and wholesale of womenswear in the PRC.

The Group operates a chain of retail stores and several online stores to sell womenswear. The Group also conducts wholesale to distributors. Revenue represents the sales value of goods sold, excluding VAT and other sales taxes, less sales returns and trading discounts.

The Group's customer base is diversified and no single external customer contributed 10% or more of the Group's total revenue during the years ended 31 December 2016 and 2015.

5 OTHER REVENUE AND OTHER NET LOSS

(a) Other revenue:

	2016 RMB'000	2015 RMB'000
Interest income	**4,654**	4,011
Financial income from other financial investments	**4,927**	9,151
Government grants (note)	**10,878**	7,793
Others	**115**	32
	20,574	20,987

Note: Government grants represented cash subsidies received from local government authorities, of which the entitlements were unconditional and under the discretion of the relevant authorities.

(b) Other net loss:

	2016 RMB'000	2015 RMB'000
Net foreign exchange loss	**(3,350)**	(6,531)
Others	**(231)**	(134)
	(3,581)	(6,665)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2016 RMB'000	2015 RMB'000
(a)	**Finance costs:**		
	Interest on bank loans	3,303	1,165
(b)	**Staff costs:**		
	Contributions to defined contribution retirement plans (note 24)	11,833	8,035
	Equity settled share-based payment expenses (note 25)	1,025	3,466
	Salaries, wages and other benefits	224,889	169,684
		237,747	181,185
(c)	**Other items:**		
	Depreciation (note 11)	43,221	39,894
	Amortisation of intangible assets (note 12)	2,487	–
	Auditor's remuneration	2,300	2,300
	Operating lease charges		
	– minimum lease payments	73,406	47,233
	– contingent rentals	371,773	305,685
	Loss on disposal of property, plant and equipment	422	–
	Cost of inventories (note 19)	445,617	338,436
	Research and development costs (note)	25,085	19,560

Note: Research and development costs include staff costs of employees in the design and product development department of RMB13,788,000 for the year ended 31 December 2016 (2015: RMB12,464,000), which are included in the staff costs as disclosed in note 6(b).

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2016 RMB'000	2015 RMB'000
Current tax- Hong Kong Profits Tax		
Provision for the year	**1,597**	950
Over provision in respect of prior years	**(312)**	(89)
	1,285	861
Current tax- PRC Corporate Income Tax		
Provision for the year	**73,483**	64,328
Over provision in respect of prior years	**(4,108)**	–
	70,660	65,189
Deferred tax		
Origination and reversal of temporary differences (note 18(b))	**(7,790)**	(2,181)
	62,870	63,008

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands or the BVI.

(ii) The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong Special Administrative Region Government of 75% of the tax payable for the year of assessment 2015-16 subject to a maximum reduction of HK$20,000 for each business (2015: a maximum reduction of HK$20,000 was granted for the year of assessment 2014-15 and was taken into account in calculating the provision for 2015).

(iii) Pursuant to PRC Corporate Income Tax Law ("CIT Law"), the applicable Corporate Income Tax rate for the Group's subsidiaries in Mainland China for the year ended 31 December 2016 were 25% (2015: 25%) except for Dongfang Susu Creativity and Design (Shenzhen) Co., Ltd. ("Dongfang Susu"), which is entitled to a reduced Corporate Income Tax rate of 15% (2015:15%) under the preferential tax policy of Shenzhen-Hong Kong Modern Service Industry Cooperation Zone.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

(a) Income tax in the consolidated statement of profit or loss represents: *(Continued)*

Notes: *(Continued)*

(iv) The PRC CIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise directly. As all of the Group's foreign-invested enterprises are directly and wholly owned by a Hong Kong incorporated subsidiary, a reduced rate of 5% is applicable in the calculation of this withholding tax.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2016 **RMB'000**	2015 RMB'000
Profit before taxation	**293,702**	267,053
Notional tax on profit before taxation, calculated at the applicable tax rates applicable to the respective tax jurisdictions	**66,593**	61,564
Tax effect of non-taxable income	**(353)**	(437)
Tax effect of non-deductible expenses	**442**	1,986
Statutory tax concession	**(16)**	(16)
Over provision in respect of prior years	**(4,420)**	(89)
Tax effect of unused tax losses not recognised	**624**	–
Actual tax expense	**62,870**	63,008

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

Year ended 31 December 2016

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Equity settled share-based payments (note 3) RMB'000	Total RMB'000
Chairman						
Mr. Jin Ming	–	865	25	–	–	890
Executive directors						
Ms. He Hongmei	–	878	25	–	139	1,042
Mr. Deng Shigang	–	613	23	–	139	775
Non-executive Director						
Mr. Yang Weiqiang (note 1)	143	–	–	–	–	143
Independent non-executive directors						
Dr. Wong Wai Kong	171	–	–	–	–	171
Mr. Hung Man Sing (note 2)	59	–	–	–	–	59
Mr. Zhong Ming	171	–	–	–	–	171
Mr. Zhou Xiaoyu (note 2)	86	–	–	–	–	86
Total	630	2,356	73	–	278	3,337

8 DIRECTORS' EMOLUMENTS *(Continued)*

Year ended 31 December 2015

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Equity settled share-based payments (note 3) RMB'000	Total RMB'000
Chairman						
Mr. Jin Ming	–	981	25	–	–	1,006
Executive directors						
Ms. He Hongmei	–	890	25	–	352	1,267
Mr. Deng Shigang	–	639	23	–	352	1,014
Independent non-executive directors						
Dr. Wong Wai Kong	161	–	–	–	–	161
Mr. Hung Man Sing	161	–	–	–	–	161
Mr. Zhong Ming	161	–	–	–	–	161
Total	483	2,510	73	–	704	3,770

Note 1 Mr. Yang Weiqiang was appointed as a non-executive director of the Company on 1 March 2016.

Note 2 Mr. Hung Man Sing has passed away on 4 May 2016 and Mr. Zhou Xiaoyu was appointed as an independent non-executive directors of the Company on 30 June 2016 to fill the vacancy of Mr. Hung Man Sing.

Note 3 These represent the estimated value of share options granted to the directors under the Group's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(p)(ii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 25.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2015: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining two (2015: two) individuals are as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other emoluments	656	689
Retirement scheme contributions	40	39
Equity settled share-based payments	–	–
	696	728

The emoluments of the two (2015: two) individual with the highest emoluments are within the following bands:

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

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB233,692,000 (2015: RMB204,045,000) and the weighted average of 502,306,644 ordinary shares (2015: 506,620,526 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016	2015
Issued ordinary shares at 1 January	**502,034,000**	506,948,000
Effect of share repurchased (note 26(c)(iv))	**(1,426,266)**	(327,474)
Effect of share options exercised (note 26(c)(iii))	**1,698,910**	–
Weighted average number of ordinary shares at 31 December	**502,306,644**	506,620,526

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB233,692,000 (2015: RMB204,045,000) and the weighted average number of ordinary shares of 507,318,217 shares (2015: 512,028,022 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016	2015
Weighted average number of ordinary shares at 31 December	**502,306,644**	506,620,526
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 25)	**5,011,573**	5,407,496
Weighted average number of ordinary shares (diluted) at 31 December	**507,318,217**	512,028,022

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings situated on leasehold land RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
Cost:					
At 1 January 2015	22,728	71,153	4,428	6,912	105,221
Additions	42,113	50,653	278	1,903	94,947
Disposals	–	(3,802)	–	–	(3,802)
At 31 December 2015 and 1 January 2016	64,841	118,004	4,706	8,815	196,366
Additions	11,576	37,436	104	2,430	51,546
Acquisitions through business combination	28,848	2,372	–	2,216	33,436
Disposals	–	(11,339)	(615)	(644)	(12,598)
At 31 December 2016	105,265	146,473	4,195	12,817	268,750
Accumulated depreciation:					
At 1 January 2015	4,927	55,044	3,327	3,341	66,639
Charge for the year	3,137	35,024	491	1,242	39,894
Written back on disposals	–	(3,802)	–	–	(3,802)
At 31 December 2015 and 1 January 2016	8,064	86,266	3,818	4,583	102,731
Charge for the year	4,900	35,768	318	2,235	43,221
Written back on disposals	–	(11,339)	(193)	(644)	(12,176)
At 31 December 2016	12,964	110,695	3,943	6,174	133,776
Net book value:					
At 31 December 2016	92,301	35,778	252	6,643	134,974
At 31 December 2015	56,777	31,738	888	4,232	93,635

The buildings held for own use are located in the PRC under medium-term leases.

12 INTANGIBLE ASSETS

	Customer relationships RMB'000	Trademarks RMB'000	Total RMB'000
Cost:			
At 1 January 2015 and 31 December 2015 and 1 January 2016	–	–	–
Acquisitions through a business combination	17,068	16,336	33,404
At 31 December 2016	17,068	16,336	33,404
Accumulated amortisation:			
At 1 January 2015 and 31 December 2015 and 1 January 2016	–	–	–
Charge for the year	853	1,634	2,487
At 31 December 2016	853	1,634	2,487
Net book value:			
At 31 December 2016	16,215	14,702	30,917
At 31 December 2015	–	–	–

13 GOODWILL

Goodwill is allocated to the Group's newly acquired business of Shenzhen Mondial Industrial Co. Ltd. ("Shenzhen Mondial"), which is engaged in the design, manufacturing and sale of high-end ladies wear in the PRC under the brand name of "CADIDL".

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3%. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 11%. The discount rates used are pre-tax and reflect specific risks relating to the relevant business.

Based on the results of impairment test conducted by the management, no impairment loss on goodwill has been recognised during the year ended 31 December 2016.

14 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of Incorporation/ establishment and business	Particulars of issued/ paid up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Fiona Kim Investments Limited ("Fiona Kim")	BVI	50,000 shares of US$1 each	100%	100%	–	Investment holding
La Kora International Limited ("La Kora International")	Hong Kong	HK$10,000	100%	–	100%	Trademark holding and brand promotion
La Kordi Fashion (Shenzhen) Co., Ltd. * ("La Kordi Fashion") (拉珂帝服飾(深圳)有限公司)	PRC	HK$400,000,000	100%	–	100%	Trading of womenswear
Shenzhen Koradior Fashion Co., Ltd.* ("Shenzhen Koradior") (深圳市珂萊蒂爾服飾有限公司)	PRC	RMB15,000,000	100%	–	100%	Trading of womenswear
Dongfang Susu* (東方素素創意設計(深圳)有限公司)	PRC	HK$5,000,000	100%	–	100%	Fashion creativity and design
Shenzhen Mondial */**** (深圳市蒙黛爾實業有限公司)	PRC	RMB30,000,000	65%	–	65%	Manufacturing and trading of womenswear
Century Gold International Limited (創金國際有限公司)	Hong Kong	HK$1	100%	–	100%	Investment holding
Main Grand International Limited (萬安國際有限公司)	Hong Kong	HK$1	100%	–	100%	Investment holding
Shanghai La Kodior Brand Management Limited*/** ("Shanghai La Kodior") (上海拉珂蒂爾品牌管理有限公司)	PRC	RMB50,000,000/ RMB10,000,000	90%	–	90%	Brand promotion and trading of womenswear
Shenzhen De Kora Technology Development Limited* (深圳市迪珂萊科技開發有限公司)	PRC	RMB5,000,000/ RMB nil	100%	–	100%	Fashion creativity and design
Shenzhen Jin Yuexin Investment and Development Company Limited*/*** ("Shenzhen Jin Yuexin") (深圳市金悦鑫投資發展有限公司)	PRC	RMB2,000,000	100%	–	100%	Investment holding

14 INVESTMENT IN SUBSIDIARIES *(Continued)*

* The English translation of the companies' names is for reference only. The official names of these companies are in Chinese.

** Shanghai La Kodior was established on 15 August 2016 and the Group held 90% of the equity interest in Shanghai La Kodior as at 31 December 2016. In January 2017, Shanghai La Kodior changed its official name to Shanghai Kody Brand Management Limited（上海珂蒂品牌管理有限公司）.

*** Shenzhen Jin Yuexin was a wholly-owned subsidiary acquired by the Group on 11 January 2016.

**** The following table lists out the information relating to Shenzhen Mondial, which has a material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination:

	Shenzhen Mondial **2016** (Note) RMB'000
NCI percentage	35%
Current assets	118,349
Non-current assets	43,254
Current liabilities	(71,130)
Non-current liabilities	(13,648)
Net assets	**76,825**
Carrying amount of NCI	**26,889**
Revenue	70,906
Loss for the period	(7,820)
Total comprehensive income	(7,820)
Loss allocated to NCI	(2,737)
Dividend paid to NCI	–
Cash flows generated from operating activities	6,933
Cash flows used in financing activities	(5,920)
Cash flows used in investing activities	(1,396)

Note Shenzhen Mondial was acquired by the Group during 2016 and therefore no comparative figures are presented.

15 TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables (note (a))	**208,726**	175,731
Deposits and prepayments	**54,394**	55,737
Other receivables	**33,554**	2,274
	296,674	233,742
Less: Non-current deposits, prepayments and other receivables	**(36,327)**	(16,969)
	260,347	216,773

All of the trade and other receivables included in current assets are expected to be recovered or recognised as expense within one year.

Non-current deposits, prepayments and other receivables were included in other non-current assets and represented rental deposits paid to department stores and shopping malls for leases that expire twelve months after the year end date, prepayments for purchases of properties and advances to staff that are not expected to be recovered within next twelve months.

(a) Ageing analysis

Majority of the trade receivables are related to sales made through the Group's self-operated stores. The Group leased a number of retail stores within department stores and shopping malls in the mainland of the PRC. Proceeds from the Group's sales made in these leased retail stores are mainly collected by the department stores and the shopping malls on the Group's behalf. Following the completion of the reconciliation of the sales in the past month with the department store and shopping mall, the Group then issues invoices, which generally fall within 30 days from the date of revenue recognition. Settlement in respect of these concession sales is made net of the lease rental payable to the department stores and the shopping malls and is generally expected within 60 days from the date of revenue recognition.

15 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis *(Continued)*

As of the end of the reporting period, the ageing analysis of trade receivables and bills receivable (which are included in trade and other receivables), based on date of revenue recognition, is as follows:

	2016 RMB'000	2015 RMB'000
Within 1 month	**151,245**	112,407
1 to 2 months	**42,551**	45,196
2 to 3 months	**9,576**	12,008
Over 3 months	**5,354**	6,120
	208,726	175,731

(b) Trade receivables and bills receivable that are not impaired

The ageing analysis of trade receivables and bills receivable that are neither individually nor collectively considered to be impaired is as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**193,796**	157,603
Less than 1 month past due	**9,576**	12,008
1 to 3 months past due	**3,673**	5,293
Over 3 months past due	**1,681**	827
	14,930	18,128
	208,726	175,731

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers including wholesalers and owners of department stores and shopping malls that have a good track record with the Group. Based on experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

16 OTHER FINANCIAL ASSETS

Other non-current financial assets represent available-for-sale investments in equity interests of Qianhai Ruilin Investment Management Co., L.P. 深圳前海瑞霖投資管理企業有限合夥 ("Qianhai Ruilin"), an unlisted entity established in the PRC, which are stated at cost less impairment losses.

Qianhai Ruilin is a limited partnership in which the Group has 27.27% interest in its equity. Qianhai Ruilin is an investment vehicle structured for the purpose of investing in the equity interests in an unlisted entity which is principally engaged in tailor-made mid-end and high-end wears in Qingdao, the PRC ("Garment Co."). As at 31 December 2016, Qianhai Ruilin had net assets of RMB104,589,000, including RMB100,000,000 investment in Garment Co.

17 OTHER FINANCIAL INVESTMENTS

Other financial investments represent investments in a wealth management product issued by a commercial bank in the PRC with no guarantee on its principal and returns. The Group also has the right to request the bank to redeem the wealth management product at a weekly time intervals..

18 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2016	2015
	RMB'000	RMB'000
Balance at the beginning of the year	**42,352**	23,359
Provision for income tax for the year (note 7(a))	**70,660**	65,189
Paid during the year	**(64,873)**	(46,196)
Balance at the end of the year	**48,139**	42,352

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year is as follows:

	Total
	RMB'000
Deferred tax assets:	
At 1 January 2015	882
Credited to consolidated statement of profit or loss (note7(a))	2,181
At 31 December 2015 and 1 January 2016	3,063
Credited to consolidated statement of profit or loss (note 7(a))	7,790
At 31 December 2016	10,853

18 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

	Fair value adjustment on property, plant and equipment arising from business combinations RMB'000	Fair value adjustment on intangible assets arising from business combinations RMB'000	Fair value adjustment on inventories arising from business combinations RMB'000	Total RMB'000
Deferred tax liabilities:				
At 1 January 2015 and 31 December 2015 and 1 January 2016	–	–	–	–
Business combination	(159)	(7,729)	(5,919)	(13,807)
At 31 December 2016	(159)	(7,729)	(5,919)	(13,807)

(c) Deferred tax liabilities not recognised

(i) Undistributed profits

As at 31 December 2016, deferred tax liabilities of RMB31,939,000 (2015: RMB22,500,000) in respect of the PRC dividend withholding tax relating to the undistributed profits of the Company's PRC subsidiaries were not recognised as the Company controls the dividend policy of these subsidiaries. Based on the assessment made by management as at the end of each reporting period, it was determined that the undistributed profits of RMB638,777,000 (2015: RMB449,995,000) of the Company's PRC subsidiaries would not be distributed in the foreseeable future.

(ii) Tax losses

In accordance with the accounting policy set out in note 2(q), the Group has not recognised deferred tax assets of RMB624,000 (2015: nil) in respect of cumulative tax losses of RMB2,496,000 at 31 December 2016 (2015: nil) as it is not probable that the foreseeable future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The unrecognised tax losses are losses that can be carried forward for 5 years from the year in which the respective loss arose.

19 INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**36,130**	24,274
Work in progress	**3,605**	2,188
Finished goods	**297,294**	234,621
	337,029	261,083

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2016 RMB'000	2015 RMB'000
Cost of inventories sold	**441,734**	329,713
Write down of inventories	**3,883**	8,723
	445,617	338,436

20 PLEDGED BANK DEPOSITS

At 31 December 2015, pledged bank deposits have been pledged as security for certain bank loans (note 22). The pledged bank deposits was released during current year.

21 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2016 RMB'000	2015 RMB'000
Deposits with banks within three months to maturity when placed	**–**	40,490
Cash at bank and on hand	**470,890**	396,308
	470,890	436,798

As at 31 December 2016, cash and cash equivalents placed with banks in the mainland of the PRC amounted to RMB431,286,000 (2015: RMB383,273,000). Remittance of funds out of the mainland of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

21 CASH AND CASH EQUIVALENTS *(Continued)*

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2016 RMB'000	2015 RMB'000
Profit before taxation		**293,702**	267,053
Adjustments for:			
Depreciation	6(c)	**43,221**	39,894
Amortisation of intangible assets	6(c)	**2,487**	–
Loss of disposal of property, plant and equipment		**422**	–
Interest expense	6(a)	**3,303**	1,165
Interest income	5	**(4,654)**	(4,011)
Financial income from other financial investments	5	**(4,927)**	(9,151)
Gain on a bargain purchase	28(b)	**(30)**	–
Foreign exchange loss	5	**3,350**	6,531
Equity settled share-based transactions	25	**1,025**	3,466
Changes in working capital:			
Decrease/(increase) in inventories		**13,916**	(60,817)
Increase in trade and other receivables		**(52,947)**	(30,413)
(Decrease)/Increase in trade and other payables		**(48,939)**	9,952
Increase in receipts in advance		**124**	3,049
Cash generated from operations		**250,053**	226,718

22 BANK LOANS

The analysis of the carrying amount of bank loans is as follows:

	2016 RMB'000	2015 RMB'000
Bank loans due for repayment within 1 year	26,480	10,000
Current portion of term loans due for repayment within 1 year	101,377	27,927
Non-current portion of term loans due for repayment after 1 year which contain a repayment on demand clause:		
After 1 year but within 2 years	14,908	27,927
After 2 years but within 5 years	–	13,963
	116,285	69,817
	142,765	79,817

As at the end of reporting period, the bank loans were secured as follows:

	2016 RMB'000	2015 RMB'000
Secured	–	69,817
Unsecured	142,765	10,000
	142,765	79,817

As at 31 December 2016, all of the banking facilities of the Group are guaranteed by the Company. At 31 December 2015, certain bank facilities of the Group were secured by pledged bank deposits of HK$50,000,000 (equivalent to RMB41,890,000).

Certain of the banking facilities are subject to the fulfilment of covenants relating to certain subsidiary's financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 27(b). As at 31 December 2016, none of the covenants relating to drawn down facilities had been breached (2015: nil).

23 TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables		
– third parties	**35,210**	47,473
– a related party (note 30(a))	**8,625**	13,231
Trade payables (note (a))	**43,835**	60,704
Receipts in advance	**32,873**	17,287
Staff costs payables	**26,194**	19,575
VAT and other tax payables	**57,443**	45,253
Other payables	**39,150**	12,794
	199,495	155,613

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

(a) An ageing analysis of the trade payables based on the invoice date is as follows:

	2016 RMB'000	2015 RMB'000
Within 1 month	**30,223**	44,255
1 to 2 months	**6,063**	4,949
2 to 3 months	**440**	4,679
Over 3 months	**7,109**	6,821
	43,835	60,704

24 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions at the rate of 10% to 20% (2015: 10% to 20%) of the eligible employees' salaries to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

25 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme, which was adopted on 6 June 2014, whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. On 10 July 2014, 10,000,000 share options were granted to certain directors and employees of the Group to subscribe for shares of the Company at an exercise price of HK$4.42 per share. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(a) The terms and conditions of the grants are as follows:

Date granted	Number of share options granted Directors	Employees	Total	Vesting period	Contractual life of options
10 July 2014	250,000	2,250,000	2,500,000	10 July 2014 to 9 July 2015	8 years
	250,000	2,250,000	2,500,000	10 July 2014 to 31 December 2015	8 years
	250,000	2,250,000	2,500,000	10 July 2014 to 31 December 2016	8 years
	250,000	2,250,000	2,500,000	10 July 2014 to 31 December 2017	8 years
	1,000,000	9,000,000	10,000,000		

25 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(b) The number and weighted average exercise prices of share options are as follows:

	2016 Weighted average exercise price	**2016** Number of options	2015 Weighted average exercise price	2015 Number of options
Outstanding at the beginning of the year	**HK$4.42**	**10,000,000**	HK$4.42	10,000,000
Exercised during the period	**HK$4.42**	**(2,040,000)**	–	–
Outstanding at the end of the year	**HK$4.42**	**7,960,000**	HK$4.42	10,000,000

As at 31 December 2016, 7,500,000 share options became exercisable (2015: 5,000,000 share options), among which 2,040,000 share options have been exercised during the year ended 31 December 2016 (2015: nil).

The weighted average share price at the date of the exercise for share options exercised during the year was HK$12.07 (2015: not applicable).

The options outstanding as at 31 December 2016 had an exercise price of HK$4.42 (2015: HK$4.42) and a weighted average remaining contractual life of 5.5 years (2015: 6.5 years).

26 CAPITAL, RESERVES AND DIVIDEND

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital RMB'000 Note 26(c)(ii)	Share premium RMB'000 Note 26(d)(i)	Capital redemption reserve RMB'000 Note 26(d)(iii)	Capital reserve RMB'000 Note 26(d)(ii)	Exchange reserve RMB'000 Note 27(d)(v)	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2015		4,038	453,538	–	1,949	(2,509)	(25,328)	431,688
Changes in equity for 2015:								
Loss for the year		–	–	–	–	–	(1,517)	(1,517)
Other comprehensive income for the year		–	–	–	–	23,630	–	23,630
Total comprehensive income for the year		–	–	–	–	23,630	(1,517)	22,113
Dividend declared in respect of the previous year	26(b)	–	–	–	–	–	(40,024)	(40,024)
Equity settled share-based transactions	26(d)(ii)	–	–	–	3,466	–	–	3,466
Repurchase and cancellation of shares	26(c)(iv)	(41)	(41,053)	41	–	–	–	(41,053)
As at 31 December 2015 and 1 January 2016		3,997	412,485	41	5,415	21,121	(66,869)	376,190
Changes in equity for 2016:								
Loss for the year		–	–	–	–	–	(1,234)	(1,234)
Other comprehensive income for the year		–	–	–	–	20,860	–	20,860
Total comprehensive income for the year		–	–	–	–	20,860	(1,234)	19,626
Dividend declared in respect of the previous year	26(b)	–	(64,300)	–	–	–	–	(64,300)
Share issued under share option scheme	26(c)(iii)	17	9,055	–	(1,506)	–	–	7,566
Equity settled share-based transactions	26(d)(ii)	–	–	–	1,025	–	–	1,025
Repurchase and cancellation of shares	26(c)(iv)	(78)	(82,074)	78	–	–	–	(82,074)
As at 31 December 2016		3,936	275,166	119	4,934	41,981	(68,103)	258,033

26 CAPITAL, RESERVES AND DIVIDEND *(Continued)*

(b) Dividends

The board has resolved not to declare any dividend to the equity shareholder of the Company in respect of the year ended 31 December 2016.

On 29 March 2016, the Company declared a final dividend attributable to the year ended 31 December 2015 of HK$0.15 per share to those shareholders of the Company whose names appear on the register of members of the Company on 31 May 2016. The dividend amounting to HK$75,611,000 (equivalent to RMB64,300,000) was fully paid on 15 June 2016.

On 26 March 2015, the Company declared a final dividend attributable to the year ended 31 December 2014 of HK$0.1 per share to those shareholders of the Company whose names appear on the register of members of the Company on 26 May 2015. The dividend amounting to HK$50,695,000 (equivalent to RMB40,024,000) was fully paid on 8 June 2015.

(c) Share capital

(i) Authorised share capital

Ordinary shares of HK$0.01 each	No. of shares ('000)	HK$'000	RMB'000
As at 31 December 2015 and 2016	1,500,000	15,000	11,948

(ii) Issued share capital

	2016 No. of shares **('000)**	**2016 RMB'000**	2015 No. of shares ('000)	2015 RMB'000
Ordinary shares, issued and fully paid				
At 1 January	**502,034**	**3,997**	506,948	4,038
Shares issued under share option scheme (26(c)(iii))	**2,040**	**17**	–	–
Repurchase and cancellation of shares (26(c)(iv))	**(8,954)**	**(78)**	(4,914)	(41)
At 31 December	**495,120**	**3,936**	502,034	3,997

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

26 CAPITAL, RESERVES AND DIVIDEND *(Continued)*

(c) Share capital *(Continued)*

(iii) Share exercised under share option scheme

On January 2016 and April 2016, options were exercised to subscribe for a total of 2,040,000 ordinary shares in the Company at a consideration of RMB7,566,000, of which RMB17,000 were credited to share capital and RMB7,549,000 were credited to the share premium accounts. The amount of RMB1,506,000 was transferred from the capital reserve to the share premium account in accordance with policy set out in note 2(p)(ii).

(iv) Repurchase and cancellation of shares

During the year, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchase	Highest price paid per share	Lowest price paid per share	Aggregate price paid	
					Equivalent in
		HK$	HK$	HK$'000	RMB'000
August 2016	598,000	10.24	10.06	6,055	5,198
September 2016	4,409,000	11.60	10.10	48,791	42,398
November 2016	3,947,000	9.99	9.40	38,871	34,478
	8,954,000			93,717	82,074

At 31 December 2016, all of the 8,954,000 repurchased ordinary shares have been cancelled and the related issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(3) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of HK$89,540 (equivalent to approximately RMB78,000) was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of shares of HK$93,627,000 (equivalent to approximately RMB81,996,000) was charged to the share premium.

26 CAPITAL, RESERVES AND DIVIDEND *(Continued)*

(d) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital reserve

The capital reserves comprise the following:

- On 15 November 2012, La Kordi Fashion acquired 100% equity interest in Shenzhen Koradior from Shenzhen Jinhexin, a company under the control of a Controlling Shareholder for a consideration of RMB40,155,000. The difference of RMB25,155,000 between the consideration and the paid up capital of Shenzhen Koradior was recorded as a capital reserve; and

- the portion of the grant date fair value of share options granted to employees of the Company that has been in accordance with the accounting policy adopted for share-based payments in note 2(p)(ii) remained unexercised as at 31 December 2016 of RMB4,934,000 (2015: RMB5,415,000).

(iii) Capital redemption reserve

Capital redemption reserve represents the nominal amount of the shares repurchased.

(iv) Statutory reserve

As stipulated by regulations in the PRC, the Company's subsidiaries established and operated in the mainland of the PRC are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of profits to parent companies.

The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(v) Exchange reserve

Exchange reserves comprise all foreign exchange differences arising from the translation of financial statements of operations outside the mainland of the PRC which are dealt with in accordance with the accounting policies as set out in note 2(t).

26 CAPITAL, RESERVES AND DIVIDEND *(Continued)*

(e) Distributability of reserves

At 31 December 2016, the aggregate amount of reserves available for distribution to shareholders of the Company was RMB254,097,000 (2015: RMB372,193,000).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, as at 31 December 2016 and 2015 were 30% and 25%, respectively.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to deposits with banks, trade and other receivables and non-current rental deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(i) Deposit with banks

The Group mitigates its exposure to credit risk by placing deposit with financial institutions with established credit rating. Given the high credit rating of the banks, management does not expect any counterparty to fail to meet its obligations.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(ii) Trade and other receivables

The Group's trade and other receivables primarily comprise of amounts receivable from the owners of department stores and shopping malls in the PRC with no recent history of material defaults. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each department stores and shopping malls. The Group has worked with a large number of department stores and shopping malls and there is no significant concentration of credit risk. The Group performed credit evaluation which focus on the customer's past history of making payments and current ability to pay. The Group does not obtain collateral from customers. The Group did not incur significant bad debts losses during the year.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 15.

(iii) Non-current rental deposits

Non-current rental deposits were paid to owners of department stores and shopping malls. The Board of Directors consider that the amounts are fully recoverable considering their creditworthiness.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the management and directors when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

For term loans subject to repayment on demand clauses which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	At 31 December 2016 Contractual undiscounted cash outflow				
	On demand RMB'000	Within 1 year RMB'000	More than one year but less than two years RMB'000	Total RMB'000	Carrying amount RMB'000
Term loans subject to a repayment on demand clause: scheduled repayments	–	103,307	15,006	118,313	116,285
Other bank loans	–	27,256	–	27,256	26,480
Trade and other payables (excluded receipts in advance)	–	166,622	–	166,622	166,622
	–	297,185	15,006	312,191	309,387
Adjustment to disclose cash flows on term loans based on lender's right to demand repayment	116,285	(103,307)	(15,006)	(2,028)	
	116,285	193,878	–	310,163	

	At 31 December 2015 Contractual undiscounted cash outflow					
	On demand RMB'000	Within 1 year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total RMB'000	Carrying amount RMB'000
Term loans subject to a repayment on demand clause: scheduled repayments	–	28,917	28,437	14,033	71,387	69,817
Other bank loans	–	10,112	–	–	10,112	10,000
Trade and other payables (excluded receipts in advance)	–	138,326	–	–	138,326	138,326
	–	177,355	28,437	14,033	219,825	218,143
Adjustment to disclose cash flows on term loans based on lender's right to demand repayment	69,817	(28,917)	(28,437)	(14,033)	(1,570)	
	69,817	148,438	–	–	218,255	

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group normally borrows short-term bank loans which have short-term maturity within one year in order to limit its exposure to interest rate risk. The Group's interest rate profiles as monitored by management is set out in (i) below.

(i) The following table details the interest rate profile of the Group's borrowings at the end of reporting period:

	At 31 December			
	2016		2015	
	Effective interest rate	**Amount RMB'000**	Effective interest rate	Amount RMB'000
Variable rate borrowings:				
Bank loans	**1.64% ~ 4.79%**	**136,285**	1.72% ~ 5.06%	79,817

(ii) *Sensitivity analysis*

As at 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decrease/increase the Group's profit after tax for the year and retained earnings by approximately RMB1,236,000 (2015: RMB658,000). Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the impact on the Group's profit for the year and retained earnings that would arise assuming that there is an annualised impact on interest expense by a change in interest rates. The analysis has been performed on the same basis for 2015.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in RMB)			
	2016		2015	
	RMB	**HK$**	RMB	HK$
	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade and other receivables	**–**	**–**	46,381	–
Cash and cash equivalents	**11,687**	**4,477**	42,596	20,177
Pledged bank deposits	**–**	**–**	41,890	–
Trade and other payables	**(54,209)**	**–**	(14,699)	–
Total exposure	**(42,522)**	**4,477**	116,168	20,177

(ii) Sensitivity analysis

At 31 December 2016, it is estimated that a general increase/decrease of one percent in foreign exchange rates of RMB against HK$, with all other variables held constant, would have decreased/increased the Group's net profit for the year and retained profits by approximately RMB389,000 (2015: increase of RMB814,000).

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and retained earnings measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2015.

(e) Fair value

The Group's financial assets are carried at amounts not materially different from their fair values as at 31 December 2016 and 2015.

28 ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of Shenzhen Mondial

On 13 July 2016, La Kora International Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with independent third parties to acquire 65% of the equity interests of Shenzhen Mondial, a company principally engaged in the design, manufacturing and sale of high-end ladies wear in the PRC, for a total cash consideration of HK$90,200,000 (equivalent to RMB76,700,000).

The fair values of the identifiable assets and liabilities of Shenzhen Mondial as at the date of acquisition were as follows:

	RMB'000
Cash and cash equivalents	4,834
Trade receivables, prepayments and deposits	31,298
Inventories	89,862
Property, plant and equipment	4,588
Intangible assets	33,404
Trade and other payables	(53,988)
Deferred tax liabilities	(13,648)
Bank loans and other borrowings	(11,706)
Fair value of net identifiable assets	84,644
Group's effective interest	65%
Fair value of net identifiable assets acquired	55,019
Goodwill	21,681
Consideration	76,700
An analysis of the cashflows in respect of the acquisition of Shenzhen Mondial is as follows:	
Consideration	76,700
Less: Consideration payable	(7,670)
Less: Cash and cash equivalents acquired	(4,834)
Net cash outflow on acquisition	64,196

Shenzhen Mondial contributed revenue of RMB70,906,000 and incurred a loss of RMB7,820,000 to the Group for the period from 24 June 2016 to 31 December 2016. Had the business combination taken place on 1 January 2016, the Group's revenue would have been RMB1,664,944,000, and profit for the year would have been RMB228,907,000.

28 ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(b) Acquisition of Shenzhen Jin Yuexin

On 11 January 2016, the Group acquired the entire equity interest in Shenzhen Jin Yuexin for a consideration of RMB2,000,000. The principal activity of Shenzhen Jin Yuexin is investment holding.

Shenzhen Jin Yuexin did not contribute any external revenue and incurred a loss of RMB 827,000 to the Group for the period from 11 January 2016 to 31 December 2016.

The acquisition has the following effect on the Group's assets and liabilities at the acquisition date:

	RMB'000
Cash and cash equivalents	2,379
Property, plant and equipment	28,848
Trade and other payables	(29,038)
Deferred tax liabilities	(159)
Fair value of net identifiable assets acquired	2,030
Gain on a bargain purchase	(30)
Consideration	2,000
An analysis of the cashflows in respect of the acquisition of Shenzhen Jin Yuexin is as follows:	
Consideration	2,000
Less: Cash and cash equivalents acquired	(2,379)
Net cash outflow on acquisition	(379)

29 COMMITMENTS

Operating leases commitments

As at 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	**56,932**	46,221
After 1 year but within 5 years	**60,444**	63,296
After 5 years	**7,830**	12,769
	125,206	122,286

The Group leases a number of properties under operating leases. The leases typically run for an initial period for 1 to 7 years, at the end of which all terms are renegotiated.

In addition to the minimum rental payments disclosed above, the Group has a commitment to pay rent with reference to turnover for certain leased properties. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Processing agreement

Shenzhen Yingjia Fashion Co., Ltd.* ("Yingjia Fashion") (深圳市赢家服飾有限公司) is 53% and 47% owned by Ms. Chen Lingmei, the mother of Mr. Jin Ming and Mr. Jin Jingquan, the father of Mr. Jin Ming respectively. Mr. Jin Ming is a director of the Company.

On 15 March 2014, the Group entered into a processing agreement with Yingjia Fashion, pursuant to which Yingjia Fashion provided processing and manufacturing services to the Group for a term from 15 March 2014 to 31 December 2016. The VAT-inclusive processing fees incurred to Yingjia Fashion amounted to RMB24,769,000 (2015: RMB28,330,000) for the year ended 31 December 2016. The outstanding amount as at 31 December 2016 was RMB8,625,000 (2015: RMB13,231,000).

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Lease agreements

(i) During the year ended 31 December 2016, the Group entered into a lease agreement in respect of certain properties with Mr. Jin Ming. The amount of rental incurred in the year was RMB768,000 (2015: RMB768,000). No amounts were outstanding as at 31 December 2016 (2015: nil).

(ii) During the year ended 31 December 2016, the Group entered into a lease agreement in respect of certain properties with Mr. Wang Sumin, brother in law of Mr. Jin Ming. The amount of rental incurred in the year was RMB614,000 (2015: RMB614,000). No amounts were outstanding as at 31 December 2016 (2015: nil).

* The English translation of the company's name is for reference only. The official name of the company is in Chinese.

(c) Operating leases commitments

At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable to Mr. Jin Ming and Mr. Wang Sumin as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	**1,382**	1,024
After 1 year but within 5 years	**–**	768
	1,382	1,792

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2016 RMB'000	2015 RMB'000
Short-term employee benefits	**3,275**	3,435
Retirement benefit contributions	**170**	170
Equity settled share-based payments	**555**	1,341
	4,000	4,946

Total remuneration is included in "staff cost" (note 6(b)).

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management personnel remuneration *(Continued)*

In addition to the above, the Group provided advances to certain key management personnel during current year. The outstanding balances at 31 December 2016 were RMB4,000,000 (2015: RMB nil). The balances are unsecured, interest-free and are repayable in 3 years from the date of drawdown.

(e) Applicability of the Listing Rules relating to connected transactions

(i) The related party transaction in respect of note 30(a) above constitute continuing connected transaction as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Non-exempt continuing connected transaction" of the Report of the directors.

(ii) The related party transactions in respect of note 30(b) above constitute exempted continuing connected transactions as defined in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1). Disclosures are provided in section headed "Exempted continuing connected transaction" of the Report of the directors.

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Investment in a subsidiary		**257,705**	312,417
Current assets			
Cash and cash equivalents		**852**	660
Other receivables		**1,822**	65,003
		2,674	65,663
Current liabilities			
Other payables		**2,346**	1,890
		2,346	1,890
Net current assets		**328**	63,773
Net assets		**258,033**	376,190
Capital and reserves			
Share capital	26	**3,936**	3,997
Reserves	26	**254,097**	372,193
Total equity		**258,033**	376,190

Approved and authorised for issue by the board of directors on 27 March 2017.

Jin Ming
Chairman and Chief Executive Officer

Deng Shigang
Executive Director

32 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 9 March 2017, Shanghai La Kodior entered into an asset transfer agreement with SK Networks (China) Fashion Co. Ltd. ("SK China"), pursuant to which SK China has agreed to sell certain inventories, property, plant and equipment, trade and bills receivables and customer contracts to Shanghai La Kodior for a cash consideration of RMB64,542,880.

33 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

As at 31 December 2016, the directors consider the immediate controlling party of the Company to be Koradior Investments Limited, which is incorporated in the BVI, and the ultimate controlling party of the Company to be Yingjia Fashion, a company established in the PRC.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the IASB has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

IFRS 9, *Financial instruments*

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, *Financial instruments: Recognition and measurement.* IFRS 9 introduces new requirements for classification and measurement of financial assets and calculation of impairment of financial assets. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(Continued)*

IFRS 9, *Financial instruments (Continued)*

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of IFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to IFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in notes 2(f) and 2(j). This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported performance amounts such as profit and earnings per share.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of IFRS 9.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(Continued)*

IFRS 9, *Financial instruments (Continued)*

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised.

Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets.

However, a more detailed analysis is required to determine the extent of the impact.

IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

Advance payments are not common in the Group's arrangements with its customers, with the exception of wholesale to distributors. In this situation, the Group may offer distributors a discount compared to the sales value of goods, provided the distributor agrees to pay the balance of the purchase price early.

Currently, the revenue from wholesale to distributors is recognised when the goods are delivered to the distributor, irrespective of whether the distributor pays early or on delivery. However, under IFRS 15 such advance payment schemes are likely to be regarded as including a financing component.

The Group is in the process of assessing whether this component in the Group's advance payment schemes would be significant to the contract and therefore whether, once IFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue. Any adjustment to the transaction price under IFRS 15, if considered necessary, would result in interest expense being recognised while the goods are not delivered to reflect the effect of the financing benefit obtained from the distributors, with a corresponding increase to revenue from wholesale distributors recognised when control of goods is transferred to the distributor.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(Continued)*

IFRS 15, *Revenue from contracts with customers (Continued)*

(b) Sales with a right of return

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of IFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

IFRS 16, *Leases*

IFRS 16 is not expected to impact significantly on the way that lessees account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases.

Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 29, at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB125,206,000, the majority of which is payable either within 1 year after the reporting date or between 1 and 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

The Group is considering whether to adopt IFRS 16 before its effective date of 1 January 2019. However, early adoption of IFRS 16 is only permitted if this is no earlier than the adoption of IFRS 15. It is therefore unlikely that IFRS 16 will be adopted before the effective date of IFRS 15, being 1 January 2018.