La Chapelle

Shanghai La Chapelle Fashion Co., Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)

ANNUAL REPORT 2015

(Stock Code: 06116)

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CONTENTS


UlifeStyle

CORPORATE PROFILE

Shanghai La Chapelle Fashion Co., Ltd. (the "**Company**") was incorporated in the People's Republic of China (the "**PRC**") as a joint stock company on 23 May 2011 converting from its predecessor, Shanghai Xuhui La Chapelle Fashion Limited that was founded in 1998. The H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 9 October 2014 (the "**Listing Date**").

The Company and its subsidiaries (the "**Group**") are a fast-growing multi-brand fashion group in the PRC that designs, markets and sells apparel products with a focus on mass-market ladies' casualwear. The Group strives to offer customers the latest fashions at competitive prices through a wide range of apparel products under ten proprietary brands (namely La Chapelle, Puella, 7m, Candie's, La Babité, Vougeek, Pote, MARC ECKŌ, La Chapelle Kids and UlifeStyle) and four invested brands (OTHERMIX, OTHERCRAZY, JACK WALK and O.T.R).

The Group sells apparel products directly to retail customers through both physical retail points and online platforms, 100% of which are directly controlled and operated by the Group (save as those retail points under the investing brands). As at 31 December 2015, the Group's extensive nationwide retail network comprised 7,893 retail points (on new basis, as defined herein) located in approximately 2,500 department stores and shopping malls across all 31 provinces, autonomous regions and municipalities in Mainland China.

La Chapelle Kids

CORPORATE INFORMATION

REGISTERED CHINESE NAME
上海拉夏貝爾服飾股份有限公司

ENGLISH NAME
Shanghai La Chapelle Fashion Co., Ltd.

HEADQUARTERS AND REGISTERED OFFICE IN THE PRC
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270 Cao Xi Road
Xuhui District, Shanghai, PRC

PLACE OF BUSINESS IN HONG KONG
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28 Queen's Road East
Wanchai, Hong Kong

COMPANY'S WEBSITE
www.lachapelle.cn

DIRECTORS

Executive Directors
Mr. Xing Jiaxing
Mr. Wang Yong
Mr. Wang Wenke

Non-executive Directors
Mr. Li Jiaqing
Mr. Lu Weiming
Mr. Cao Wenhai
Ms. Wang Haitong
Mr. Luo Bin

Independent non-executive Directors
Mr. Mao Jianong
Mr. Zhou Guoliang
Mr. Chen Wei
Professor Japhet Sebastian Law

AUDIT COMMITTEE
Mr. Zhou Guoliang *(Chairman)*
Mr. Cao Wenhai
Mr. Luo Bin
Mr. Mao Jianong
Professor Japhet Sebastian Law

NOMINATION COMMITTEE
Mr. Mao Jianong *(Chairman)*
Mr. Xing Jiaxing
Mr. Lu Weiming
Mr. Chen Wei
Professor Japhet Sebastian Law

REMUNERATION AND APPRAISAL COMMITTEE
Mr. Chen Wei *(Chairman)*
Mr. Li Jiaqing
Mr. Zhou Guoliang

BUDGET COMMITTEE
Mr. Wang Yong *(Chairman)*
Ms. Wang Haitong
Mr. Luo Bin
Mr. Lu Weiming
Mr. Li Jiaqing
Mr. Zhou Guoliang

STRATEGY AND DEVELOPMENT COMMITTEE
Mr. Xing Jiaxing *(Chairman)*
Mr. Wang Yong
Mr. Li Jiaqing
Ms. Wang Haitong
Mr. Luo Bin
Mr. Mao Jianong
Mr. Chen Wei

JOINT COMPANY SECRETARIES
Mr. Mao Jian
Ms. Wong Wai Ling *(ACS, ACIS)*

AUTHORIZED REPRESENTATIVES
Mr. Mao Jian
Mr. Wang Yong

LEGAL ADVISERS TO THE COMPANY
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REORIENT Financial Markets Limited

PRINCIPAL BANKER
Bank of Communications Co., Ltd., Zhabei Sub-branch
Bank of China, Shanghai Luodian Branch

STOCK CODE
6116

Vougeek

FINANCIAL HIGHLIGHT

FINANCIAL SUMMARY

A summary of the consolidated results and of the consolidated assets, equity and liabilities of the Group for the last five financial years, is set as below:

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2015 **RMB'000**	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	**9,095,708**	7,814,169	6,225,087	3,872,118	1,864,167
Gross profit	**6,198,430**	5,364,511	4,283,377	2,776,941	1,316,919
Gross profit margin	**68.1%**	68.7%	68.8%	71.7%	70.6%
Operating profit	**828,396**	733,560	589,530	364,477	170,285
Operating profit margin	**9.1%**	9.4%	9.5%	9.4%	9.1%
Profit for the year	**658,398**	511,211	413,373	259,555	122,967
Profit attributable to equity owners of the Company	**615,251**	503,452	407,298	259,905	127,243
Non-controlling interests	**43,147**	7,759	6,075	(350)	(4,276)

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	2015 **RMB'000**	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
ASSETS					
Non-current assets	**1,538,487**	1,095,561	957,731	532,654	201,593
Current assets	**4,330,241**	4,635,506	2,934,846	1,821,316	903,948
Total assets	**5,868,728**	5,731,067	3,892,577	2,353,970	1,105,541
EQUITY AND LIABILITIES					
Total equity	**3,309,878**	3,107,142	1,263,348	568,412	359,915
Non-current liabilities	**57,573**	51,042	6,725	3,641	1,029
Current liabilities	**2,501,277**	2,572,883	2,622,504	1,781,917	744,597
Total liabilities	**2,558,850**	2,623,925	2,629,229	1,785,558	745,626
Total equity and liabilities	**5,868,728**	5,731,067	3,892,577	2,353,970	1,105,541

The above summary does not form a part of the consolidated financial statements.

LA CHAPELLE

ANNUAL REPORT 2015

CHAIRMAN'S STATEMENT

Dear Shareholders,

At a review of 2015, it was a year marked with challenges for the fashion industry. The weakening economy of China exerted prolonged pressures on consumer and retail markets. In particular, consumer confidence remained relatively shattered in the second half of 2015. Against this backdrop, the Group stepped forward to take retail-oriented measures by refining and stepping up its multi-brand strategy, proactively tapping on market channels and furnishing offerings with high performance-price ratio that fully satisfy customer needs. More, the Group invested in partnership projects of great significance. In virtue of this, the Group managed to achieve significant growth both in scale and profit and consolidate its market share with enhanced market competitiveness.

According to the results for the twelve months ended 31 December 2015, the Group's revenue saw a year-on-year increase of 16.4% and the profit attributable to the equity holders of the Company had an year-on-year increase of 22.2%. As at 31 December 2015, the Group's cash and cash equivalents totaled RMB1,118.4 million, rendering an effective support to the Group's execution of its long term strategy. The Group continued to expand its retail network in mainland China. As at 31 December 2015, the Group had a total of 7,893 retail outlets (on new basis, as defined below) covering all provinces, autonomous regions and municipalities of China other than Hong Kong, Macau and Taiwan.

For 2015 under review, the growth in household income and the magnitude of increase in prices of commodities dipped while the nominal growth of consumables market experienced a downward momentum amidst the keener competition. Riding on the increasingly sophisticated market conditions, the Group focused on internal consolidation by carrying out a raft of hefty reform initiatives, strengthening its management and adopting measures to heighten efficiency. First of all, valuing its employees as the essence of its development, and staff incentive as the highest priority in order to motivate the operating and managing performance of the brand managers and designers and fundamentally control and monitor the profitability of products, the Group converted each brand into a separate operation center with internal independent audit. Meanwhile, with the Group's partnership incentive programme launched for each of its retail stores across the PRC, our front-line staff were motivated with remarkable results.

On the brand front, the Group continued to expand under its multi-brand strategy and brand differentiation strategy. On one hand, the Group rolled out new brands such as UlifeStyle and MARC ECKŌ through expansion of the in-house team, and also introduced other new brands like JACK WALK, O.T.R, OTHERMIX and OTHERCRAZY by means of investment holding. On the other hand, the Group enhanced brand differentiation through store image upgrade, cross-sector cooperation and lifestyle stores so as to boost sales performance.

On the e-commerce business front, we keep abreast of the trend where online shopping is evolving as a new norm for today's market. We invested in online companies with new Internet attributes to sharpen our online sales capability, which in turn boosted our general profitability of e-commerce business.

Besides, the meteoric rise and expansion of shopping malls and online shopping have made heavy impact on traditional department stores. As a retailer with footprints scattering across China, the Group caught up with the heels of its consumers, extending its reach to shopping malls and online shopping portals and thus seizing new opportunities for its market growth. In 2015, the Group kept on broadening its retail network with stronger permeation into the markets of the third and fourth-tier cities while consolidating its market presence in the first and second-tier ones.

More challenges await the Group in 2016. As a fast-growing direct sales multi-brand fashion company in the PRC, the Group will continue to pursue its pragmatic approach by building up human resources, gathering management experience, enhancing brand promotion, improving reputation and customer loyalty and sharpening its responsiveness as well as execution capability with a view to taking the lead amidst the increasingly keen competition. Living up to the principle of "**Staying steadfast on commitment and serving with sincerity and passion**", I am of conviction that we can attain a long term and sustainable development by persevere learning, changing and forging ahead with concerted efforts and refreshed entrepreneurial spirit.

On behalf of the board of directors of the Company, I would like to express my sincere gratitude to the shareholders, business partners, customers and employees of the Group for their unremitting supports. Going forward, the Group will continue to pursue a robust growth and maximize shareholder value.

Xing Jiaxing
Chairman of the Company
11 March 2016


Puella
PUELLA

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In 2015, the Group's operating revenue and operating profit reached RMB9,095.7 million and RMB828.4 million respectively, representing an increase of 16.4% and 12.9% as compared with that of 2014. The profit attributable to shareholders of the Company in 2015 amounted to RMB615.3 million, representing an increase of 22.2% as compared with that of 2014.

Revenue

The revenue of the Group in 2015 saw a steady growth, increasing from RMB7,814.2 million in 2014 to RMB9,095.7 million in 2015, representing an increase of 16.4%. The growth in revenue was mainly attributable to the expansion of retail network and the rapid growth in revenue from online platform. The number of retails points of the Group increased from 6,887 as at 31 December 2014 to 7,893 as at 31 December 2015. The Company recorded a same store sales growth rate of –3.2% in 2015 and that of 1.7% in 2014.

Revenue by distribution channel

The following table sets out the revenue breakdown by type of retail points during the years indicated:

	Year ended 31 December			
	2015		2014	
	Revenue (RMB'000)	**% of total**	Revenue (RMB'000)	% of total
Concessionaire counters	**5,977,005**	**65.7**	5,615,339	71.8
Standalone retail outlets	**2,514,299**	**27.6**	2,161,221	27.7
Online platform	**588,939**	**6.5**	37,609	0.5
Franchise/Associate	**15,465**	**0.2**	—	—
Total	**9,095,708**	**100.0**	7,814,169	100.0

Note: Franchise/Associate is the type of sales channel attributable to JACK WALK (as defined hereafter), the brand that the Group invested in during the year.

The revenue from concessionaire counters increased from RMB5,615.3 million in 2014 to RMB5,977.0 million in 2015, representing an increase of 6.4%. The revenue from standalone retail outlets increased from RMB2,161.2 million in 2014 to RMB2,514.3 million in 2015, representing an increase of 16.3%. The growth in revenue from concessionaire counters and standalone retail outlets was mainly attributable to the increasing number of retail points opened in 2015. The revenue from our standalone retail outlets increased at a faster pace than that from our concessionaire counters, primarily due to the increase in the proportion of standalone retail outlets as the Group opened more new standalone retail outlets in 2015. The online platform recorded revenue of RMB588.9 million in 2015 and that of RMB37.6 million in 2014. The rapid growth of revenue from online platform was mainly due to the growth in sales from online platform of the Group's original brands and the consolidation of sales revenue of Hangzhou Anshe (as defined herein), the company that the Group invested in, for the period from April to December 2015.

Revenue by brand

The following table sets out the revenue breakdown by brand during the years indicated:

	Year ended 31 December			
	2015		2014	
	Revenue (RMB'000)	**% of total**	Revenue (RMB'000)	% of total
La Chapelle	**2,933,792**	**32.3**	2,910,294	37.3
Puella	**2,460,600**	**27.1**	2,281,813	29.2
Candie's	**715,100**	**7.9**	651,472	8.3
7m	**1,321,234**	**14.5**	1,055,035	13.5
La Babité	**911,689**	**10.0**	565,414	7.2
Vougeek/Pote	**368,027**	**4.0**	312,078	4.0
MARC ECKŌ	**3,226**	**0.0**	—	—
La Chapelle Kids	**61,284**	**0.7**	38,063	0.5
UlifeStyle	**62,892**	**0.7**	—	—
JACK WALK/O.T.R	**22,713**	**0.2**	—	—
OTHERMIX/OTHERCRAZY	**235,021**	**2.6**	—	—
Others	**130**	**0.0**	—	—
Total	**9,095,708**	**100.0**	7,814,169	100.0

Note: The name of La Chapelle Sport was changed to Puella and that of La Chapelle Homme was changed to Vougeek and 7. Modifier abbreviated as 7m in 2015. The Group also launched two new brands, namely UlifeStyle and MARC ECKŌ in 2015. OTHERMIX and OTHERCRAZY are the brands held by Hangzhou Anshe E-Commerce Company Limited* (杭州黯涉電子商務有限公司) ("**Hangzhou Anshe**"), a non-wholly owned subsidiary of the Group. JACK WALK and O.T.R are the brands owned by JACK WALK (as defined hereafter), a non-wholly owned subsidiary of the Group. "Others" mainly refers to the sales revenue of non-apparel products.

In 2015, all the brands of the Group recorded an increase in revenue as compared to 2014, mainly attributable to the expansion of the retail network and the growth in sales from online platform. The majority of revenue of the Group was contributed by the sales of La Chapelle and Puella brands in 2014 and 2015. However, the newer brands of the Group achieved faster growth in revenue than that of La Chapelle and Puella in 2015, mainly due to our decision to open more new retail points under the newer brands and the consolidation of sales revenue from Hangzhou Anshe and JACK WALK in 2015.

Revenue by tier of cities

The following table sets out the revenue breakdown by tier of cities during the years indicated:

	Year ended 31 December			
	2015		2014	
	Revenue (RMB'000)	**% of total**	Revenue (RMB'000)	% of total
First-tier cities	**1,131,466**	**12.4**	1,035,775	13.3
Second-tier cities	**3,756,528**	**41.3**	3,198,464	40.9
Third-tier cities	**2,245,116**	**24.7**	1,893,521	24.2
Other cities	**1,962,598**	**21.6**	1,686,409	21.6
Total	**9,095,708**	**100.0**	7,814,169	100.0

Note: In respect of the classification of the tier of cities, please refer to the prospectus of the Company dated 24 September 2014 (the "**Prospectus**").

The Group recorded an increase in revenue from all tiers of cities in 2015, mainly attributable to the expansion of retail network of the Group nationwide. The revenue from first-tier cities increased by 9.2% in 2015 as compared to 2014 and accounted for 12.4% of the revenue of the Group in 2015. Second-tier, third-tier and other cities saw a growth of 17.5% in revenue, which was faster than first-tier cities, mainly because second-tier, third-tier and other cities have larger room for growth and the Company faces less competition in those cities.

Revenue by product type

The following table sets out the revenue breakdown by product type during the years indicated:

	Year ended 31 December			
	2015		2014	
	Revenue (RMB'000)	**% of total**	Revenue (RMB'000)	% of total
Tops	**6,074,918**	**66.8**	4,799,141	61.4
Bottoms	**833,248**	**9.2**	657,234	8.4
Dresses	**2,149,537**	**23.6**	2,337,322	29.9
Accessories	**37,875**	**0.4**	20,472	0.3
Others	**130**	**0.0**	—	—
Total	**9,095,708**	**100.0**	7,814,169	100.0

Note: "Others" mainly refers to the sales revenue of non-apparel products.

Cost of Sales

The cost of sales of the Group increased by 18.3% from RMB2,449.7 million in 2014 to RMB2,897.3 million in 2015. The increase was primarily attributable to the growth in sales volume and the increase in sales of off-season products.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased from RMB5,364.5 million in 2014 to RMB6,198.4 million in 2015, up by 15.5%.

The gross profit of concessionaire counters of the Group increased from RMB3,963.3 million in 2014 to RMB4,196.2 million in 2015, up by 5.9%. The gross profit of standalone retail outlets increased from RMB1,381.5 million in 2014 to RMB1,664.2 million in 2015, up by 20.5%.

The overall gross profit margin of the Group decreased slightly from 68.7% in 2014 to 68.1% in 2015, mainly due to slightly lower gross profit margin of acquired business.

Selling and Marketing Expenses and Administrative Expenses

Selling and marketing expenses in 2015 amounted to RMB5,050.5 million (2014: RMB4,411.7 million), consisting primarily of sales staff salaries and benefits, concession and rental expenses relating to retail points, advertising and promotional expenses, transportation expenses and other expenses related to selling and marketing activities. Administrative expenses in 2015 amounted to RMB383.8 million (2014: RMB270.4 million), consisting primarily of administrative employee benefit expenses, rental expenses for offices, charges, office utilities expenses, consulting services fee, travelling expenses and consumables costs in sample garment. Selling and marketing expenses and administrative expenses as a percentage of total revenue in 2015 were 55.5% (2014: 56.5%) and 4.2% (2014: 3.5%), respectively. Selling and marketing expenses as a percentage of total revenue decreased by 1.0 percentage point as compared with that of 2014, mainly attributable to the fact that firstly concession and rental expenses relating to retail points as a percentage of total revenue in 2015 significantly decreased by 1.8 percentage points as compared with that of 2014, and secondly in 2015, the proportion of marketing and promotion expenses, transportation costs and consulting services fee in relation to stores and brands to total revenue increased by 0.4 percentage point, 0.3 percentage point and 0.1 percentage point, respectively. Administrative expenses as a percentage of total revenue saw a year-on-year increase of 0.7 percentage point, mainly due to: (1) the fact that the Group became more cautious in provision for bad debts, resulting in an increasing proportion of 0.4 percentage point in administrative expenses to total revenue; and (2) the increase in consulting services fee and sample garment costs, resulting in an increasing proportion of 0.3 percentage point in administrative expenses to total revenue.

Other Gains — Net

Other gains — net in 2015 amounted to RMB64.3 million (2014: RMB51.2 million), consisting primarily of subsidies granted by the local governments in some cities where the Company operates.

Finance Income/Expenses — Net

Finance income/expenses — net of the Group increased from net expenses of RMB49.2 million in 2014 to net income of RMB50.8 million in 2015, mainly because (i) thanks to the adequate net cash inflows from operating activities and the proceeds from the listing in 2014, interest expenses decreased from RMB52.9 million in 2014 to RMB16.4 million in 2015 while interest income increased from RMB9.6 million in 2014 to RMB28.8 million; and (ii) the exchange gains of RMB38.3 million from the proceeds deposited in HKD.

Profit before Income Tax

Profit before income tax of the Group increased from RMB684.4 million in 2014 to RMB879.2 million in 2015, representing an increase of 28.5%. The increase was primarily attributable to the growth in revenue and profit as a result of the continued expansion of retail network of the Group. Operating profit margin was 9.1% and 9.4% in 2015 and 2014, respectively. The decrease was mainly attributable to the decrease in gross profit margin.

Income Tax Expense

Income tax expense amounted to RMB220.8 million in 2015 (2014: RMB173.2 million). The effective income tax rate in 2015 was 25.1%, and the effective income tax rate in 2014 was 25.3%.

Net profit and net profit margin

As a result of the foregoing, net profit of the Group increased from RMB511.2 million in 2014 to RMB658.4 million in 2015, up by 28.8%. Net profit margin of the Group was 7.2% for 2015, compared to that of 6.5% in 2014.

Capital expenditure

Capital expenditure of the Group was made in connection with the payments and deposits paid for purchase of properties, plants, equipment, intangible assets and land use right. In 2015, the total capital expenditure was RMB659.7 million (2014: RMB453.8 million).

Liquidity and financial resources

In 2015, net cash generated from operating activities increased from RMB802.4 million in 2014 to RMB1,063.6 million in 2015, mainly due to the increase in profit, the effective management of inventory procurement and receivables, as well as the contribution from the acquisition of Hangzhou Anzhe.

In 2015, net cash generated from investing activities was RMB674.4 million. Major investment activities in 2015 were: 1) net cash flow of RMB106.5 million and RMB34.0 million for acquisition of Hangzhou Anshe and JACK WALK (as defined hereafter), respectively; 2) net cash outflow of RMB468.9 million for purchase of properties, plants and equipment, land use rights, and intangible assets; 3) the payment of RMB150.0 million for the investment in Tianjin Xing Kuang Enterprise Management Consulting Partnership (Limited Partnership)* (天津星曠企業管理諮詢合夥企業（有限合夥）); and 4) collection of term deposits and interest of RMB1,415.6 million. Net cash used in investing activities in 2014 was RMB1,898.1 million, mainly due to the engagement of investing activities, such as the investment in term deposits and purchase of properties, plants and equipment, land use rights, and intangible assets.

In 2015, net cash used in financing activities was RMB1,238.1 million. Major financing activities were: 1) repayment of net bank borrowings amounting to RMB645.4 million; 2) payment for repurchase of the Company's H shares from secondary market of RMB120.0 million; and 3) payment of dividends amounting to RMB467.1 million. Net cash generated from financing activities in 2014 was RMB1,186.2 million, mainly due to the financing activities, such as proceeds raised from the listing and payment of dividends.

As at 31 December 2015, the Group had cash and cash equivalents in the total amount of RMB1,118.4 million (31 December 2014: cash, cash equivalents and term deposits in the total amount of RMB1,983.4 million).

In 2015, average inventory turnover days of the Group were 194 days (2014: 195 days), and average receivables turnover days of the Group were 42 days (2014: 44 days).

The Group's financial position remained solid. As at 31 December 2015, net current assets of the Group amounted to RMB1,829.0 million (31 December 2014: RMB2,062.6 million).

On 31 December 2015, the Group had not any borrowings (On 31 December 2014, the gearing ratio of the Group was 11.2%, which was calculated based on the formula: total borrowings/ total assets).

As the Group carries out its operations in mainland China, most of the transactions are settled in Renminbi. The Group has a portion of term deposits and cash and cash equivalents dominated in HKD. The Group also distribute dividends to H shareholders and repurchases H shares of the Company in HKD. The Group manages foreign exchange risk by monitoring foreign exchange rates on a regular basis. The relevant details please refer to the note 3.1 to the consolidated financial statements.

Pledge of assets

As at 31 December 2015, no properties, plants and equipment, land use rights and investment properties have been pledged by the Company in respect of any available bank credit (31 December 2014: RMB184.3 million).

Contingent liabilities

As at 31 December 2015, the Group had no material contingent liabilities.

Human resources

As at 31 December 2015, the Group had 33,478 full-time employees in total (31 December 2014: 32,750). The Group offers competitive compensation package for its employees, including mandatory pension funds, insurance and medical benefits. In addition, discretionary bonus will also be distributed to eligible employees based on the Group's financial performance and the performance of respective employees. The Company also invests resources in continuing education and trainings for the management and other employees in order to improve their skills and knowledge on an ongoing basis.

Note: All information disclosed related to "the number of full-time employees of the Group as at 31 December 2015" set out herein shall prevail.

BUSINESS REVIEW AND OUTLOOK

Industry overview

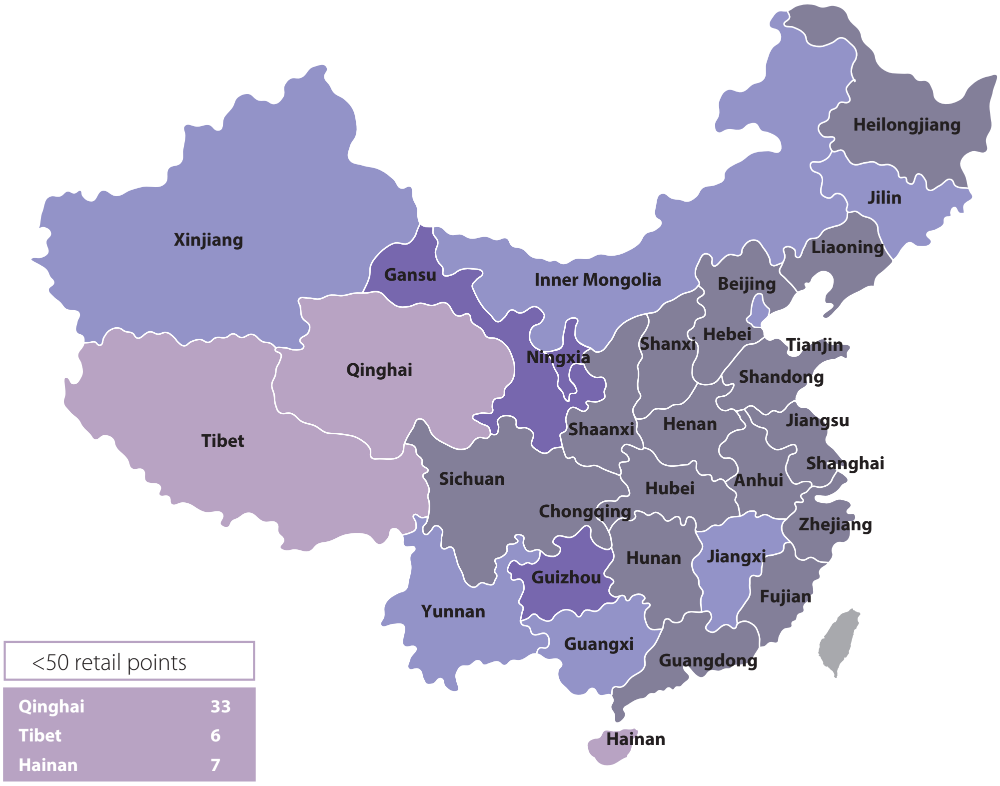
In 2015, the growth of the PRC economy continued to slow down. According to the preliminary verification results of National Bureau of Statistics, the annual gross domestic product (GDP) for the year increased by 6.9% as compared to 2014, representing a slower year-on-year growth. The domestic consumer price index (CPI) and per capita disposable income of urban households in the PRC represented a year-on-year nominal growth of 1.4% and 8.9% respectively, both of which decreased compared to the year of 2014. Total retail sales of consumer goods represented a year-on-year nominal growth of 10.7%, marking it the lowest growth rate for the past decade.

According to the statistics of China National Commercial Information Centre, the retail sales of the top 100 national retail enterprises decreased by 0.1% year on year in 2015. The retail sales of apparel products decreased by 0.3% year on year in 2015 and its growth rate declined by 1.3 percentage points as compared to 2014. Of which, the growth rate of kid's wear was 1.5%, which was the fastest among others. On the other hand, the sales of womenswear and menswear saw a year-on-year decline of 1.2% and 0.9% respectively. In 2015, the apparel industry was still under the impact of the weak consumer market. Certain market participants continued to offer discounts or price cut on apparel products, and consolidation of retail points is still a common phenomenon in the industry.

In light of the sluggish market conditions, the Group believes that mass consumption continues to act as the key driver of the development of consumer market, and online shopping becomes the new normal trend for market development. During the past year, the Group continued to implement its existing marketing strategies, offering apparel products with higher performance/price ratio to the public market. On the other hand, under the market condition of the new normal trend, the Group, through investment in Hangzhou Anshe, introduced an online operating team with rich internet experience to enhance its online marketing capacity and service quality. In addition, the Group focused on strengthening the brand building in 2015. Through the upgraded store image, cross-industry cooperation and the opening of lifestyle stores, the Group enhanced the reputation and characteristics of its various brands, strengthened the emotional connections between the brands and the consumers, and expanded its branding effect. Meanwhile, in response to the continued sluggish consumer market, the Group continued to devote more resources to inventory control and management to enhance supply chain management and shorten life cycle of products. These initiatives have already started to show positive effects: sale-through rate of current season products further improved from the same period of last year; conversion rate and customer flow rate per online store saw a substantial growth as compared with last year.

Retail Network

The map below shows the geographical distribution of the Group's retail points in the PRC as at 31 December 2015.



<50 retail points	
Qinghai	33
Tibet	6
Hainan	7

50–100 retail points	
Gansu	63
Guizhou	66
Ningxia	76

101–200 retail points	
Guangxi	183
Inner Mongolia	160
Jiangxi	153
Jilin	196
Xinjiang	159
Yunnan	156
Tianjin	119

>200 retail points	
Anhui	211
Beijing	282
Chongqing	240
Fujian	419
Hebei	388
Henan	519
Hubei	370
Jiangsu	512
Liaoning	406
Shandong	575
Shanghai	322
Sichuan	610
Zhejiang	279
Hunan	221
Guangdong	496
Heilongjiang	217
Shaanxi	247
Shanxi	202

For the year ended 31 December 2015, our retail network expanded considerably, with the number of retail points increasing from 6,887 as at 31 December 2014 (calculated under the Original Basis as defined hereafter) to 7,893 as at 31 December 2015 (calculated under the New Basis as defined hereafter). These retail points were situated at approximately 2,500 physical locations. As certain retail points of UlifeStyle, the new brand of the Group launched in 2015, were converted from original collection stores which sold both UlifeStyle products and products obtained from other brands of the Group, we used to calculate the number of retail points of UlifeStyle collection store based on the number of brands contributing income (the "**Original Basis**"). As more UlifeStyle retail points are selling UlifeStyle products exclusively now, we decided that the number of retail points of an UlifeStyle collection store should be calculated by treating each UlifeStyle collection store as a single retail point (the "**New Basis**"). As a result, the net number of newly opened retail points on the New Basis in 2015 saw a lower year-on-year growth or a decrease when compared with that on the Original Basis. In the future, the Group will only calculate and disclose the number of collection stores on the New Basis once UlifeStyle products are fully rolled out.

The table below sets out the distribution of the Group's retail points in the PRC as at 31 December 2015 and 2014 by tier of cities.

	As at 31 December					
	2015				2014	
	New Basis		**Original Basis**			
	Number of retail points	**% of total**	**Number of retail points**	**% of total**	Number of retail points	% of total
First-tier cities	**792**	**10.0%**	**878**	**10.4%**	690	10.0%
Second-tier cities	**2,946**	**37.3%**	**3,230**	**38.5%**	2,553	37.1%
Third-tier cities	**2,145**	**27.2%**	**2,225**	**26.5%**	1,787	25.9%
Other cities	**2,010**	**25.5%**	**2,063**	**24.6%**	1,857	27.0%
Total	**7,893**	**100.0%**	**8,396**	**100.0%**	6,887	100.0%

Notes:

1. In respect of the classification of the tier of cities, please refer to the Prospectus.

2. The number of retail points as at 31 December 2014 was calculated using the Original Basis.

The table below sets out the distribution of the Group's retail points in the PRC as at 31 December 2015 and 2014 by type of the retail points.

	As at 31 December					
	2015				2014	
	New Basis		**Original Basis**			
	Number of retail points	**% of total**	**Number of retail points**	**% of total**	Number of retail points	% of total
Concessionaire counter	**5,588**	**70.8%**	**5,614**	**66.9%**	4,988	72.4%
Standalone retail outlet	**2,272**	**28.8%**	**2,749**	**32.7%**	1,899	27.6%
Franchise/Associate	**33**	**0.4%**	**33**	**0.4%**	—	—
Total	**7,893**	**100.0%**	**8,396**	**100.0%**	6,887	100.0%

Notes:

1. The number of retail points as at 31 December 2014 was calculated using the Original Basis.

2. Franchise/Associate is the type of sales channel attributable to JACK WALK (as defined hereafter), the brand that the Group invested in during the year.

The table below sets out the distribution of the Group's retail points in the PRC as at 31 December 2015 and 2014 by brand.

	As at 31 December					
	2015				2014	
	New basis		**Original basis**			
	Number of retail points	**% of total**	**Number of retail points**	**% of total**	Number of retail points	% of total
La Chapelle	**1,833**	**23.2%**	**1,915**	**22.8%**	1,881	27.3%
Puella	**1,980**	**25.1%**	**2,068**	**24.6%**	1,842	26.8%
Candie's	**832**	**10.5%**	**901**	**10.7%**	740	10.7%
7m	**1,332**	**16.9%**	**1,420**	**16.9%**	1,157	16.8%
La Babité	**930**	**11.8%**	**1,015**	**12.1%**	701	10.2%
Vougeek/Pote	**533**	**6.8%**	**571**	**6.8%**	388	5.6%
MARC ECKŌ	**34**	**0.4%**	**43**	**0.5%**	—	—
La Chapelle Kids	**278**	**3.5%**	**322**	**3.9%**	178	2.6%
UlifeStyle	**99**	**1.3%**	**99**	**1.2%**	—	—
JACK WALK/O.T.R	**42**	**0.5%**	**42**	**0.5%**	—	—
Total	**7,893**	**100.0%**	**8,396**	**100.0%**	6,887	100.0%

Notes:

1. The name of La Chapelle Sport was changed to Puella and that of La Chapelle Homme was changed to Vougeek and 7. Modifier was abbreviated as 7m in 2015. The Group also launched two new brands, namely UlifeStyle and MARC ECKŌ in 2015. JACK WALK and O.T.R are the brands owned by JACK WALK (as defined hereafter), the company that the Group invested in.

2. The number of retail points as at 31 December 2014 was calculated using the Original Basis.

The table below sets out the distribution of the Group's net additional retail points in the PRC as at 31 December 2015 and 2014 by brand.

	As at 31 December			
	2015		2014	
	Original basis			
	Number of net additional retail points	**% of total**	Number of net additional retail points	% of total
La Chapelle	**34**	**2.3%**	108	7.2%
Puella	**226**	**15.0%**	315	21.0%
Candie's	**161**	**10.7%**	244	16.2%
7m	**263**	**17.4%**	402	26.7%
La Babité	**314**	**20.8%**	233	15.5%
Vougeek/Pote	**183**	**12.1%**	113	7.5%
MARC ECKŌ	**43**	**2.8%**	—	—
La Chapelle Kids	**144**	**9.5%**	88	5.9%
UlifeStyle	**99**	**6.6%**	—	—
JACK WALK/O.T.R	**42**	**2.8%**	—	—
Total	**1,509**	**100.0%**	1,503	100.0%

Notes:

1. The name of La Chapelle Sport was changed to Puella and that of La Chapelle Homme was changed to Vougeek and 7. Modifier abbreviated as 7m in 2015. The Group also launched two new brands, namely UlifeStyle and MARC ECKŌ in 2015. JACK WALK and O.T.R are the brands owned by JACK WALK (as defined hereafter), the company that the Group invested in.

2. The number of net additional retail points as at 31 December 2014 was calculated using the Original Basis.

3. In order to keep consistent with the basis of data for 2014, only "net additional number of retail points" is presented in the data for 2015 on original basis. All information disclosed related to "the net additional number of retail points" set out herein shall prevail.

Same store sales

During 2015, due to the general slow-down of the economy growth in the PRC, the general consumer market was weak. With the adjustment to the market structure, a portion of customer flow of department stores was absorbed by the rapidly expanding shopping centers and online platforms. Accordingly, the same store sales growth of traditional apparel companies, which rely on department stores as their major sales channel, continued to be affected by such diversion of customer flow. Despite that the Group has strategically reduced the proportion of revenue from department stores, sales from concessionaire counters currently remains the key source of our revenue which resulted in a decrease of 3.2% in the same store sales of the Group for 2015 as compared to 2014.

Multi-brand strategy and brand-differentiation strategy

During 2015, the Group continued to execute its multi-brand strategy. In addition to the wide range of apparel products under the existing eight brands of the Group, namely La Chapelle, Puella, 7m, Candie's, Vougeek, La Babité, La Chapelle Kids and Pote, the Group launched new brands UlifeStyle and MARC ECKŌ through the expansion of the Group's internal teams and investment cooperation. The Group also introduced new brands JACK WALK, O.T.R, OTHERMIX and OTHERCRAZY by way of investment holding through companies in which the Company has a controlling interest.

In May 2015, the Group invested in a quality men's casual wear fashion company in the PRC — Jack Walk (Shanghai) Fashion Limited (傑克沃克（上海）服飾有限公司) ("**JACK WALK**"), by way of capital injection of a total of RMB75,000,000 into JACK WALK. After the transaction, the Company directly holds 69.12% of the shares of JACK WALK. Each of the key members of JACK WALK's management team has many years' working experience in fast-fashion apparel market. Leveraging on JACK WALK's experienced management team, strong design capacity and responsive supply chain management capability, the Group can further strengthen its ability in designing and marketing of male apparel products and is well positioned to capture the growth potential in the PRC mens' wear market.

In June 2015, the Group launched its first store for the new collection store brand UlifeStyle in Suzhou. As the first step to implement the collection store strategy, the Group has started renovating various existing large collection stores (with a floor area of 500 square meters or more) in the retail network across the country. The renovation is being carried out in accordance with the Speciality Retailer of Private Label Apparel model, with a more wide-and-open and transparent product display layout designed to increase the interaction between different functional areas and enhance customer experience in selecting, mixing and matching apparel products. At the current stage, some products of these collection stores are still selected from the existing brands of the Group. The designer products developed by an independent designer team for UlifeStyle will be gradually introduced to the market.

In December 2015, JACK WALK launched a new mens' wear brand O.T.R (the initial of "**On The Road**"), with the first lifestyle store grandly opened in Shanghai. With men's wear as its main product, the brand will gradually introduce ladies' wear and kid's wear as well. Further, the brand will also have crossover accessories and daily commodities for sale, offering its customers practical and niche products with higher performance/price ratio through stores featuring family lifestyle.

In September 2015, MARC ECKŌ China Limited, of which 85% equity interest is held by the Company, launched a men's wear brand MARC ECKŌ, with the first physical store opened in Taiyuan, Shanxi. Founded by MARC ECKŌ, the famous designer from New York, the US, the brand is committed to creating a "stylish, delicate and modern" causal fashion.

In addition, in order to further enhance the reputation and characteristics of the brands, strengthen the connections between the consumers and the brands amid the increasingly competitive apparel market, the Group initiated the brand differentiation strategy in the first half of 2015 with a view to improving the positioning of the current brands with more clarity, individualization and differentiation so as to highlight its "distinctiveness".

In May 2015, the Group launched a brand upgrading initiative for the La Chapelle brand, which has the longest history amongst all of the brands in the Group. The upgrading initiative includes the introduction of a new logo, new product designs and a novel decoration style to demonstrate the brand concept of "Elegance, Classics, and Romanticism". Our brand positioning continued to uphold the concept of "Elegance, Classics, and Romanticism" and offer various products covering ladies' wear, men's wear, kids' wear and accessories. The Group has also started to cooperate with new suppliers with a view to providing more fashionable and high-quality apparel products to the customers. Currently, the brand upgrading initiative is being carried out throughout the retail network across the country by way of renovating existing retail outlets and opening new retail outlets.

Immediately after the launch of the upgrading initiative for the La Chapelle brand, La Chapelle Sport, another major brand of the Group, changed its name to Puella in June 2015, aiming to become the "wardrobe for girls next door", incorporate the concept of "fashionable yet comfy wear" and enhance the brand affinity. Furthermore, in order to incorporate more fun element of the brands, Shanghai Weile Fashion Co., Ltd* (上海微樂服飾有限公司), one of the subsidiaries of the Group, signed a license agreement with Guangzhou Art-land Human Being Culture Communication Co., Ltd.* (廣州藝洲人文化傳播有限公司) (the "**Licensor**"), the exclusive authorized agent for SpongeBob in China, whereby the Group obtained the license for the use of the SpongeBob image within China. Both parties have started cooperation in areas of product design and brand promotion to launch an apparel collection with SpongeBob cartoon characters. In addition, both parties have launched a series of theme campaigns throughout all stores nationwide and the online retail platforms, which include on-site interaction, theme decorations, and promotions on related theme products, in order to increase sales opportunities and elevate brand recognition.

Aside from the above two brands which have the longest history within the Group, two younger brands of the Group launched in 2012, namely La Babité and 7m, also initiated a series of promotion campaigns to improve publicity and boost sales. In March 2015, the Group signed a license agreement with Walt Disney (Shanghai) Co., Ltd. and obtained the image usage license for the Disney characters. The cartoon characters used include Cinderella, Frozen, and Disney Princess series, covering coats, dresses, pants, and accessories, etc.

In July 2015, 7m, invited Hong Kong actress Kelly Fu, who was a model before her actress career started, to be the image model to promote the limited edition of autumn trendy mix collection and demonstrate 7m's trendiness and volatility. As a new brand launched in 2011 by the Group, 7m specializes in providing fashion wears for young ladies aged between 18 and 35. The brand aims to spread the positive concept of "Variety makes beauty", and to promote a joyful and confident lifestyle through comfy and easy-match looks.

Supply chain management

To cater to the ever-changing demand of end customers for fast fashion apparel products with high value for money, the Group remains dedicated to continuously improving the quick reaction capability of its supply chain in order to provide support to the execution of the multi-brand and brand-differentiation strategy of the Group. With the help of the supply chain collaboration platform system and control measures, the Group is able to further strengthen cost control and quality improvement.

The quick reaction capability of the supply chain improved substantially in 2015, primarily due to the effective supplier capacity planning and order matching, the launch of the supply chain management system and the implementation of the strategy of centralized procurement of conventional fabric and accessories since 2014. With the enhancing control mechanism of the Group over the refined synergy between of supply and demand, the Group expects that the quick reaction capability of the supply chain of the Group will be improved and strengthened continuously.

The supply chain of the Group has provided dedicated and tailor-made support to the development of various brands since the implementation of the multi-brand and brand differentiation strategy in 2015.

For the single-brand large store (UlifeStyle), the Group selected dozens of specialized suppliers upon assessment and categorized them by production lines so as to ensure higher flexibility and execution efficiency to meet customer's orders. In the meantime, the Group procured conventional fabric and accessories on a purchase in advance basis which saved the lead time of fabric by a wide margin. In support of the brand upgrading initiative of the La Chapelle brands, the Group selected and designated high-end ODM (Original Design Manufacturer) apparel suppliers and fabric and more quality accessories suppliers for the La Chapelle brands and control the costs through the centralized procurement team. To support the differentiation amongst other brands, the Group has also established designated fabric and accessories procurement teams, cost control teams and quick order delivery teams for the brands in respect of their different positioning and style in order to cater to the market demand for various brands.

In order to build up a good reputation among customers and to further enhance the capability to control product quality and cost, the Group has established an information system for cost analysis and accounting to control cost and identify optimization alternatives. The Group continued to enhance its new supply chain management collaboration system and optimize the composition of suppliers for better quality. The Group has also set up an information system for warehouse inspection and quality statistics analysis, in which each product is provided with a unique code. Based on the statistics and analysis on customer aspirations, the product quality in the selection of conventional fabric and accessories and suppliers is thus enhanced. Moreover, the Group also engaged a third-party quality inspection company to improve quality inspection level while strengthening its support and guidance to suppliers in regard of production by technologists.

Warehouse and logistics centre

Amid the constant expansion of its retail network nationwide, the Group further expanded warehouses and logistic centres and upgraded the management system of the same in 2015 in order to satisfy its demand on business growth and further enhance its operation efficiency. As of 31 December 2015, the utilized capacity of the Group's warehouses was improved substantially following the automation at Taicang Phase I warehouse in 2014. In 2015, the Group also introduced the Order To Delivery system (OTD), which ensures timely delivery for orders with assured quality. The construction of warehouses and logistic centres in Tianjin and Taicang Phase II has already commenced and both projects are still under constructions which are estimated to be completed and commence operation in 2016. The warehouse and logistic centre in Chengdu is still at the preparatory stage.

Management information system

In order to catch up with the rapid development of business demands and ensure effective operation of each business department and inter-departmental cooperation, the Group has established a real-time business system platforms comprising Supply Chain Management system (SCM), Retail Management System (RMS), Warehouse Management System (WMS), Order Management System (OMS) and Enterprise Resource Planning management software (ERP) in 2015. It has also gone through a timely enhancement upgrade based on the changes of the Group's business, leading to a sharp bump-up of operation efficiency of each business department.

In terms of enhancing supply chain management capability, the Group has rolled out the supply chain collaboration management system and its implementation by suppliers, which provides system support to garment sampling, proofing, order and budgetary management, production progress schedule management, quality inspection management, delivery appointment, production capacity management, fabric and accessories management. All these are blended into a business collaboration management system for the brands of the Group encompassing over 300 producers and suppliers.

In terms of retail management capability, the Group launched the new retail management system platform in May 2015 in order to support the large scale expansion of its retail point network and management requirements, support the refined and standardized management of stores and support the flexible operation model for retail business with multiple brands. This platform renders real-time business management for the headquarters, regional branch offices and all retail points. All these give full support on the system level for the expansion of retail points in the next few years.

In terms of consumer service capability, in order to satisfy the rapid development demands for online business, the Group continued to improve and optimize the omni-channel services, develop various online purchasing methods, and enhance the product distribution planning system in 2015. Accordingly, the Group was able to take a quantum leap, accomplishing over RMB200 million of online sales in 2015 during the online shopping carnivals in celebration of "Double 11 Day" and "Double 12 Day", where the online sales merely accounted for several dozens of million of RMB in 2014. Meanwhile, to underpin the omni-channel customer management, the Group has initiated the construction of an integrated platform for online orders and customers, and has already consolidated a pool of interactive data from various WeChat fans sourced from different interactive companies, aiming to promote interaction with customers and improve customer loyalty through big data analytics and thus enhance sales volume.

In terms of corporate costs and budgetary control, with the help of the production planning system and the real-time order management system in budgetary control, the Group has effectively monitored and adjusted its production cost control operation. Meanwhile, the use of a rolling budgeting cost report also allowed the corporate and entities at different levels to timely monitor the costs and budgets.

In terms of corporate decision-making and analysis, the Group also established a corporate database and decision-making support system to enhance corporate business analysis and reporting systems in order to offer more support for corporate decision-making and day-to-day business management.

Note: "Double 11 Day" and "Double 12 Day" refer to 11 November and 12 December every year respectively, that are the large-scale shopping promotional carnivals nationwide presented in the form of e-commerce.

Innovative staff incentive measures

Staff is the foundation of business development. Since the inception of the Group, staff incentive has always been taken as the highest priority among the agenda of works. In 2015, the Group introduced a series of innovative measures regarding staff incentive with an aim to encouraging better staff performance and in turn, improving the profitability of the Group.

Establishment of brand divisions

In 2015, each team for each brand was organized as an independent profit centre. As such, the assessment on the performance of the staff belonging to each brand is directly linked to the profit of the relevant brand. With the almost year-long promotion and support, each brand manager and designer became much more capable in terms of brand operation and cost control, laying a solid foundation in furtherance of a stronger profitability of each brand.

Partnership incentive programme

The partnership incentive programme of the Group enables each staff member at the stores to become a "store partner" so that they can share the profit of the corporate based on the results of relevant store. Their payroll calculation was changed from the original "fixed salary + commission" mode to a "sales-performance-directly-linked" mode. Both the manager and staff within a store will share a remuneration pool, the amount of which will be determined by multiplying the total sales of the relevant store by a percentage (which will be determined by the Company with reference to the historic sales of the relevant store). In addition, as a means to encourage each store to out-perform the sales targets set by the Company, each participating store is given higher degree of discretion under which the store manager is empowered to determine the number of staff required and the shift system according to the actual conditions of the store, enabling each store to become an independent operating center and maximise the store's performance.

As an important measure of the Group's employee incentives policy, as at 31 December 2015, the partnership incentive programme has been successfully implemented in approximately 76% of the existing retail outlets since the pilot programme was launched in December 2014. The pilot retail points spread across all 31 provinces, municipalities and autonomous regions of the PRC, including both concessionaire counters and standalone retail outlets and stores with a different length of operation history. With general representative significance, these pilot retail points are in line with the ultimate goal of the Group that aims to roll out the partnership incentive programme for all retail points in the future.

The Group adopts four indicators, namely year-on-year sales growth, proportion of staff salary costs to sales volume of the relevant store, average salary of staff members and staff turnover rate, to evaluate and measure the effect of the pilot partnership incentive programme for stores. During the year ended 31 December 2015, total year-on-year sales growth of the participating stores was approximately 9.25% higher than that of the non-participating stores; proportion of total salary of the participating stores was 10.7% lower than the same period of last year; average salary of the participating stores increased by approximately 28.4% compared with the same period last year; and staff turnover rate of the participating stores decreased by about 1.16% compared with the same period last year. (Note: Of these four indicators, total year-on-year sales growth and total salary are also subject to various other factors, which are not only on account of the partnership incentive programme.)

Moreover, the Group encountered a number of issues during implementation of the pilot partnership incentive programme. Through various measures such as handling feedbacks from employees and further analysis by the management as well as strengthening promotional efforts, such issues were solved in a timely manner.

As a whole, the Group considers the implementation of the partnership incentive programme has significantly enhanced the enthusiasm of the staff force, strengthened their sense of belonging to the Company and enhanced their initiative, creativity and sense of responsibility. Meanwhile, with declined staff turnover rate, enhanced merchandise turnover and better quality of customer service, sales performance has improved.

Key Performance Indicator (KPI) adjustment

Along with the reform of organizational structure and significantly enlarged presence of our retail network, the Group stepped up to carry out KPI adjustment for its employees to the detailed extent of checking on inventory at the end of each month with a view to identifying the existing problems during the process and putting in improvement measures earlier on.

O2O business

Since the commencement of O2O business in August 2014, the Group has been adopting the affordable pricing strategy (with the same price for the same style, whether online or offline) with several hundreds of designated offline retail points as the physical distribution stores in sync with the strategy of "purchase online, deliver offline" with an aim to earn good visibility and customer satisfaction through the online lever.

Taking into account of the stark disparity between O2O and offline business in terms of operation, after careful deliberation, in February 2015, the Group invested in Hangzhou Anshe (renowned for its "**Qigege**" brand), an online company featuring new rich internet experience. To utilize QiGeGe's high efficiency of online sales capability to enhance the sales performance of online business, the operation and management of all online businesses are therefore delegated to the QiGeGe team. Dubbed as "a new company featuring rich internet experience", QiGeGe is adept in sales to fans by active interaction with fans via online platforms like Wechat, Wetao and Weibo. This can drastically heighten customer loyalty without purchasing dataflow and thereby boosting sales. Judging from the operation last year, the average monthly revenue, profit margin and the repurchase rate of the Company's online stores saw a considerable growth when compared with that of 2014, representing a satisfactory accomplishment. It is also worthwhile to mention that La Chapelle became the third largest ladies' wear store in terms of the single-day sales among TMall flagships during TMall shopping carnival in celebration of "Double 11 Day" in 2015.

TMall aside, the Group also established flagship stores in JD.COM, Dangdang and Suning.com platforms in 2015 to keep abreast of customer's shopping habit and grasp more market opportunities. In early April 2015, the Group signed a comprehensive strategic cooperation agreement with JD.COM, pursuant to which, La Chapelle's flagship stores were opened in JD.COM's flash sales platform and pctowap open platform (POP). Service support such as distribution service for the pay-on-delivery orders of these flagship stores is provided by JD.COM. Apart from this, the Group also established cooperative relations with Tencent, and initiated the community micro-shop mode on the Wechat platform. The manager of the Group's retail points at the local shopping center will start a Wechat group with customers in the local community, with a view to boosting sales through precision marketing resulting from increased interactions with customers.

Sustainable Development

The Group is committed to promoting the sustainable development of the environment and community. We recognise the inevitable impacts on the production of fabrics and apparels on the climate and local environment. The Group strives to enhance the environmental performance and social responsibility of fabrics and apparel suppliers. As such, the Group rigorously screens fabrics and apparel suppliers who are required to obtain the certificates in compliance with the national and international environmental standards, safety standards and health for workers. These national and international standards include several standards and regulations, such as ISO14001 accreditation, OEKO-TEX accreditation, OHSAS18000 and the discharge standard of water waste for textile, dyeing and finishing industry (GB4287-92).

Relationship with Stakeholders

The Group fully understands that employees, customers and partners are the key to our sustainable and steady development. We are committed to establishing a close relationship with our employees, enhancing cooperation with our partners and providing high-quality products and services to our customers so as to ensure our sustainable development.

The Group values our staff as the most important resource. Hence, the Group has been endeavouring to provide our staff with equal opportunities and humane workplace. We offer a competitive remuneration package and great opportunities for promotion based on employees' performance. The Group also provides our staff with regular training, including internal training and refresher courses offered by professional organisations, so as to keep them abreast of the latest development in the market and industry as well as to upgrade their job skills.

"Providing quality products and services to customers" has always been our goal. We uphold the philosophy of "Building up the brand reputation for the Company by placing equal emphasis on service and quality" to actively communicate with our customers to understand their views and suggestions so as to enhance our products and services.

We firmly believe that our suppliers are equally important in developing high-quality products. The Group has signed a bona-fide agreement for cooperation with every supplier at arms' length. Through open procedures for tender invitation and submission, the requirements of anti-corruption and anti-bribery are strictly followed, and various reporting channels are provided (including the mailbox and hotline made available to the public for reporting set up by the Audit Department). This agreement is an important legally binding attachment to any procurement cooperation agreement. In addition, we engaged a third-party inspection entity and adopted an "order management system" to strictly control the production process and product quality.

Business Outlook

In short term, under the influence of factors such as overall economic slowdown, market restructuring, changes of consumer behavior pattern, the fashion retail corporates including the Group remain largely compressed. In the face of the challenge-ridden market dynamics, the Group will remain steadfast on the predetermined strategies mainly encompassing the areas as follows:

- The Group will continue to implement strategic expansion on its retail network and boost market share in its existing markets;

- The Group will continue to execute the brand image upgrade and brand differentiation strategy by upgrading various retail points nationwide while ratcheting up its product positioning; the Group will also step up its brand distinctiveness strategy by achieving brand positioning of stronger distinctiveness and differentiation through store image upgrade, cross-industry cooperation and life style stores so as to increase sales opportunities;

- The Group will continue to selectively seek investment opportunities for new brands to complement existing businesses and further strengthen its market position;

- As to its information system development, the Group will further bolster its refined operation, refined management for supply chain, omni-channel businesses and corporate administration;

- The Group will continue to reinforce its organization development by amplifying the functionalities of its brand divisions while effectuating segmentation management in order to beef up implementation efficiency and flexibility; on salary and incentives level, the Group will extend its partnership scheme to touch the staff in all function divisions.

In addition, subsequent to the submission of application materials in relation to the proposed issuance of A share offering to the China Securities Regulatory Commission ("**CSRC**") and the notification of acceptance by the CSRC in October 2015, the Group will continue to prepare for the listing in the domestic A-share market in the PRC. For details, please refer to the announcements of the Company dated 21 April 2015, 20 July 2015 and 26 October 2015, and the circulars dated 31 July 2015 and 27 August 2015 respectively.


La Babité
拉·贝缇

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The board of directors (the "**Board**") consists of 12 directors (collectively the "**Directors**" each a "**Director**"), whose biographies are set forth below:

CHAIRMAN, EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr. Xing Jiaxing (邢加興), aged 43, established the Group in March 2001. Mr. Xing has been an executive Director of the Company since 9 May 2011 and is currently chief executive officer, chairman of the Board, chairman of the strategy and development committee of the Board (the "**Strategy and Development Committee**") and a member of the nomination committee (the "**Nomination Committee**").

Mr. Xing has more than 20 years of experience in the PRC fashion retailing industry. He was also involved in the apparel distribution business for Fuzhou Sophie Garment Co., Ltd. (福州蘇菲時裝有限公司) from July 1996 to July 1998. He established the predecessor of the Company and became the chairman of its board and its executive director in March 2001.

Mr. Xing obtained an EMBA degree from the China Europe International Business School in July 2015. He is now undertaking an EMBA degree at Xiamen University.

EXECUTIVE DIRECTORS

Mr. Wang Yong (王勇), aged 42, is chairman of the budget committee of the Board ("**Budget Committee**"), a member of our Strategy and Development Committee and an executive Director, a position which he has held since 9 November 2012. Mr. Wang joined the Group in April 2012 and has been the executive vice president of the Company.

Mr. Wang had approximately eight years of experience in the investment business in the PRC. Prior to joining the Group in April 2012, Mr. Wang had worked at the investment department of ChinaVest Co., Ltd. (中創企業管理諮詢（上海）有限公司) from 2004 to 2007, and at Legend Capital Co., Ltd. (君聯資本管理股份有限公司, formerly 北京聯想投資顧問有限公司) from 2008 to 2012 as an investment manager, vice president and general director.

Mr. Wang obtained a Bachelor's degree in International Business Administration from Shanghai University of Finance and Economics in July 1995 and a Master of Business Administration degree from McMaster University, Canada in June 2004. Mr. Wang received his designation as a Chartered Financial Analyst from the CFA Institute in March 2007.

Mr. Wang Wenke (王文克), aged 42, has been appointed as the executive vice president of the Company since 2 February 2015 and executive director since 17 July 2015.

Prior to joining the Company, Mr. Wang served as credit manager in China Citic Industrial Bank (now known as China Citic Bank) Weihai Branch from July 1995 to February 1998. From February 1998 to February 2002, Mr. Wang held positions of head of human resources department and head of marketing department in Weihai Hamada Printing Press Co., Ltd (Japan-owned enterprise) (威海濱田印刷機械有限公司（日資）). He worked in Sinochem International Corporation as assistant president from June 2002 to February 2015.

Mr. Wang obtained his bachelor of investment management from Central University of Finance and Economics in July 1995. He is pursuing an EMBA degree at China Europe International Business School.

NON-EXECUTIVE DIRECTORS

Mr. Li Jiaqing (李家慶), aged 42, is a member of the remuneration and appraisal committee of the Board ("**Remuneration and Appraisal Committee**"), Budget Committee, Strategy and Development Committee and a non-executive Director, a position which he has held since 9 May 2011. Mr. Li joined the Group in April 2010 as a non-executive director of the Company.

Mr. Li had worked at Legend Capital Co., Ltd. (君聯資本管理股份有限公司, formerly 北京聯想投資顧問有限公司) from July 2001 to June 2013 as investment manager, senior investment manager, executive director and managing director. Mr. Li is currently director, managing director of Legend Capital Co., Ltd. (君聯資本管理股份有限公司, formerly 北京聯想投資顧問有限公司) and director of Good Factor Limited ("**Good Factor**"), which is one of the substantial shareholders of the Company. Legend Capital Co., Ltd. (君聯資本管理股份有限公司, formerly 北京聯想投資顧問有限公司) and Good Factor are engaged in portfolio investment and fund management. Mr. Li is currently also a supervisor of Shanghai Amarsoft Information and Technology Co., Ltd. (上海安碩信息技術股份有限公司) (a company listed on the Shenzhen Stock Exchange), a director of Yunnan Hongxiang Yixintang Pharmaceutical Co., Ltd.(雲南鴻翔一心堂藥業（集團）股份有限公司)(a company listed on the Shenzhen Stock Exchange), a director of Anhui Ying Jia Distillery Co., Ltd. (安徽迎駕貢酒股份有限公司) (a company listed on the Shanghai Stock Exchange) and a director of Wuxi Lead Auto Equipment Co., Ltd. (無錫先導智能裝備股份有限公司) (a company listed on the Shenzhen Stock Exchange).

Mr. Li obtained a Bachelor's degree in Mechanical Engineering and a Bachelor of Business Administration degree from Tsinghua University in July 1996, and a Master's degree in Management Science and Engineering from Tsinghua University in July 1999.

Mr. Lu Weiming (陸衛明), aged 45, is a member of the Nomination Committee, Budget Committee and a non-executive Director, a position which he has held since 9 May 2011. Mr. Lu joined the Group in January 2008 as a non-executive director of the Company.

Mr. Lu is currently a partner of Boxin (Tianjin) Equity Investment Management Partnership (Limited Partnership) (博信（天津）股權投資管理合夥企業（有限合夥）), which is involved in private equity investment and is a general partner of one of the shareholders of the Company, Boxin First Phase (Tianjin) Equity Fund Partnership (Limited Partnership) (博信一期（天津）股權投資基金合夥企業（有限合夥）). Mr. Lu is currently also a director of Wuxi Xuelang Environment Technology Co., Ltd. (無錫雪浪環境科技股份有限公司) (a company listed on the Shenzhen Stock Exchange).

Mr. Lu was a director at Dalian East New Energy Development Co., Ltd. (大連易世達新能源發展股份有限公司) from November 2008 to February 2012 and at Shenzhen Tat Fook Technology Co., Ltd. (深圳市大富科技股份有限公司) from December 2009 to January 2013, both of which are listed on the Shenzhen Stock Exchange.

Mr. Lu obtained a Bachelor's degree in Management Information Systems from Tongji University, Shanghai in July 1992.

Mr. Cao Wenhai (曹文海), aged 48, is a member of our audit committee of the Board ("**Audit Committee**") and a non-executive Director, a position which he has held since 9 May 2011. Mr. Cao joined the Group in March 2010 as a non-executive Director of the Company.

Mr. Cao is currently the vice president of Shanghai Rongxi Venture Capital Management Co., Ltd. (上海融璽創業投資管理有限公司), which is involved in equity investment and fund management and is a minority shareholder of one of the shareholders of the Company, Shanghai Ronggao Venture Capital Co., Ltd. and has been working there since July 2009. Mr. Cao is currently also the chairman of Shanghai Xindaolun Information Technology Co., Ltd. (上海新道侖信息科技有限公司) and a director of Eastern Pioneer Driving School Co., Ltd (a company listed on Shanghai Stock Exchange). He obtained his PRC legal qualification in June 1997.

Mr. Cao also obtained a Bachelor's degree in Philosophy from Lanzhou University in July 1990 and a Master's degree in Law from East China College of Political Science and Law (now known as East China University of Political Science and Law) in June 2003.

Ms. Wang Haitong (王海桐), aged 32, was appointed as a non-executive Director of the Company on 31 July 2014 and is a member of the Budget Committee and Strategy and Development Committee.

Ms. Wang has been an executive director at Goldman Sachs Broad Street (Beijing) Equity Investment Management Co., Ltd. (北京高盛寬街博華股權投資管理有限公司), which is engaged in investment management, since January 2014. Ms. Wang is also currently a non-executive director of Ozner Water International Holding Limited (浩澤淨水國際控股有限公司), a company listed on the Main Board of the Stock Exchange. Ms. Wang had worked at Morgan Stanley Dean Witter Asia Limited Beijing Representative Office from July 2005 to June 2006 as an analyst, at Morgan Stanley Dean Witter Asia Ltd., Investment Banking Division in Hong Kong, from August 2006 to August 2007 as an analyst, and at the Principal Investment Area of Goldman Sachs (Asia) L.L.C. from September 2007 to December 2013 as analyst, then associate and later executive director.

Ms. Wang obtained a joint Bachelor's degree in Finance and Statistics from Peking University in July 2005.

Mr. Luo Bin (羅斌), aged 44, was appointed as a non-executive Director of the Company on 5 May 2015. Mr. Luo became member at Audit Committee, Budget Committee and Strategy and Development Committee on 21 January 2016 upon approval of the Board.

Mr. Luo is currently a director (a position which he has held since April 2013) and the chief finance officer (a position which he has held since April 2009) of Zhejiang Longsheng Group Co., Ltd. (浙江龍盛集團股份有限公司) ("**Zhejiang Longsheng**"), which is listed on the Shanghai Stock Exchange (stock code: 600352) and is the holding company of Senda International Capital Limited, an existing shareholder of the Company. Before joining Zhejiang Longsheng in April 2009, Mr. Luo worked as a partner in Sova Capital Co., Ltd. (上海盛萬投

資顧問有限公司) from November 2004 to March 2009 and as a senior manager in the financial advisory department of Shanghai Shenyin & Wanguo Securities Co., Ltd. from August 2003 to November 2004.

Mr. Luo obtained a bachelor degree in engineering in July 1994 and with a master degree in engineering in March 1998 from Donghua University (previously known as China Textile University) with. Mr. Luo passed the National Judicial Examination of the People's Republic of China (the "**PRC**") and obtained the Legal Profession Qualification Certificate in February 2006. Mr. Luo passed the National Unified Certified Public Accountants Examination in 1999 and is currently a non-practising member of the Chinese Institute of Certified Public Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mao Jianong (毛嘉農), aged 52, is chairman of our Nomination Committee, a member of our Audit Committee and Strategy and Development Committee, and an independent non-executive Director, a position which he has held since 9 May 2011.

Mr. Mao obtained a Bachelor's degree in Medicine from the Second Military Medical University in July 1984, a Master of Management Science and Engineering degree from the Dalian University of Technology in April 2002 and an Executive Master of Business Administration degree from the China Europe International Business School in October 2011.

Mr. Mao is the Deputy General Manager of Harbin Gloria Pharmaceuticals Co.,Ltd (哈爾濱譽衡藥業股份有限公司) (a company listed on Shenzhen Stock Exchange), and an independent non-executive director of China Hainan Natural Rubber Industry Group Co., Ltd. (海南天然橡膠產業集團股份有限公司) (a company listed on Shanghai Stock Exchange).

In addition, Mr. Mao was an executive director of SinoChem International Corporation from November 2007 to December 2010, a non-executive director of Nantong Jiangshan Agrochemical and Chemicals Co., Ltd. from January 2008 to December 2009, and a non-executive director of China Hainan Natural Rubber Industry Group Co., Ltd. from October 2008 to June 2011, and an independent non-executive director of Yonghui Superstores Co., Ltd. (永輝超市股份有限公司) from August 2009 to September 2015, all of which are companies listed on the Shanghai Stock Exchange.

Mr. Zhou Guoliang (周國良), aged 42, is the chairman of our Audit Committee and a member of our Remuneration and Appraisal Committee and Budget Committee, and an independent non-executive Director, a position which he has held since 23 May 2013.

Mr. Zhou has experience in reviewing or analysing audited financial statements of public companies. Mr. Zhou obtained a Bachelor's degree in Mathematical Statistics in July 1994, a Master's degree in Accounting in July 2003 and a Doctorate in Accounting in June 2008 from Shanghai University of Finance and Economics. Mr. Zhou is currently an Associate Professor in Accounting Faculty at the Shanghai University of Finance and Economics.

In addition, Mr. Zhou currently holds the following independent non-executive directorships: Yonghui Superstores Co., Ltd. (永輝超市股份有限公司) (a company listed on the Shanghai Stock Exchange); and Bright Real Estate Group Co. Limited (formerly known as Shanghai Haibo Co., Ltd., a company listed on the Shanghai Stock Exchange).

Mr. Chen Wei (陳巍), aged 39, is the chairman of our Remuneration and Appraisal Committee, a member of our Nomination Committee and Strategy and Development Committee and an independent non-executive Director, a position which he has held since 9 May 2011.

Mr. Chen obtained a Bachelor's degree in International Business Law from East China University of Political Science and Law in July 1998, a Bachelor's degree in Information Management (self-learning) from Fudan University in April 2002 and an Executive Master in Business Administration degree from China Europe International Business School in October 2011.

Mr. Chen is currently a partner of Llinks Law Offices (通力律師事務所).

Professor Japhet Sebastian Law (羅文鈺), aged 64, has been an independent non-executive Director of the Company since 11 August 2013. He is currently a member of the Nomination Committee and Audit Committee.

Professor Law obtained a Doctorate degree of Mechanical Engineering from the University of Texas at Austin in 1976. He joined the Chinese University of Hong Kong in 1986 and was a Professor in the Department of Decision Sciences and Managerial Economics until his retirement in 2012. He was the Associate Dean and subsequently the Dean of the Faculty of Business Administration of the Chinese University of Hong

Kong from 1993 until 2002. Professor Law has provided consulting services to various corporations in Hong Kong and overseas. He is also active in public services, having served as a member of the Provisional Regional Council of The Government of the Hong Kong Special Administrative Region and various other committees, and is also active on the boards of a number of other organisations including non-profit and charitable organisations, in Hong Kong and elsewhere.

In addition, Professor Law currently holds the following independent non-executive directorships: Regal Hotels International Holdings Limited (a company listed on the Main Board of the Stock Exchange); Beijing Capital International Airport Company Limited (a company listed on the Main Board of the Stock Exchange); Tianjin Port Development Holdings Limited (a company listed on the Main Board of the Stock Exchange); Shougang Fushan Resources Group Limited (a company listed on the Main Board of the Stock Exchange); Binhai Investment Company Limited (a company listed on the Main Board of the Stock Exchange); Global Digital Creations Holdings Limited (a company listed on the Growth Enterprise Market on the Stock Exchange); and Tianjin Binhai Teda Logistics (Group) Corporation Limited (a company listed on the Growth Enterprise Market on the Stock Exchange).

Professor Law was an independent non-executive director of Cypress Jade Agricultural Holdings Limited (a company listed on the Main Board of the Stock Exchange) from December 2011 to July 2013.

SUPERVISORS

The Supervisory Committee of the Company (the "**Supervisory Committee**") consists of five supervisors (collectively the "**Supervisors**"; each "**Supervisor**"), whose biographies are set forth below:

Ms. Xie Hong (謝宏), aged 46, is general manager of human resources and chairman of our Supervisory Committee, a position which she has held since 9 May 2011. Ms. Xie joined the Group in August 2010 as director of human resources.

Prior to joining the Group, Ms. Xie had worked at Shanghai Metersbonwe Fashion & Accessories Co., Ltd. (上海美特斯邦威服飾股份有限公司) from May 2006 to October 2007 as head of human resources and at Shanghai Ten Fashion & Accessories Co., Ltd. (上海天恩服飾有限公司) from June 2008 to May 2010 as supervisor of human resources. Both are companies within the PRC fashion industry.

Ms. Xie obtained a Bachelor's degree in Technology Economics from Tianjin University in July 1992. She is currently pursuing an Executive Master of Business Administration degree at Xiamen University.

Ms. Yang Lin (楊琳), aged 50, is our Supervisor, a position which she has held since 9 May 2011.

Ms. Yang worked at Lenovo Group Limited, a technology company, from 1998 to March 2001 as vice general manager of the financial department and at Legend Capital Co., Ltd. (君聯資本管理股份有限公司, formerly 北京聯想投資顧問有限公司) from April 2001 to 2006 as senior financial advisor. Legend Capital Co., Ltd. (君聯資本管理有限公司, formerly 北京聯想投資顧問有限公司) is engaged in portfolio investment and fund management.

Ms. Yang is currently the chief financial advisor of Legend Capital Co., Ltd. (君聯資本管理股份有限公司, formerly 北京聯想投資顧問有限公司).

Ms. Yang obtained a Bachelor's degree in Economics from Jiangxi University of Finance and Economics in July 1987 and a Master's degree in Economics from Renmin University of China in July 1990. Ms. Yang received her qualification as an accountant from the Ministry of Finance in November 1993.

Mr. Zhang Xueqing (張學慶), aged 49, is our Supervisor, a position which he has held since 28 January 2014.

Mr. Zhang worked at Shanghai Nong Gong Shang Supermarket Co., Ltd. (上海農工商超市（集團）有限公司) from June 2000 to September 2001 as head of finance, at Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (復星醫藥股份有限公司) from September 2001 to September 2002 as head of investment, at Bright Dairy & Food Co., Ltd. (光明乳業股份有限公司) from September 2002 to March 2006 as head of investment and manager in the UHT Division, at Global Children Supplies Co., Ltd. (上海全球兒童用品股份有限公司) from May 2006 to June 2014 as founder, chairman and general manager and at Shanghai Fosun High Technology (Group) Co., Ltd from July 2014 to present as vice president, managing director and managing director of Health Holding Business Department.

Mr. Zhang obtained a Bachelor's degree in Auditing from Shanghai University of Finance and Economics in July 1989.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wu Jinying (吳金應), aged 42, is our Supervisor (since 8 November 2015) and senior technical manager (software development) of the IT department of the Company. He is a system analyst in the IT department of the Company and subsequently promoted to the system R&D manager.

Mr. Wu graduated from senior high school in 1995.

Mr. Zhang Tao (張濤), aged 45, is our Supervisor, a position which he has held since 28 January 2014.

Mr. Zhang worked at Rong An De Equity Investment Management Partnership (Limited Partnership) (熔安德股權投資基金管理有限合夥企業) from April 2011 to present as founding partner, and Sichuan Kelun Pharmaceutical Co., Ltd (四川科倫藥業股份有限公司) (a company listed on Shenzhen Stock Exchange) from June 2014 to present as an independent non-executive Director.

Mr. Zhang obtained a degree of Master of Business Administration from Boston University School of Management in January 2005, a degree of Executive Master of Business Administration from Cheung Kong Graduate School of Business in September 2013, and he completed the Global CEO Training Program from Shanghai Jiao Tong University in June 2013.

SENIOR MANAGEMENT

The biographies of the senior management of the Company ("**Senior Management**") are set forth below:

Mr. Wang Baohai (王寶海), aged 50, was appointed as vice president of operations of the Company on 21 April 2013. He is responsible for the management of the Group's supply chain and products. Mr. Wang obtained a Bachelor's degree in Mathematics from Anqing Normal University in July 1988 and a Master of Business Administration degree (distance learning) from Asia International Open University (Macau) in July 2006.

Mr. Yin Xinzai (尹新仔), aged 44, was appointed as vice president of sales and marketing of the Company on 1 September 2013. He joined the Company in June 2013 and was designated as a general manager of sales and marketing in August 2013. Mr. Yin is responsible for the overall sales and marketing. Prior to joining the Company, Mr. Yin worked at Joeone Co., Ltd. (九牧王股份有限公司) from September 1998 to June 2012 and at Hangzhou Jiuxuan Fashion Co., Ltd. (杭州九軒服飾有限公司) from June 2012 to May 2013. Both companies are in the PRC fashion industry. Mr. Yin is pursuing an Executive Master of Business Administration degree from Xiamen University.

Mr. Quan Qiang (全強), aged 42, was appointed as chief financial officer of the Company on 22 September 2013. Prior to joining the Company, Mr. Quan worked at BNP Paribas Peregrine Securities Limited as a research analyst from 1996 to 2000. From 2002 to 2004, Mr. Quan worked as an associate at the Investment Banking department of Lehman Brothers Asia Holdings Limited. From 2005 to 2011, Mr Quan worked as the chief financial officer and the board secretary at Guangxi Fenglin Wood Industry Group Co., Ltd. From 2011 to 2013, Mr. Quan worked as the chief representative of RBS Asia Corporate Finance Limited Beijing and the branch manager of the RBS Shenzhen Branch.

Mr. Quan obtained a Bachelor's degree in International Political Science from Fudan University in July 1996 and obtained a degree of Master of Business Administration from University of Michigan in April 2002.

Ms. Zhang Danling (章丹玲), aged 37, was appointed as a general manager of brands on 1 July 2011. She joined the Company as a design director in March 2001, and was subsequently appointed as a general manager of the overall brand management centre of the Group in January 2007. Ms. Zhang was also a Director of the Company from May 2011 to November 2012. In her current role as a general manager of La Babité brand, Ms. Zhang is responsible for the management of the emerging brands, such as La Babité. Ms. Zhang obtained a junior college diploma in fashion design from Sichuan University in 1999. She obtained an EMBA degree from Antai College of Economics & Management, Shanghai Jiao Tong University in December 2015.

Ms. Dong Yan (董燕), aged 37, was appointed as a general manager of brands on 26 February 2011. She joined the Company as a designer in February 2004, and was subsequently appointed as a director of brands in February 2008. In her current role as a general manager of La Chapelle brand, Ms. Dong is responsible for the management of the brand, La Chapelle. Ms. Dong is pursuing an Executive Master of Business Administration degree from Xiamen University.

Ms. Zhang Ying (張瑩), aged 36, was appointed as a general manager of brands on 1 September 2011. She joined the Company as a designer in March 2003, and was subsequently appointed as an associate director of brands in January 2006, and a director of brands in June 2010. In her current role as a general manager of Puella brand, Ms. Zhang is responsible for the management of the brand, Puella. Ms. Zhang obtained a Bachelor's degree in fashion design from Tianjin Polytechnic University in July 2002 and is pursuing an Executive Master of Business Administration degree from Xiamen University.

Ms. Shi Hai (石海), aged 41, was appointed as the general manager of development on 23 April 2012. Ms. Shi has more than 15 years of experience in the PRC fashion retailing industry. Prior to joining the Group, Ms. Shi had worked at Shanghai Itokin Fashion Centre Co., Ltd. (上海伊都錦時裝中心有限公司) from 1997 to 1999 as store manager. From 2001 to February 2008, Ms. Shi worked in the Group as store manager. From February 2008 to 2011, Ms. Shi worked at Shanghai Lagogo Fashion Co., Ltd. (上海拉谷谷時裝有限公司). In March 2012, Ms. Shi re-joined the Group and was subsequently appointed as the general manager of development in April 2012 and is responsible for strategic planning, in particular expansion of retail network. Ms. Shi was our executive Director from May 2013 to June 2014. Ms. Shi is now pursuing an Executive Master of Business Administration degree from Xiamen University.

Ms. Zhang Haiyun (張海雲), aged 37, was appointed as the deputy general manager of finance of the Company on 9 April 2014. She joined the finance department of the Group in March 2001, and was subsequently appointed as a financial manager in 2006, deputy director of the finance department from January 2010 to October 2010 and head of finance from November 2011. Ms. Zhang is responsible for the finance management. Ms. Zhang is now pursuing an Executive Master of Business Administration degree from Xiamen University.

Mr. Ma Gang (馬鋼), aged 44, was appointed as the chief marketing officer of the Company on 1 February 2016. Mr. Ma has more than 20 years of experience in product management, sales and marketing, retail operation, brand strategy and communication. Prior to joining the Company, Mr. Ma Gang served as the product manager, senior marketing manager (major regions) and president assistant of brand management department of Sony (China) Ltd (索尼（中國）有限公司) from September 1994 to December 2009. From June 2012 to September 2014, he assumed the role of store manager in the global flagship store of Uniqlo on Nanjing Road West, Shanghai and the director of China marketing department of Uniqlo in Fast Retailing (China) Trading Co., Ltd.. From November 2014 to January 2016, he acted as the director of the brand media centre for UR brands of Urban Revivo (GZ) Co., Ltd (快尚時裝（廣州）有限公司). Mr. Ma was granted a Bachelor's degree of Arts in Applied English from Guangzhou University in 1992. From 2000 to 2002, he studied EMBA in China Europe International Business School of Shanghai. In 2002, he studied marketing in Kellogg School of Management at University of Chicago.

Mr. Mao Jian (茅健), aged 39, was appointed as secretary to the Board on 1 November 2011. He joined the Group in November 2009 as manager and vice supervisor of investment. Mr. Mao is responsible for managing the investment and financing of the Group, and the operations of the shareholders' meetings, the Board and the Supervisory Committee. Mr. Mao has more than 10 years of experience in managing the investment of an enterprise. Prior to joining the Group, Mr. Mao had worked at Shanghai Zhisheng Investment Management Co., Ltd. (上海智晟投資管理有限公司) from April 2008 to November 2009 as assistant to general manager. Mr. Mao obtained a junior college diploma in Computer Aided Design and Information Management from Suzhou University in July 1998 and is pursuing an Executive Master of Business Administration degree from Xiamen University.

JOINT COMPANY SECRETARIES

Mr. Mao Jian (茅健), one of the joint company secretaries of the Company (the "**Joint Company Secretary(ies)**"), is also a member of the Senior Management. Please refer to "Senior Management" for his biography.

Ms. Wong Wai Ling (黃慧玲), one of the Joint Company Secretaries, is assistant vice president of SW Corporate Services Group Limited and is responsible for assisting listed companies in professional company secretarial work. Prior to joining SW Corporate Services Group Limited, she worked in a corporate service provider and the company secretarial department of an international accounting firm. Ms. Wong has been awarded a Bachelor of Arts degree in Marketing and Public Relations from The Hong Kong Polytechnic University and Master of Corporate Governance degree from The Open University of Hong Kong, and is Associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Wong has approximately 10 years of experience in providing company secretarial services.

DIRECTORS' REPORT

The Board is pleased to present this report and the audited consolidated results of the Company and the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Group designs, markets and sells apparel products with a focus on mass-market ladies' casualwear in the PRC. Principal activities and other particulars of the Company's subsidiaries are set out in the note 35 of the consolidated financial statements.

BUSINESS REVIEW

The business review for the year and discussions on the future business development of the Group together with the description of the possible risks and uncertainties of the Group are contained in the Management Discussion and Analysis on pages 18 to 28 of this report. The descriptions of the financial risk management of the Group are set out in note 3 to the consolidated financial statements. Five-year financial summary of the Group is set out on page 9 of this report in which the annual performance of the Group is analyzed by means of the critical financial performance indicators. In addition, the compliance of related laws and regulations which have significant impacts on the Group is set out on page 46 of this Directors' Report, and the environmental policy of the Group and relationship with stakeholders are described in Management Discussion and Analysis as set out on pages 27 to 28 of this report.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2015 and the Company's and the Group's financial position as at that date are set out in the consolidated financial statements on pages 67 to 138 of this report.

A discussion and analysis of the Group's performance during the year and material factors underlying its results and financial position are set out in the "Management Discussion and Analysis" section of this report.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2015 are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements of the share capital of the Company are set out in note 15 to the consolidated financial statements.

FINAL DIVIDENDS

For the year ended 31 December 2015, the Board has proposed a final dividend of RMB0.42 (tax inclusive) per ordinary share (the "**Final Dividends**") to shareholders whose names appear on the register of members of the Company on 11 May 2016, subject to approval by the shareholders of the Company at the upcoming annual general meeting of the Company to be held on 29 April 2016 (the "**2015 AGM**"). Dividends on domestic shares and unlisted foreign shares will be paid in Renminbi and dividends on H shares will be paid in Hong Kong dollars (at the average exchange rate of the medium rate of converting Renminbi into Hong Kong dollars as quoted by the People's Bank of China for 5 business days immediately prior to the date of 2015 AGM). The payment of proposed Final Dividends is expected to be made on or about 15 June 2016 subject to approval at 2015 AGM.

Pursuant to the Corporate Income Tax Law of the PRC and its implementation rules and other relevant rules, where the Company distributes the Final Dividends to non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company, it is required to withhold corporate income tax. The applicable tax rate is generally 10% and can be reduced to 5%, depending on the tax treaties between the PRC and those countries or regions where the non-resident enterprises reside if certain criteria are met. Any H shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other organisations or groups, will be treated as shares being held by non-resident enterprise shareholders, and consequently will be subject to the withholding of the corporate income tax.

Pursuant to the PRC Individual Income Tax Law, the Implementation Regulations of the Individual Income Tax Law, the Tentative Measures on Withholding and Payment of Individual Income Tax and other relevant laws and regulations, the foreign individuals who are the holders of H shares shall pay individual income tax at a tax rate of 20% upon their receipt of distribution of dividend from domestic enterprises which issued such H shares, which shall be withheld and paid by such domestic enterprises on behalf of the such individual H shareholders. Shareholders are recommended to consult their taxation advisors for advice on the PRC, Hong Kong and other tax effects with respect to the holding and disposing of H shares of the Company. Dividends and other payments payable by the Company to unlisted foreign shareholders and H shareholders shall follow relevant requirements on foreign exchange stipulated by the PRC.

CLOSURE OF REGISTER OF MEMBERS

On 29 April 2016, the Company will hold the 2015 AGM, 2016 First Class Meeting for the Holders of H Shares and 2016 First Class Meeting for the Holders of Domestic Shares and Unlisted Foreign Shares (collectively known as "**Class Meetings**") for the purposes of considering and, if thought fit, passing the resolutions listed in the notices of those meetings. Relevant details of the resolutions are set out in the respective notice of the 2015 AGM and Class Meetings of the Company dated 12 March 2016.

In order to determine the shareholders who are entitled to attend the 2015 AGM and Class Meetings (as appropriate), the register of members of the Company will be closed from 30 March 2016 to 28 April 2016 (both days inclusive), during which period no transfer of shares of the Company can be registered. In order to be qualified to attend and vote at the 2015 AGM and Class Meetings (as appropriate), all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's H Shares Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holder(s) of H shares), or the registered office of the Company in the PRC at Room 3300, Level 3, Block 1, 270 Cao Xi Road, Xuhui District, Shanghai, PRC (for holder(s) of domestic shares and unlisted foreign shares) for registration not later than 4:30 p.m. on 29 March 2016.

Shareholders whose names appear on the register of members of the Company at the close of business on 28 April 2016 are entitled to attend and vote at the 2015 AGM and Class Meetings (as appropriate).

In order to determine the shareholders who are entitled to receive the Final Dividends, the register of members of the Company will be closed from 6 May 2016 to 11 May 2016 (both days inclusive), during which period no transfer of shares can be registered. In order to be qualified to receive the Final Dividends, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's H Shares Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holder(s) of H shares), or the registered office of the Company in the PRC at Room 3300, Level 3, Block 1, 270 Cao Xi Road, Xuhui District, Shanghai, PRC (for holder(s) of domestic shares and unlisted foreign shares) for registration not later than 4:30 p.m. on 5 May 2016.

Shareholders whose names appear on the register of members of the Company at the close of business on 11 May 2016 are entitled to receive the Final Dividends.

FIXED ASSETS

Details of the fixed assets of the Group are set out in note 6 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

Bank loans and other borrowings of the Company and the Group as at 31 December 2015 are set out in note 18 to the consolidated financial statements.

DONATIONS

As a corporate citizen, the Company is driven by its wish to create maximum value for the community where its operation is located and participated in social welfare activities. During the year ended 31 December 2015, the Group and its staff made direct donations to a number of charity organizations.

Clothing Donation of the Company in 2015:

Beneficiary	Time	Quantity (piece)	Value (RMB)
Beijing Disabled Persons' Federation	April 2015	162,230	7,984,874.56
Shanghai Disabled Persons' Federation	April 2015	11,364	557,067.13
Tibet-supporting Organization in Xuhui	April 2015	3,012	324,877.86
Beijing Disabled Persons Federation	July 2015	10,710	702,061.44
Shanghai Disabled Persons' Federation	September 2015	6,288	349,947.14
Beijing Disabled Persons Federation	September 2015	22,317	1,184,254.18
Beijing Disabled Persons Federation	October 2015	88,817	5,208,273.47
Total		**304,738**	**16,311,355.78**

The Company and Mr. Xing Jiaxing, the Chairman of the Board, always pay close attention to and support the career of disabled persons in China and the development of China Foundation for Disabled Persons. Since 2009, the Company has actively donated new clothes and accessories to improve the living standard of disabled persons, making substantial contributions to their careers through concrete actions. Up to December 2015, the Company has accumulatively donated 1,151,000 brand new clothes and accessories to China Foundation for Disabled Persons. These donations were sent to 25 provinces, districts and cities, including Beijing, Jiangxi, Gansu and Wuhan. The Company was awarded Love for the Disabled Contribution Award (愛心助殘貢獻獎) by Shanghai Disabled Persons' Federation in recognition of these actions.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date before printing this report, the Directors confirmed that based on information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained sufficient amount of public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

By reference to needs and market conditions and approval(s) of the relevant regulatory authorities being obtained in compliance with the laws, administrative regulations and the articles of association of the Company (the "**Articles of Association**"), the Company has conducted repurchase of its H Shares 22 times from 16 June 2015 to 16 July 2015 pursuant to a repurchase mandate granted by the Shareholder to the Board on the 2014 annual general meeting and the relevant class meetings held on 5 May 2015. Details of the repurchases conducted were set out in the Next Day Disclosure Returns published on the websites of the Stock Exchange and the Company respectively on 16 June 2015, 17 June 2015, 18 June 2015, 19 June 2015, 22 June 2015, 23 June 2015, 24 June 2015, 25 June 2015, 26 June 2015, 29 June 2015, 30 June 2015, 2 July 2015, 3 July 2015, 6 July 2015, 7 July 2015, 8 July 2015, 9 July 2015, 10 July 2015, 13 July 2015, 14 July 2015, 15 July 2015 and 16 July 2015. As at 16 July 2015, the Company has repurchased 10,478,200 H Shares in total representing 4.65% and 2.08% of the total number of H Shares and total number of issued shares of the Company as at 5 May 2015 (i.e. the date of the above meetings held) respectively. The total amount paid for the repurchases conducted from 16 June 2015 to 16 July 2015 was HK$149,149,376 (excluding commission and other expenses).

Particulars of the repurchases were as follows:

Month of the repurchases	Number of H Shares repurchased	Purchase price per H Share		Aggregate consideration paid (before expenses)
		Highest HK$	Lowest HK$	HK$
June 2015	3,558,400	14.52	13.74	50,160,436.00
July 2015	6,919,800	14.80	12.80	98,988,940.00
Total	10,478,200			149,149,376.00

Other than the above disclosure, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2015.

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing shareholders in proportion to their shareholdings.

DIRECTORS AND SUPERVISORS

The Directors during the year ended 31 December 2015 and as of the date of this report are as follows:

Name	Position	Roles and responsibilities	Date of appointment as Director	Date of joining the Group
Mr. Xing Jiaxing (邢加興)	Chairman, Executive Director and chief executive officer	Overall management of the Group, strategic planning and decision making	9 May 2011	March 2001
Mr. Wang Yong (王勇)	Executive Director and executive vice president	Strategic planning and investment business	9 November 2012	April 2012
Mr. Wang Wenke (王文克)	Executive Director and executive vice president	marketing and administrative affair	17 July 2015	February 2015
Mr. Hu Gang (胡剛)[1]	Executive Director, assistant to the chairman and senior executive vice president	Strategic planning and O2O business	26 June 2014	June 2014
Mr. Li Jiaqing (李家慶)	Non-executive Director	As a non-executive Director	9 May 2011	April 2010
Mr. Lu Weiming (陸衛明)	Non-executive Director	As a non-executive Director	9 May 2011	January 2008
Mr. Cao Wenhai (曹文海)	Non-executive Director	As a non-executive Director	9 May 2011	March 2010
Ms. Wang Haitong (王海桐)	Non-executive Director	As a non-executive Director	31 July 2014	July 2014
Mr. Luo Bin (羅斌)	Non-executive Director	As a non-executive Director	5 May 2015	May 2015
Mr. Mao Jianong (毛嘉農)	Independent non-executive Director	As an independent Director	9 May 2011	May 2011
Mr. Zhou Guoliang[2] (周國良)	Independent non-executive Director	As an independent Director	23 May 2013	May 2011
Mr. Chen Wei (陳巍)	Independent non-executive Director	As an independent Director	9 May 2011	May 2011

Name	Position	Roles and responsibilities	Date of appointment as Director	Date of joining the Group
Professor Japhet Sebastian Law (羅文鈺)	Independent non-executive Director	As an independent Director	11 August 2013	August 2013

[1] Mr. Hu Gang had tendered his resignation as an executive Director, a member of the Strategy and Development Committee, the assistant to chairman and senior executive vice president of the Company with effect from 12 May 2015 due to his intention to devote more time on his personal engagements.

[2] According to the requirement of Ministry of Education of the PRC, Mr. Zhou Guoliang had tendered his resignation as an independent non-executive Director, the chairman of the Audit Committee, the member of the Remuneration and Appraisal Committee and Budget Committee and the Board respectively on 21 January 2016. The resignation of Mr. Zhou will be effective upon the approval of the newly appointed independent non-executive director at the 2015 AGM. The Board has also nominated Dr. Chen Jieping as an independent non-executive director. Dr. Chen's appointment will be subject to the approval of the shareholders at the 2015 AGM.

The Supervisors during the year ended 31 December 2015 and as of the date of this report are as follows:

Name	Position	Roles and responsibilities	Date of appointment as Supervisor	Date of joining the Group
Ms. Xie Hong (謝宏)	Chairperson of the Supervisory Committee and general manager of human resources	Supervision of the Board and Senior Management, and management of the Group's human resources	9 May 2011	August 2010
Ms. Yang Lin (楊琳)	Supervisor	Supervision of the Board and Senior Management	9 May 2011	May 2011
Mr. Zhang Xueqing (張學慶)	Supervisor	Supervision of the Board and Senior Management	13 January 2014	January 2014
Mr. Tang Zhen (唐震)[1]	Supervisor	Supervision of the Board and Senior Management	9 May 2011	August 2004
Mr. Wu Jinying (吳金應)	Supervisor and senior technical manager (software development)	Supervision of the Board and Senior Management	8 November 2015	March 2001
Mr. Zhang Tao (張濤)	Supervisor	Supervision of the Board and Senior Management	13 January 2014	January 2014

[1] Mr. Tang Zhen has stepped down as an employee representative supervisor of the Company in the employee representative meeting held on 8 November 2015 to devote more time to his other personal commitments.

Biographical details of the Directors, Supervisors and Senior Management are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Save as disclosed below, each of the Directors and Supervisors has entered into a service contract with the Company for a term commencing on the date of his appointment and ending on its expiration, which is for a period of three years from May 2014. Mr. Luo Bin has entered into a service contract for a term commencing from his appointment on 5 May 2015 and ending on the second anniversary of his appointment. Further, Mr. Wang Wenke has entered into a service contract for a term commencing from his appointment on 17 July 2015 and ending on the expiry of the second session of the Board. In addition, the Company also proposes to enter into a service contract with Dr. Chen Jieping, subject to approval from the shareholders on the 2015 AGM, for a term commencing from the date of his appointment and ending on the expiry of the second session of the Board. As a Supervisor, Mr. Wu Jinying, who was elected as an employee representative Supervisor on 8 November 2015, other than the employment contract entered into with the Company, has not entered into any service contract with the Company.

For the year ended 31 December 2015, none of the Directors or Supervisors had entered or proposed to enter into a service contract with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of the Director or Supervisor had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party as of and during the year ended 31 December 2015.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2015, the interests and short positions of the Directors, Supervisors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such positions of the SFO; or (ii) recorded in the register required to be kept under section 352 of the SFO, or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") were as follows:

Long position in the shares of the Company

Name of Director, Supervisor and Chief Executive	Nature of interest and capacity	Number of shares interested	Approximate percentage of shareholding in the relevant class of shares as at 31 December 2015	Approximate percentage of shareholding in the total issued share capital of the Company at 31 December 2015
Mr. Xing Jiaxing[1]	Beneficial owner, interest in a controlled corporation, deemed interest pursuant to section 318 of the SFO	187,078,815 Domestic Shares	72.32%	37.95%

[1] Mr. Xing Jiaxing was the beneficial owner of 141,874,425 domestic shares of the Company ("**Domestic Shares**"), which represent approximately 28.78% of the total issued share capital of the Company as at 31 December 2015. As Mr. Xing Jiaxing holds more than one-third of the equity interest in the registered capital of Shanghai Hexia Investment Co., Ltd. (上海合夏投資有限公司) ("**Shanghai Hexia**"), he is deemed, pursuant to section 316 of the SFO, to be interested in the Company's shares in which Shanghai Hexia is interested (being 45,204,390 Domestic Shares), which represented approximately 9.17% of the total issued share capital of the Company as at 31 December 2015. In addition, Mr. Xing Jiaxing and Shanghai Hexia entered into a new Acting-in-Concert Agreement (the "**New Concert Agreement**") on 9 January 2015. As the New Concert Agreement is an agreement to which section 317 of the SFO applies, Mr. Xing Jiaxing is also deemed, pursuant to section 318 of the SFO, to be interested in the Company's shares in which Shanghai Hexia is interested (being the 45,204,390 Domestic Shares mentioned above), which represents approximately 9.17% of the total issued share capital of the Company as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, so far as is known to any Director, Supervisor or the chief executive of the Company, none of the Directors, Supervisors, or the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO; or (ii) recorded in the register required to be kept under section 352 of the SFO, or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Director, Supervisor or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate since the Listing Date.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2015, the following persons (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Nature of interest and capacity	Number of shares interested	Approximate percentage of shareholding in the relevant class of shares as at 31 December 2015	Approximate percentage of shareholding in the total issued share capital of the Company at 31 December 2015
Shanghai Hexia[1]	Beneficial owner, deemed interest pursuant to section 318 of the SFO	187,078,815 Domestic Shares	72.32%	37.95%
The Goldman Sachs Group, Inc[2]	Interest in controlled corporation	18,236,842 Domestic Shares	7.05%	3.70%
LC Fund IV GP Limited[3]	Interest in controlled corporation	86,625,000 H Shares	40.33%	17.57%
Gabriel Li[4]	Interest in controlled corporation	21,655,200 H Shares	10.08%	4.39%
Lam Lai Ming[4]	Interest in controlled corporation	21,655,200 H Shares	10.08%	4.39%
Zhejiang Longsheng Group Co., Ltd.[5]	Interest in controlled corporation	20,396,400 H Shares	9.50%	4.14%
Senda International Capital Limited	Beneficial owner	16,630,800 H Shares	7.74%	3.37%

[1] Shanghai Hexia was interested 45,204,390 Domestic Shares, which represented approximately 9.17% of the total issued share capital of the Company as at 31 December 2015. In addition, Shanghai Hexia and Mr. Xing Jiaxing entered into the New Concert Agreement on 9 January 2014, which is an agreement to which section 317 of the SFO applies. As a result, Shanghai Hexia is also deemed, pursuant to section 318 of the SFO, to be interested in the Company's shares in which Mr. Xing Jiaxing is interested (being the 141,874,425 Domestic Shares, representing approximately 28.78% of the total issued share capital as at 31 December 2015 held by Mr. Xing Jiaxing as at 31 December 2015).

[2] The Goldman Sachs Group, Inc is a company listed on the New York Stock Exchange. The Goldman Sachs Group, Inc, through its various entities, controls Beijing Broad Street Investment Centre (limited partnership) (formerly known as Beijing Goldman Sachs Investment Centre (Limited Partnership)), which was beneficially interested in 18,236,842 Domestic Shares and The Goldman Sachs Group, Inc was deemed to be interested in such shares by virtue of the SFO.

[3] These H Shares of the Company were held by Good Factor Limited, 55.4% equity interest of which is owned by LC Fund IV, L.P., which is controlled by LC Fund IV GP Limited.

[4] Mr. Gabriel Li was deemed to be interested in an aggregate of 21,655,200 H shares of the Company by virtue of the SFO. Those interests held through Areo Holdings Limited comprised deemed interests in 20,574,800 H shares of the Company held by Orchid Asia V Group, Limited through its various entities, namely Orchid Asia V Group Management, Limited, Orchid Asia VI GP, Limited, Oavi Holdings, L.P., Orchid Asia VI, L.P. and 1,080,400 H shares of the Company held by Orchid Asia V Co-Investment, Limited. As a spouse of Mr. Gabriel Li, Ms. Lam Lai Ming was deemed to be interested in an aggregate of 21,655,200 H shares of the Company held by Mr. Gabriel Li by virtue of the SFO.

[5] These H shares of the Company were held by Senda International Capital Limited and Well Prospering Limited, which holds 16,630,800 and 3,765,600 H shares of the Company respectively.

Other than as disclosed above, as at 31 December 2015, the Directors have not been notified by any person (not being the directors, supervisors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2015, none of the Directors or their respective associates had interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST EMOLUMENTS

The Directors' emoluments are determined by the Board with reference to their duties, responsibilities and performance and the results of the Group. Details of the Directors' emoluments and the five highest paid individuals are set out in notes 38 and 25 to the consolidated financial statements respectively.

EMOLUMENT POLICY

The Remuneration and Appraisal Committee was set up to develop the Group's emolument policy and structure for remuneration of the Directors, Supervisors and Senior Management of the Group, having regard to the Group's operating results, individual performance of the Directors, Supervisors and Senior Management and comparable market practices.

PENSION SCHEMES

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "**Schemes**") organized by the local authorities whereby the subsidiaries are required to make contributions to the Schemes based on a percentage of the eligible employees' salaries. Contributions to these Schemes vest to employees immediately. Under these Schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

The Group's contributions to retirement benefit schemes charged to the consolidated statement of profit or loss for the year ended 31 December 2015 were RMB176,525,000.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2015.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for the Directors, Supervisors and Senior Management in respect of certain liabilities arising out of corporate activities. As required by section 470(1) and (2) of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "**Hong Kong Companies Ordinance**"), it is confirmed that the permitted indemnity provision mentioned above is/was in force for the benefit of the Directors/then Directors when the Directors' Report prepared by the Directors is approved in accordance with section 391(1)(a) of the Hong Kong Companies Ordinance; and has been in force throughout the financial year ended 31 December 2015, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases; and the combined revenue from the five largest customers did not exceed 30% of the total revenue of the Group. None of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers and customers.

CONNECTED TRANSACTIONS

Continuing Connected Transaction

During the reporting period, the Group had the following continuing connected transaction:

Service Agreement between the Company and Hangzhou Anshe

Hangzhou Anshe is a non-wholly owned subsidiary of the Company. Its substantial shareholder, Aibo Technology Company Limited, is a subsidiary of LC Fund IV, L.P., which in turns controls Good Factor Limited, a substantial shareholder of the Company. Therefore, Hangzhou Anshe is a connected subsidiary of the Company. As such, the transactions contemplated under the Service Agreement (as defined below) would constitute a continuing connected transaction (as defined under the Listing Rules).

In order to further strengthen the Company's online sales channels and to improve its online sales capabilities, the Company entered into a service agreement (the "**Service Agreement**") with Hangzhou Anshe on 27 August 2015. The Service Agreement was effective from 10 March 2015 to 31 December 2015, and was subsequently extended to 31 December 2016. Pursuant to the Service Agreement, the service fee payable to Hangzhou Anshe was determined based on revenue generated through third party e-commerce platforms multiplied by a set of percentages, ranging from 25% to 35% depending on platform type, minus expenses incurred. For the year ended 31 December 2015, the service fee (tax inclusive) payable by the Company to Hangzhou Anshe was RMB93,269,824, which has been paid in full by the Company to Hangzhou Anshe in March 2016.

The annual cap for the Service Agreement, being the total service fee payable to Hangzhou Anshe under the Service Agreement for the period commencing from 1 January 2016 and ending 31 December 2016 is RMB180,000,000.

Due to the misunderstanding on the definition of "connected subsidiary" under Chapter 14A of the Listing Rules, the Company had not issued the relevant announcement in respect of the Service Agreement with Hangzhou Anshe at the time when the Service Agreement was entered into in August 2015. The Company, after discovering the incident, has acted promptly in compliance with the Listing Rules and has taken and/or will continue to take remedial actions. Please refer to the announcement published by the Company on 21 March 2016 for more details.

Confirmations from the Directors and auditor

The independent non-executive Directors have reviewed these transactions and confirmed that the continuing connected transactions have been entered into:

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

(b) on normal commercial terms or better (as defined under the Listing Rules); and

(c) according to the agreement governing them, 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 HKSAE 3000 "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 findings and conclusions in respect of the continuing connected transaction disclosed by the Group in page 45 of this annual report in accordance with the Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The auditor has reviewed the above continuing connected transactions and confirmed to the Board that:

(1) Nothing has come to their attention that cause them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) For transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; and

(3) Nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

The above disclosures are made pursuant to the relevant requirements of Chapter 14A of the Listing Rules.

Save as disclosed above, for the year ended 31 December 2015, the Group has not entered into any connected transactions (as defined under the Listing Rules). The related party transactions as set out in note 34 of consolidated financial statements do not constitute connected transaction under the Listing Rules.

CONTRACT OF SIGNIFICANCE

Save as disclosed above, no contract of significance has been made between the Company or any one of its subsidiaries and a controlling shareholder or its subsidiaries during the year ended 31 December 2015 or as at the date of this report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, other than the incident relating to the continuing connected transaction mentioned above, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

SHARE OPTION SCHEME

There is no share option scheme operated by the Company.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement has been entered into with the Company during the year ended 31 December 2015.

AUDIT COMMITTEE

During the year ended 31 December 2015, the Audit Committee met 3 times to review the annual financial results in respect of the year ended 31 December 2014 and the interim financial results in respect of the six months ended 30 June 2015, appointment of auditors and significant issues on internal control and risk management systems, and amend the terms of reference of the Audit Committee. The Audit Committee also met the external auditors once without the presence of the executive Directors during the year ended 31 December 2015.

The Audit Committee has reviewed the results of the Group for the year ended 31 December 2015 and has discussed with the management on the accounting policies and practices adopted by the Group, risk management and internal controls, and financial reporting matters.

REMUNERATION AND APPRAISAL COMMITTEE

During the year ended 31 December 2015, the Remuneration and Appraisal Committee met twice to review and assess the annual job performance of the Senior Management, review the policy and structure of the remuneration of Directors and Senior Management and other related matters, and make recommendations to the Board accordingly.

NOMINATION COMMITTEE

During the year ended 31 December 2015, the Nomination Committee met 2 times to nominate Senior Management for appointment and selection, review the structure, size and composition of the Board, the independence of the independent non-executive Directors and diversity of the Board.

AUDITORS

PricewaterhouseCoopers has been appointed as international auditors of the Company for the year ended 31 December 2015. PricewaterhouseCoopers shall retire in the 2015 AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as international auditors of the Company will be proposed at the 2015 AGM.

In accordance with the second extraordinary general meeting for the year 2015 held by the Company on 15 September 2015, PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) was appointed as the PRC statutory auditors of the Company to replace Shanghai My Whole Way CPAs which was resolved by the Board to be terminated as the auditors of the Company. The resolution regarding the re-appointment of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) as the PRC auditors of the Company will be tabled at the 2015 AGM.

The remuneration paid to PricewaterhouseCoopers in respect of the audit services rendered for the year ended 31 December 2015 and remuneration prepaid to PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) in respect of A share listing was RMB3,500,000 and RMB1,400,000 respectively. Remuneration paid to PricewaterhouseCoopers in respect of the Hong Kong profit tax reporting service for the Company was RMB27,000 and remuneration paid to PricewaterhouseCoopers Consultants (Shenzhen) Limited Shanghai Branch in respect of the financial due diligence service on investment in JACK WALK for the Company was RMB141,000.

POST BALANCE SHEET EVENTS

Details of the events after the reporting period are set out in note 36 to the consolidated financial statements.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND SUPERVISORS

Save as disclosed in the section headed "Profiles of Directors, Supervisors and Senior Management" in this report, there was no change to any of the information required to be disclosed in relation to any Director or Supervisor pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the date of 2015 interim report of the Company.

For and on behalf of the Board
Xing Jiaxing (邢加興)
Chairman

Shanghai, PRC, 11 March 2016

REPORT OF THE SUPERVISORY COMMITTEE

In 2015, the Supervisory Committee of the Company continued to carry out its duties to safeguard the interests of the Company and the shareholders and performed its function by monitoring all aspects of the Company in 2015 in accordance with the relevant provisions of the Company Law and other applicable laws and regulations of the PRC, the Articles of Association, and the Rules of Procedure of the Supervisory Committee. The Supervisory Committee is of the opinion that during the year ended 31 December 2015, all Board members of the Company have performed their duties diligently and implemented fully the resolutions passed at general meetings, and no act prejudicial to the interests of shareholders occurred. The report of the Supervisory Committee for the year ended 31 December 2015 is as follows:

1. WORK PERFORMED BY THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the reporting period, the Company convened four meetings of the Supervisory Committee: namely the third meeting of the second session of the Supervisory Committee, the fourth meeting of the second session of the Supervisory Committee, the fifth meeting of the second session of the Supervisory Committee, and the sixth meeting of the second session of the Supervisory Committee. The convening and voting procedures of the meetings complied with the relevant provisions of the Company Law of the PRC and the Articles of Association. Specific details are as follows:

(I) The third meeting of the second session of the Supervisory Committee

On 23 March 2015, the Company convened the third meeting of the second session of the Supervisory Committee in Shanghai. All 5 Supervisors who were entitled to attend the meeting were present. The meeting was convened and chaired by the chairman of the Supervisory Committee. Resolutions on Financial Report and Budget Report of the Company 2014, Audit Report of the Company 2014 and Report of the Supervisory Committee of the Company 2014 were considered and passed at the meeting.

(II) The fourth meeting of the second session of the Supervisory Committee

On 28 August 2015, the Company convened the fourth meeting of the second session of the Supervisory Committee in Shanghai. All 5 Supervisors who were entitled to attend the meeting were present. The meeting was convened and chaired by the chairman of the Supervisory Committee. Resolutions on the Unaudited Financial Statements of the Company for the six months ended 30 June 2015 and the Interim Results Announcement of the Group for the six months ended 30 June 2015 were considered and passed at the meeting.

(III) The fifth meeting of the second session of the Supervisory Committee

On 6 September 2015, the Company convened the fifth meeting of the second session of the Supervisory Committee in Shanghai. All 5 Supervisors who were entitled to attend the meeting were present. The meeting was convened and chaired by the chairman of the Supervisory Committee. Resolution on the Financial Report and Audit Report of the Company for the period from 1 January 2012 to 30 June 2015 was considered and passed at the meeting.

(IV) The sixth meeting of the second session of the Supervisory Committee

On 9 December 2015, the Company convened the sixth meeting of the second session of the Supervisory Committee in Shanghai. All 5 Supervisors who were entitled to attend the meeting were present. The meeting was convened and chaired by the chairman of the Supervisory Committee. Mr. Tang Zhen, the former employee representative supervisor of the Supervisory Committee, resigned from the office of employee representative supervisor on his own accord. Mr. Wu Jinying was elected as the employee representative supervisor of the second session of the Supervisory Committee at the employee representative meeting of the Company. The Company informed each supervisor of the above issues.

During the reporting period, in addition to holding meetings of the Supervisory Committee, members of the Supervisory Committee also observed the Board meetings and attended the general meetings of the Company and became aware of various important proposals and resolutions of the Company. With a better understanding of the decision-making process of the Company regarding important issues and the operating results of the Company, the Supervisory Committee was able to perform its supervision and inspection functions on an informed basis.

2. INDEPENDENT OPINIONS EXPRESSED BY SUPERVISORY COMMITTEE WITH REGARDS TO COMPLIANCE BY THE COMPANY WITH LAWS

In 2015, the Supervisory Committee of the Company carried out its supervisory responsibilities in accordance with the relevant provisions of the Company Law and other applicable laws and regulations of the PRC, and the Articles of Association and expressed the following independent opinions on relevant aspects of the Company:

Pursuant to the relevant provisions of the Company Law and applicable laws and regulations of the PRC and the Articles of Association, the Supervisory Committee of the Company inaugurated the second session of Supervisory Committee on 11 June 2014, after duly considered and approved by the shareholders' general meeting. In accordance with the laws, the Supervisory Committee of the Company conducted supervision on the operations of the Company, observed or attended the Board meetings and general meetings of the Company, conducted supervision on the decision-making process and the performance of duties by members of the Board and the senior management of the Company in 2015. The Supervisory Committee is of the opinion that the general meetings and Board meetings of the Company were convened and held pursuant to relevant provisions of the Company Law, and applicable laws and regulations of the PRC and the Articles of Association; the decision-making process was in compliance with the provisions of the relevant laws and regulations and the Articles of Association, and the content of the resolutions were legitimate and valid. No violation of laws and regulations has been detected by the Supervisory Committee. The Company has established a more comprehensive corporate governance structure and internal control system in accordance with its practical circumstances and the requirements of laws and regulations. Members of the Board and the senior management have performed their duties loyally and diligently in accordance with the relevant provisions of national laws and regulations and the Articles of Association. During the reporting period, members of the Board and the senior management of the Company have not committed any acts that were in breach of laws and regulations or the Articles of Association, nor have they engaged in any act prejudicial to the interests of the Company and shareholders.

3. INDEPENDENT OPINIONS EXPRESSED BY SUPERVISORY COMMITTEE WITH REGARDS TO FINANCIAL POSITION OF THE COMPANY

In 2015, in accordance with the applicable laws and regulation of the PRC and the Articles of Association, the Supervisory Committee conducted supervision on areas including the financial position and financial management of the Company. The Supervisory Committee is of the opinion that the Company has a well-established financial system and sound financial position, and that the Financial Report 2015 gives a true and fair view of the financial position and operating results of the Company. A standard unqualified Auditor's Report has been prepared by PricewaterhouseCoopers.

4. INDEPENDENT OPINIONS EXPRESSED BY SUPERVISORY COMMITTEE WITH REGARDS TO ACQUISITION, DISPOSAL OF ASSETS BY THE GROUP

The Supervisory Committee is of the opinion that related transactions of the Company during the reporting period are on fair terms and of no harm to the interest of the Company.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2015.

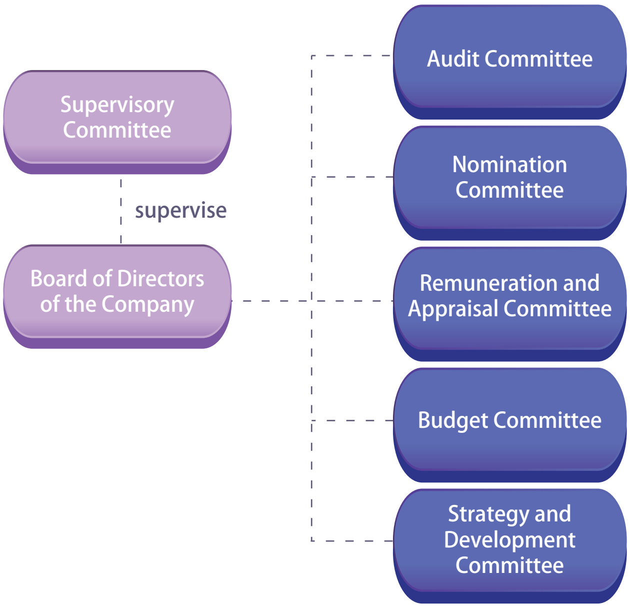
During the year ended 31 December 2015, the Company has been complying with the code provisions ("**Code Provision(s)**") of the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the "**CG Code**"), except the deviation mentioned below, making corporate governance rules and recommendations with respect to Board composition, Board diversity policy, duties and procedures, salary structure of the Directors and Senior Management and appraisal of the Board, internal control and auditing, Joint Company Secretaries, communication between the Company and Shareholders.

In particular, the Chairman assumes the major responsibility for ensuring sound corporate governance practices and procedures of the Company. The Company has adopted a corporate governance policy, stating terms of reference for the Board to perform, including but not limited to: formulation and review of the corporate governance policy and practices of the Company; review and monitoring of the training and continuous professional development of the Directors and Senior Management; review and monitoring of the policies and practices of the Company in relation to compliance with laws and regulatory requirements; formulation, review and monitoring of compliance by staff and Directors with code of conduct and compliance manual; and review of the compliance of the Company with the CG Code.

CORPORATE GOVERNANCE PRACTICES

The Group recognizes the vital importance of good corporate governance to the Group's success and sustainability. The Group reviewed relevant regulations seriously pursuant to the guidelines as stipulated in the Listing Rules of the Stock Exchange, and have introduced corporate governance practices appropriate to the conduct and growth of the business.

As of 31 December 2015, the governance structure of the Company is as follow:



The H shares of the Company were listed on the Stock Exchange with effect from the Listing Date, therefore, the CG Code has been applicable to the Company since the Listing Date.

In the opinion of the Board, the Company has been in compliance with the Code Provisions as set out in the CG Code during the year ended 31 December 2015, save as to the deviation from the Code Provision A.2.1. Code Provision A.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Xing Jiaxing is currently the chairman and chief executive officer of the Company, responsible for the overall management of the Group. Mr. Xing Jiaxing is the founder of the Group and has extensive experience in the industry. The Directors consider that vesting the roles of both chairman and chief executive officer in the same person facilitates the execution of the business strategies, decision-making and maximises the effectiveness of the Group's operations. The Directors also believe that the presence of four independent non-executive Directors provides added independence to the Board. In addition, the division of responsibilities between the chairman and chief executive officer has been clearly established and set out in writing. The Company is also taking measures to improve its internal control system for identifying connected transactions (as defined under the Listing Rules) and complying with the various requirements of the Listing Rules in respect of connected transactions.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for overall management and control of the Company. The Board's main roles are to provide leadership and to approve strategic policies and plans with a view to enhancing shareholder value. All Directors carry out their duties in good faith and in compliance with the applicable laws and regulations, and acting in the interest of the Company and its shareholders at all times.

All Directors have full and timely access to all relevant information as well as the advice and services of the Joint Company Secretaries and Senior Management, with a view to ensuring that Board procedures and all applicable laws and regulations are followed.

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

Directors have full and timely access to consultation with the Senior Management independently. Any Director and Board professional committee may request independent professional advice in appropriate circumstances at the Company's expense, upon making reasonable request to the Board.

The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the management of the Group. The respective functions of the Board and management of the Company were established and will be reviewed from time to time as appropriate. To oversee particular aspects of the Company's affairs, the Board has established five Board professional committees, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, the Budget Committee and the Strategy and Development Committee (altogether the "**Board Professional Committees**"). The Board has delegated to the Board Professional Committees responsibilities as set out in their respective terms of reference.

Board Composition

As at the date of this report, the Directors were as follows:

Executive Directors

Xing Jiaxing *(Chairman and chief executive officer)*
Wang Yong
Wang Wenke (appointed on 17 July 2015)

Non-executive Directors

Li Jiaqing
Lu Weiming
Cao Wenhai
Wang Haitong
Luo Bin (appointed on 5 May 2015)

Independent Non-executive Directors

Mao Jianong
Zhou Guoliang
Chen Wei
Professor Japhet Sebastian Law

Biographical details of the Directors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this report.

There are no relationships among the Directors, Supervisors and Senior Management, including financial, business, family or other material/relevant relationships.

During the year ended 31 December 2015, the Company has been in compliance with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications of accounting or related financial management expertise. The Company has also complied with the requirement of Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

Each of the independent non-executive Director has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

All Directors have brought a wide range of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Moreover, through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board Professional Committees, all non-executive Directors make various contributions to the effective direction of the Company.

Induction and Continuous Professional Development

Directors confirmed that they have complied with Code Provision A.6.5 relating to the director training. In this year, all Directors have participated in continuous professional development by means of attending seminars and/or reading materials in the following aspects to develop and refresh their knowledge and skills. All Directors have provided their training record to the Company.

Name of Directors	Corporate Governance	Rules and Regulations	Financial Management	Business Management
Mr. Xing Jiaxing	✓	✓	✓	✓
Mr. Wang Yong	✓	✓	✓	✓
Mr. Wang Wenke	✓	✓		✓
Mr. Li Jiaqing	✓	✓	✓	✓
Mr. Lu Weiming	✓	✓		✓
Mr. Cao Wenhai	✓	✓		✓
Ms. Wang Haitong	✓	✓	✓	
Mr. Luo Bin	✓	✓	✓	✓
Mr. Mao Jianong	✓	✓	✓	✓
Mr. Zhou Guoliang	✓	✓	✓	
Mr. Chen Wei	✓	✓		✓
Professor Japhet Sebastian Law	✓	✓	✓	
Mr. Hu Gang (resigned on 12 May 2015)				✓

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Xing Jiaxing is currently the chairman and chief executive officer of the Company, responsible for the overall management of the Group. Mr. Xing Jiaxing is the founder of the Group and has extensive experience in the industry. The Directors consider that vesting the roles of both chairman and chief executive officer in the same person facilitates the execution of the business strategies, decision-making and maximises the effectiveness of the Group's operations. The Directors also believe that the presence of four independent non-executive Directors provides added independence to the Board. In addition, the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Appointment and Re-Election of Directors

Pursuant to the Articles of Association, Directors (including executive Directors, non-executive Directors and independent non-executive Directors) shall be subject to election at general meetings with a term of office of three years and may be re-elected. However, an independent non-executive Director shall not serve more than six years consecutively. The Company has implemented a set of effective procedures for the appointment of new Directors. The Nomination Committee shall, in accordance with provisions of the relevant laws and regulations and the Articles of Association, take into account the practical situations of the Company, consider the selection criteria, selection procedures and terms of office of the Directors of the Company, and record and submit the resolutions to the Board for approval. All newly nominated Directors are subject to election and approval at general meetings. Save as disclosed below, each of the Directors has entered into a service contract with the Company for a term commencing on the date of his appointment and ending on its expiration, which is for a period of three years from May 2014. The appointment of Mr. Luo Bin as an non-executive Director was approved by the shareholders at the 2014 annual general meeting held on 5 May 2015. Mr. Luo has entered into a service contract for a term commencing from his appointment on 5 May 2015 and ending on the second anniversary of his appointment. Further, the appointment of Mr. Wang Wenke as an executive Director was approved by the shareholders at the extraordinary general meeting held on 17 July 2015. Mr. Wang Wenke has entered into a service contract for a term commencing from his appointment on 17 July 2015 and ending on the expiry of the second session of the Board. In addition, Mr. Zhou Guoliang proposed to the Board his resignation as an independent non-executive Director pursuant to the requirement of the Ministry of Education of the PRC on 21 January 2016 to be effective from the resolution regarding the appointment of Dr. Chen Jieping as a new independent non-executive Director being approved at the 2015 AGM. The Company also proposes to enter into a service contract with Dr. Chen Jieping, subject to approval for his appointment from the shareholders at the 2015 AGM, with effect from the date of his appointment and ending on the expiry of the second session of the Board.

Board Professional Committees

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls.

The Audit Committee currently consists of five non-executive Directors, three of whom are independent. The members of the Audit Committee are currently Mr. Luo Bin, Mr. Zhou Guoliang, Mr. Cao Wenhai, Mr. Mao Jianong and Professor Japhet Sebastian Law. It is currently chaired by Mr. Zhou Guoliang, an independent non-executive Director. Professor Japhet Sebastian Law joined the Audit Committee on 11 March 2015 upon approval by the Board. Mr. Luo Bin joined the Audit Committee on 21 January 2016 upon approval by the Board.

During the year ended 31 December 2015, the Audit Committee met three times to review the annual financial results in respect of the year ended 31 December 2014 and the interim financial results in respect of the six months ended 30 June 2015, appointment of auditors and significant issues on internal control and risk management systems, and amend the terms of Reference of Audit Committee. The Audit Committee also met the external auditors once without the presence of the executive Directors during the year ended 31 December 2015.

Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, assess the independence and diversity of the independent non-executive Directors and to make recommendations to the Board on the appointment and removal of Directors. The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the Company's Board Diversity Policy, such individuals' skills, experience, professional knowledge and time commitments, the Company's needs and other relevant statutory requirements and regulations.

The Nomination Committee currently consists of one executive Director, four non-executive Directors, three of whom are independent. The members of the Nomination Committee are currently Mr. Mao Jianong, Mr. Lu Weiming, Mr. Chen Wei, Mr. Xing Jiaxing and Professor Japhet Sebastian Law. It is currently chaired by Mr. Mao Jianong, an independent non-executive Director. Mr. Xing Jiaxing and Professor Japhet Sebestian Law joined the Nomination Committee on 11 March 2015 upon approval by the Board.

During the year ended 31 December 2015, the Nomination Committee met two times to nominate Senior Management for appointment and selection, review the structure, size and composition of the Board and the independence of the independent non-executive Directors and diversity of the Board.

Board Diversity Policy

With a view to achieving sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

The Company is committed to selecting the best person for the role. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Remuneration and Appraisal Committee

The Company has established a Remuneration and Appraisal Committee with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration and Appraisal Committee are to make recommendations to the Board on the 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 policy on such remuneration.

The Remuneration and Appraisal Committee currently consists of three non-executive Directors, two of whom are independent. The members of the Remuneration and Appraisal Committee are currently Mr. Chen Wei, Mr. Li Jiaqing and Mr. Zhou Guoliang. It is currently chaired by Mr. Chen Wei, an independent non-executive Director.

During the year ended 31 December 2015, the Remuneration and Appraisal Committee met twice to review and assess the annual job performance of the Senior Management, review and make recommendations to the Board on the policy and structure of the remuneration of Directors and Senior Management and other related matters.

Budget Committee

The Company has established a Budget Committee. The primary duties of the Budget Committee are to make recommendations to the Board on budgeting.

The Budget Committee currently consists of one executive Director, four non-executive Directors and one independent non-executive Director. The members of the Budget Committee are currently Mr. Wang Yong, Ms. Wang Haitong, Mr. Lu Weiming, Mr. Luo Bin, Mr. Li Jiaqing and Mr. Zhou Guoliang. It is currently chaired by Mr. Wang Yong, an executive Director. Mr. Luo Bin joined the Budget Committee on 21 January 2016 upon approval by the Board.

During the year ended 31 December 2015, the Budget Committee met once to review and make recommendations to the Board on budgeting for the upcoming financial year.

Strategy and Development Committee

The Company has established a Strategy and Development Committee. The primary duties of the Strategy and Development Committee are to make recommendations to the Board on matters such as the Company's development plans, strategic investments and business innovations.

The Strategy and Development Committee currently consists of two executive Directors, three non-executive Directors and two independent non-executive Directors. The members of the Strategy and Development Committee are currently Mr. Xing Jiaxing, Mr. Wang Yong, Mr. Li Jiaqing, Ms. Wang Haitong, Mr. Luo Bin, Mr. Mao Jianong and Mr. Chen Wei. It is currently chaired by Mr. Xing Jiaxing, an executive Director. With effect from 11 March 2015, Professor Japhet Sebastian Law has stepped down as a member of the Strategy and Development Committee.

During the year ended 31 December 2015, the Strategy and Development Committee met 2 times to review and make recommendations to the Board on the Group's latest strategy plans and development. Mr. Luo Bin joined the Strategy and Development Committee on 21 January 2016 upon approval by the Board.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

(a) to develop, review and implement the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and Management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

(f) to develop, review and monitor the implementation of the shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance shareholders' relationship with the Company.

During the year ended 31 December 2015, the above corporate governance function has been performed and executed by the Board and the Board has reviewed the Company's compliance with the CG Code. The Board is taking measures to improve its internal control systems for identifying connected transactions (as defined under the Listing Rules) and complying with the various requirements of the Listing Rules.

Board Meetings and Board Professional Committee Meetings

The Board intends to hold Board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings.

For other Board and Board Professional Committee meetings, reasonable notice will generally be given. The agenda and accompanying board papers are dispatched to the Directors or members of Board Professional Committee at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or members of Board Professional Committee are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or the Chairmen of the Committees prior to the meeting.

Minutes of the Board meetings and Board Professional Committee meetings are/will be recorded in sufficient detail to include the matters considered by the Board and the Board Professional Committee and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Professional Committee meeting will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

According to the Articles of Association, a Director shall not vote nor be counted in the quorum on any resolution of the Board approving any contract or arrangement in which he or his associates is materially interested.

Directors' Attendance Records at Board Meetings, Board Professional Committees' Meetings and General Meetings

The attendance records of each Director at the meetings of the Board, Board Professional Committees and general meeting of the Company held during the year ended 31 December 2015 are set out below:

Name of Director	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration and Appraisal Committee meeting	Budget Committee meeting	Strategy and Development Committee meeting	General meeting
Mr. Xing Jiaxing	10/10		2/2			2/2	5/8
Mr. Wang Yong	10/10				1/1	2/2	8/8
Mr. Wang Wenke (appointed on 17 July 2015)	4/4						4/4
Mr. Li Jiaqing	10/10			2/2	1/1	2/2	8/8
Mr. Lu Weiming	10/10		2/2		1/1		8/8
Mr. Cao Wenhai	10/10	3/3					8/8
Ms. Wang Haitong	8/10				1/1	2/2	5/8
Mr. Luo Bin (appointed on 5 May 2015)	6/6						5/5
Mr. Mao Jianong	10/10	3/3	2/2			2/2	8/8
Mr. Zhou Guoliang	10/10	3/3		2/2	1/1		8/8
Mr. Chen Wei	7/10		2/2	2/2		1/2	4/8
Professor Japhet Sebastian Law	8/10	3/3	2/2				8/8
Mr. Hu Gang (resigned on 12 May 2015)	4/4					1/1	3/3

Attendance at the above meetings by an alternate Director has not been counted as attendance by the Director himself.

COMPLIANCE WITH NON-COMPETE UNDERTAKING

Each of Mr. Xing Jiaxing and Shanghai Hexia (the controlling shareholders of the Company as defined in the Listing Rules) has confirmed to the Company and declared that he/it has complied with the non-compete undertaking given by them to the Company on 10 September 2014 during the year ended 31 December 2015. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with throughout the year ended 31 December 2015.

SENIOR MANAGEMENT'S REMUNERATIONS

The Senior Management's remunerations are determined by the Board with reference to their duties, responsibilities and performance and the results of the Group. Remunerations paid to a total of ten[1] Senior Management (excluding Directors and Supervisors) by bands for the year ended 31 December 2015 is set out below:

Remuneration bands	Number of individuals
RMB1,000,000 and below	3
RMB1,000,001 to RMB2,000,000	5
RMB2,000,001 to RMB3,000,000	2

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[1] Including Mr. Cai Jun Jian who resigned as the Company's vice president of the operation centre on 29 January 2016.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted its own policies for securities transactions (the "**Company Code**") by Directors, Supervisors and relevant employees on terms no less exacting than the Model Code. Specific enquiry has been made of all the Directors and the Supervisors and all Directors and Supervisors have confirmed that they have complied with the Model Code and the Company Code throughout the year ended 31 December 2015.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has set up risk management and internal control systems that aims to protect the assets of the Company, to preserve accounting and financial information, to ensure the accuracy of financial statements, and to protect the interest of the shareholders. The Board is responsible for maintaining an adequate risk management and internal control systems. The Audit Committee is responsible for the duties of reviewing risk management and internal controls, directing monitoring activities. Aside from reviewing the annual reporting by external auditors, the Audit Committee also reviews the effectiveness of internal control system and risk management mechanism through reviewing the internal audit report on the Company's various core businesses prepared by internal audit department on a regular basis.

On 31 December 2015, the Board approved the amendments to the terms of reference of the Audit Committee based on the new requirements on the risk management and internal controls in the CG Code.

During the year ended 31 December 2015, the Directors had carried out annual review on the effectiveness of the Company's risk management and internal control systems, covering all material aspects of internal control, including financial control, operational control, compliance control and risk management functions. The Board also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. After the Company had discovered that it had not issued the relevant announcement in respect of a continuing connected transaction with Hangzhou Anshe at the time when the relevant service agreement was entered into in August 2015, the Company has acted promptly in compliance with the Listing Rules and has taken and/or will continue to take remedial actions, including tightening the internal control system for identifying connected transactions and complying with the various requirements of the Listing Rules in respect of connected transactions. There were no major failure in the risk management and internal control systems that may have had an impact to shareholders' interests, and the risk management and internal control systems were deemed to be effective and sufficient.

The risk management and internal control systems of the Group aims to manage, rather than eliminate, the risks involved with failing to complete the business goals, and can only provide the reasonable, but not absolute, guarantee on the material misrepresentations or losses.

JOINT COMPANY SECRETARIES

During the year ended 31 December 2015, Mr. Mao Jian and Ms. Wong Wai Ling, the Joint Company Secretaries, have complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. Ms. Wong Wai Ling is the vice president of SW Corporate Services Group Limited and Mr. Mao is her primary contact person at the Company. The biographical details of the Joint Company Secretaries are set out in the section headed "Profiles of Directors, Supervisors and Senior Management".

Mr. Mao Jian, the Joint Company Secretary, is a staff of the Company and participates in its operational matters. For the year ended 31 December 2015, Mr. Mao attended the 39th ECPD Seminars for Affiliated Person organized by Hong Kong Institute of Chartered Secretaries and have already accomplished professional trainings of over 15 hours. Mr. Mao reports to the Chief Executive Officer and the Joint Company Secretaries play a key role in the formulation of appropriate Board procedures to meet business needs of the Company and the compliance with all applicable laws and rules. The Directors can seek advice and services from the Joint Company Secretaries with regards to any latest update and development on corporate governance, applicable laws and rules.

Having been authorized by the Chairman, the Joint Company Secretaries are responsible for working out meeting agenda, organising Board meeting, and offering relevant documents to the Directors in advance, so as to ensure that Directors have obtained sufficient and accurate information for making effective and well-grounded decisions.

The Joint Company Secretaries assist the Board meetings to be convened and held in accordance with all applicable laws and rules and procedures specified in the Articles of Association. In addition, the Joint Company Secretaries would prepare relevant minutes and circulate them to Directors for their comments.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015 in accordance with statutory requirements and applicable accounting standards.

The Board is accountable to the shareholders for a clear and balanced assessment on the Company's financial position and prospects. The management of the Company provides all relevant information and records to the Board, which enable it to prepare the accounts of the Company and to make the above assessments.

The Audit Committee had reviewed and recommended to the Board to adopt the audited accounts for the year ended 31 December 2015. The Board is not aware of any material uncertainties relating to the events or conditions that may undermine the Company's ability to continue operation on the going concern basis.

The report of the independent auditor of the Company on its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 65 to 66.

AUDITORS

PricewaterhouseCoopers has been appointed as international auditors of the Company for the year ended 31 December 2015. PricewaterhouseCoopers shall retire in the 2015 AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as international auditors of the Company will be proposed at the 2015 AGM.

In accordance with the second extraordinary general meeting for the year 2015 held by the Company on 15 September 2015, PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) was appointed as the PRC statutory auditors of the Company to replace Shanghai My Whole Way CPAs for the service of which was resolved to be terminated by the Board as the auditors of the Company. The resolution regarding the re-appointment of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) as the PRC auditors of the Company will be tabled at the 2015 AGM.

The remuneration paid to PricewaterhouseCoopers in respect of the audit services rendered for the year ended 31 December 2015 and remuneration prepaid to PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) in respect of A share listing was RMB3,500,000 and RMB1,400,000 respectively. Remuneration paid to PricewaterhouseCoopers in respect of the Hong Kong profit tax reporting service for the Company was RMB27,000 and remuneration paid to PricewaterhouseCoopers Consultants (Shenzhen) Limited Shanghai Branch in respect of the financial due diligence service on investment in JACK WALK for the Company was RMB141,000.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company's shareholders' communication policy is to maintain transparency and provide timely information of the Group's material developments to shareholders and investors.

General meetings of the Company are formal channels for communication between shareholders and the Board. The chairman of the Board and the chairmen of the Board Professional Committees (or, in their absence, other members of the respective committees) will make themselves available at the general meetings to have direct communication with the shareholders.

Shareholders may also send their enquiries and concerns to the Board by sending them to the investor relations department of the Company to the following address:

Address: 6F, CHJ Industrial Building No. 81 Caodongzhi Road,
Xuhui District, Shanghai, P.R. China 200235
Email: ir@lachapelle.cn

SHAREHOLDERS' RIGHTS

Convening Extraordinary General Meeting by Shareholders

Pursuant to the Articles of Association, two or more shareholders who hold, in aggregate, 10% or more of the shares carrying the right to vote at the proposed meeting may sign one or several written requisitions of the same format and contents, requesting the Board to convene an extraordinary general meeting or a class meeting. The agenda of the proposed meeting shall be stated therein.

If the Company is to convene a general meeting, it shall deliver written notices in 45 days before the time designated for the meeting, informing shareholders whose names appear on the register of the Company of matters to be considered and the time and venue for the meeting to be convened. Shareholders who intend to make their presence at the general meeting shall return written replies for the meeting in 20 days before the meeting is convened.

Putting Forward Proposals at General Meetings

When the Company decides to convene an annual general meeting, any shareholders that severally or jointly holding 3% or more of the shares of the Company shall be entitled to put forward proposals to the Company, and may raise interim proposals and submit them in writing to the Board twenty days prior to the general meeting. The Board shall, within two days after receipt of such proposal or fourteen days prior to the original date of the general meeting, issue a circular and a public announcement to all shareholders and submit such interim proposal to the general meeting for discussion and approval.

The contents of the proposals to be raised shall be within the scope of duties of the general meetings. It shall have a clear topic and specific matters to be resolved on, and shall be in compliance with relevant requirements of the laws, administrative regulations and the Articles of Association.

CONSTITUTIONAL DOCUMENTS

During 2015, the Company has made certain amendments to the existing Articles of Association and the Draft Articles of Association (A Shares) in connection with the proposed A Shares Issue, and to reflect the change of the scope of business, capital structure, composition of the Board and the updated name of a domestic shareholder of the Company. The relevant resolutions had been passed on the general meetings held on 5 May 2015, 15 September 2015 and 27 October 2015 respectively. The existing Articles of Association duly amended are published on the websites of the Stock Exchange and the Company respectively, while the amendments to the Company's Draft Articles of Association (A Shares) will be effective and valid upon listing of the proposed issue of A Shares by the Company on the Shanghai Stock Exchange.

CORPORATE SOCIAL RESPONSIBILITY

The Company places great emphasis on corporate social responsibility and has been warm and compassionate towards the community through concrete actions. The Company considers that implementing the company's undertaking on "**corporate social responsibility**" is instrumental in bringing long-term benefits to its staff, the society and the environment as a whole.

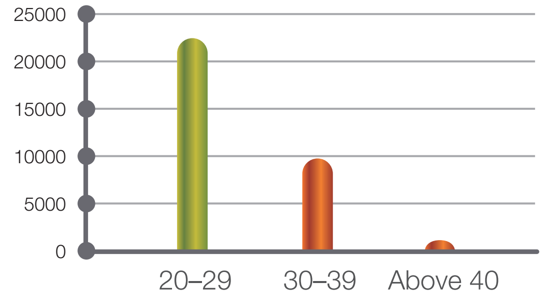
1. TAX PAYMENTS

In 2015, La Chapelle Group paid tax of RMB877 million, with tax per capita of RMB26,480. The Group was awarded Billion Tax Paying Enterprise for Economic Development in Wujing, Minhang District in 2015 (2015年度閔行區吳涇區域經濟發展納税億元企業) by the People's Government of Wujing Town, Minhang District, Shanghai.

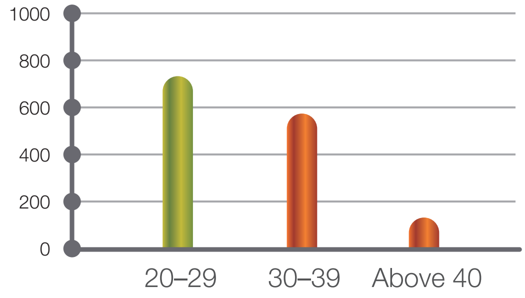
2. CARING FOR EMPLOYEES

Talents are our most precious and important resources. Nurturing talents and fostering team spirits have been our key to success over the years.

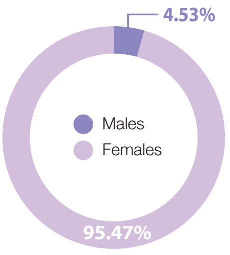
Age of Employees of the Group



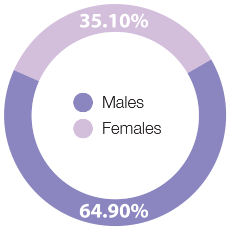
Age of Employees in Group Headquarters



Ratio of Male and Female Employees of the Group



Ratio of Male and Female Employees in Group Headquarters



Employment is the root of livelihood. Employment difficulty among university graduates is currently a serious social issue which concerns the harmony and stability of thousands of households and the society as a whole. The Company considers creating jobs for university graduates as a key focus of its undertaking on corporate social responsibility. In 2015, the Company organized on-campus recruitments in a number of universities, including Wuhan Textile University, Shanghai University of Engineering Science, East China University, Fudan University Shanghai Institute of Visual Art and East China University of Political Science and Law, during which 55 students were recruited. The Company also recruited a total of 209 fresh graduates through other personnel consultancy companies in 2015.

The Company has implemented the partnership incentive programme throughout the vast number of our retail points, whereby most of the staff members have improved their level of remunerations.

The Company arranges general check-ups for the staff for sick prevention. In addition, we generally accept recommendations from staff through the employee satisfaction survey to improve our systems.

We reimburse each staff for the expenses on team building by means of sponsored travel or team activities. We organize sport day for the staff each year in order to improve their health.

In 2015, the Company organized a number of internal activities to show love and care to its staff members, where the Company provided supports to its staff through donation, fundraising via WeChat and assisted in their application for charity funds and grants from trade union.

3. NURTURING TALENTS AND THEIR DEVELOPMENT

The Company relies on corporation strategies to meet the needs of corporate development, focuses on nurturing talents, devotes itself to training for internal staff, spreads corporate culture among its staff, creates a learning atmosphere and nurtures specialists for the Company. La Chapelle Fashion Management School, established by the Company, upholds the education philosophy of "**inheritance, development, effectiveness**". The school supports the strategies, business development and talent pooling initiatives of the Company through customised training which targets different kinds of staff members, sharing knowledge, refining skills, inheriting corporate spirits and culture, designing the path of growth for and supporting the development of its staff, thereby achieving simultaneous growth of the Company and its staff — these have been the Company's attitudes towards nurturing talents and helping them develop.

In 2015, La Chapelle Fashion Management School focused on four aspects, i.e. management, marketing, professional development and district colleges, and recorded remarkable achievements. With the training programs, the Company equips the employees with required expertise and enhances their working efficiency, job satisfaction and morale.

(1) Management

The total attendance for leadership training reached 915 for the year ended 31 December, 2015. The training comprised induction training, management trainee training, head of department I/II training, newly-joined senior management job rotation, sharing campaigns (a platform for staff sharing and exchange) and quality improvements.

Diagram of management training:

Induction training — management trainee training — head of department II training — head of department I training — EMBA training

(2) Marketing

In 2015, the Company organized New Season Training for Winter Products 2015 (15冬季產品開季培訓). A total of 152 sales managers and trainers from 34 regions across China have participated in the event.

In 2015, a third party consultancy company was appointed to carry out the Mystery Shopper Programme (MSP) Service Inspection Project (神秘人MSP服務檢核項目) to assess and develop its staff members' servicing and marketing capabilities.

(3) Professional Development

In 2015, 18 departments in the headquarters and 28 districts partook in the management trainee programme, admitting 177 management trainees with 111 of them eventually completed the programme and were recruited by the Company.

In 2015, the Group organized the advanced training named "**National Trainings for Project Management of Managers**" and 25 staff members have participated in the event.

(4) District Colleges

In 2015, a total of 2,101 training sessions were organized for new staff members, shop assistants, shop supervisors, sales supervisors/managers, teaching assistants and management trainees. These sessions recorded attendance of 45,803 from teams of various sales districts for 2015.

Supervision in shops was offered regarding product management and sales techniques across all regions nationwide, totaling 5,760 hours.

3,456 follow-up visits in shops were performed to standardise the operation and service of outlets and to provide guidance and make rectification. The Company has increased its focus on practical training in shops as compared to previous years. The measures above not only foster staff development and improve overall team capabilities, but also pave the way for forming a sustainable internal talent pool displaying strong potential and competitiveness.

4. SOCIAL CHARITY

As a corporate citizen and motivated by its vision to maximize the values for the communities in which it operates, the Company actively takes part in charity events. For the year ended 31 December 2015, the Group and its staff have made direct donations to a number of charitable organisations.

Clothing Donation of the Company in 2015:

Beneficiary	Time	Quantity (piece)	Value (RMB)
Beijing Disabled Persons' Federation	April 2015	162,230	7,984,874.56
Shanghai Disabled Persons' Federation	April 2015	11,364	557,067.13
Tibet-supporting Organization in Xuhui	April 2015	3,012	324,877.86
Beijing Disabled Persons Federation	July 2015	10,710	702,061.44
Shanghai Disabled Persons' Federation	September 2015	6,288	349,947.14
Beijing Disabled Persons Federation	September 2015	22,317	1,184,254.18
Beijing Disabled Persons Federation	October 2015	88,817	5,208,273.47
Total		**304,738**	**16,311,355.78**

The Company and Mr. Xing Jiaxing, the Chairman of the Board, have always paid close attention to and support the career of disabled persons in China and the development of China Foundation for Disabled Persons. Since 2009, the Company has actively donated new clothes and accessories to improve the living standard of disabled persons, making substantial contributions to their careers through concrete actions. As at December 2015, the Company has accumulatively donated 1,151,000 brand new clothes and accessories to China Foundation for Disabled Persons. These donations were sent to 25 provinces, districts and cities, including Beijing, Jiangxi, Gansu and Wuhan. The Company was awarded Love for the Disabled Contribution Award (愛心助殘貢獻獎) by Shanghai Disabled Persons' Federation in recognition of these actions.

The Company actively responded to the appeal from Shanghai City and Xuhui District by organising staff blood donation annually. In 2015, there were 103 staffs from the Company's headquarters participated in the voluntary blood donation.

5. MAKE GOOD USE OF RESOURCES

The Group is committed to use environmentally friendly materials with a view to creating a healthy and quality workplace and shopping environment for both its employees and customers.

In order to ensure effective use of resources, the Group introduces environmental protection elements as well, including the use of energy-saving light bulbs, reduction in the use of paper and the conservation of water and electricity. In the meantime, the Group forbids its employees from consuming wildlife animals and their products and the use of disposable tableware, so as to heighten their environmental protection awareness.

The shopping paper bags the Group has been using are made from recyclable raw materials (recycled paper).

6. PROFESSIONAL ETHICS

With a view to creating a fair, efficient business operation and work environment, the Group places strong emphasis on the responsibility for professional ethics. Under no circumstances can any staff member seek improper personal gains, offer bribes or accept bribes, and staff member shall resist the temptation of improper interests. Upholding integrity and honesty are the bottom line of every staff member. It is the professional aspiration for every staff member to stick to professional ethics, maintain integrity, create a positive atmosphere and hold a positive attitude. Committed to the establishment of a transparent mechanism, the Group seeks to prevent any work-related crimes and helps employees adhere to their principles at work through the Staff Manual, business values, business operation, etc. It is the Group's belief that the staff could be best protected by such measures. At the end of 2015, the Group established the Supervision Department with an aim to set up the anti-corruption system of the Company, promote and carry out timely investigation on company corruption and various material defaults of law and regulation and to launch anti-corruption promotion and training.

7. SUPPLIER MANAGEMENT

The Group has signed an agreement of transparency for cooperation with every supplier. Through open procedures for tender invitation and submission, the requirements of anti-corruption and anti-bribery are clearly enshrined, and various reporting channels are provided (including the mailbox and hotline made available to the public for reporting set up by the Audit Department). This agreement is an important legally binding attachment to any procurement cooperation agreement. Not only does this safeguard the benefits of both the purchaser and the supplier, but this also strongly promotes respect for contractual spirit. Apart from safeguarding the system, the Group metes out punishments to employees who violate the rules irrespective of their ranks and rewards people who report any proven misconduct. The Group adopts a zero-tolerance attitude towards non-compliant behaviour.

The Group recognises the inevitable impacts on the production of fabrics and apparels on the climate and local environment. The Group strives to enhance the environmental performance and social responsibility of fabrics and apparel suppliers. As such, the Group rigorously screens fabrics and apparel suppliers where the suppliers are required to obtain the certificates in compliance with the national and international environmental standards, safety standards and health for workers. These national and international standards include several standards and regulations, such as ISO14001 accreditation, OEKO-TEX accreditation, OHSAS18000 and the discharge standard of water waste for textile, dyeing and finishing industry (GB4287-92).

Independent Auditor's Report

TO THE SHAREHOLDERS OF SHANGHAI LA CHAPELLE FASHION CO., LTD.

(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司, the "Company") and its subsidiaries set out on pages 67 to 138, which comprise the consolidated balance sheets as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

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

OTHER MATTERS

This report, including the opinion, has been prepared for and only for 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 11 March 2016

Consolidated Balance Sheet

As at 31 December 2015

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**875,156**	793,791
Land use rights	7	**155,325**	136,346
Intangible assets	8	**189,019**	32,593
Deferred income tax assets	10	**168,987**	132,831
Available-for-sale financial assets	9	**150,000**	—
		1,538,487	1,095,561
Current assets			
Inventories	11	**1,756,257**	1,327,442
Trade receivables	12	**1,044,456**	1,028,901
Deposits, prepayments and other receivables	13	**411,118**	295,444
Prepaid current income tax		**—**	335
Term deposits	14	**—**	1,372,777
Cash and cash equivalents	14	**1,118,410**	610,607
		4,330,241	4,635,506
Total assets		**5,868,728**	5,731,067
EQUITY AND LIABILITIES			
Equity attributable to owners of the company			
Share capital	15	**492,902**	503,380
Other reserves	16	**1,746,192**	1,805,447
Retained earnings	17	**887,949**	784,481
		3,127,043	3,093,308
Non-controlling interests		**182,835**	13,834
Total equity		**3,309,878**	3,107,142

Consolidated Balance Sheet

As at 31 December 2015

	Note	As at 31 December 2015 RMB'000	 2014 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income	21	**44,406**	29,776
Deferred income tax liabilities	10	**13,167**	—
Borrowings	18	**—**	21,266
		57,573	51,042
Current liabilities			
Deferred income	21	**31,095**	19,454
Trade and bill payables	19	**1,228,180**	911,041
Other payables, accruals and other current liabilities	20	**1,062,845**	866,753
Current income tax liabilities		**179,157**	155,635
Borrowings	18	**—**	620,000
		2,501,277	2,572,883
Total liabilities		**2,558,850**	2,623,925
Total equity and liabilities		**5,868,728**	5,731,067

The notes on pages 72 to 138 are an integral part of these consolidated financial statements.

The financial statements on pages 67 to 138 were approved by the Board of Directors on 11 March 2016 and were signed on its behalf.

Xing Jiaxing **Wang Yong**

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	Year ended 31 December **2015** **RMB'000**	 2014 RMB'000
Revenue	22	**9,095,708**	7,814,169
Cost of sales	24	**(2,897,278)**	(2,449,658)
Gross profit		**6,198,430**	5,364,511
Selling and marketing expenses	24	**(5,050,540)**	(4,411,708)
Administrative expenses	24	**(383,779)**	(270,448)
Other gains — net	23	**64,285**	51,205
Operating profit		**828,396**	733,560
Finance income		**67,146**	9,563
Finance expenses		**(16,373)**	(58,741)
Finance income/(expenses)—net	26	**50,773**	(49,178)
Profit before income tax		**879,169**	684,382
Income tax expense	27(a)	**(220,771)**	(173,171)
Profit for the year		**658,398**	511,211
Other comprehensive income		**—**	—
Total comprehensive income for the year		**658,398**	511,211
Profit attributable to:			
Owners of the company		**615,251**	503,452
Non-controlling interests		**43,147**	7,759
Profit for the year		**658,398**	511,211
Total comprehensive income attributable to:			
Owners of the company		**615,251**	503,452
Non-controlling interests		**43,147**	7,759
Total comprehensive income for the year		**658,398**	511,211
Earnings per share attributable to owners of the company for the year (expressed in RMB per share)			
Basic and diluted earnings per share	28	**1.23**	1.27

The notes on pages 72 to 138 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

		Attributable to owners of the company					
	Note	**Share capital**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2014		364,737	386,174	506,362	1,257,273	6,075	1,263,348
Comprehensive income							
Profit for the year		—	—	503,452	503,452	7,759	511,211
Total comprehensive income		—	—	503,452	503,452	7,759	511,211
Transactions with owners in their capacity as owners							
Appropriation to statutory reserve	16(a)	—	83,086	(83,086)	—	—	—
Issue of new shares pursuant to global initial public offering, netting off listing expenses	15(a)	138,643	1,328,029	—	1,466,672	—	1,466,672
Dividends	29	—	—	(142,247)	(142,247)	—	(142,247)
Contributions from a shareholder by awarding its equity instruments to the employees	16(b)(i)	—	8,158	—	8,158	—	8,158
Total transactions with owners in their capacity as owners		138,643	1,419,273	(225,333)	1,332,583	—	1,332,583
As at 31 December 2014		503,380	1,805,447	784,481	3,093,308	13,834	3,107,142
As at 1 January 2015		**503,380**	**1,805,447**	**784,481**	**3,093,308**	**13,834**	**3,107,142**
Comprehensive income							
Profit for the year		**—**	**—**	**615,251**	**615,251**	**43,147**	**658,398**
Total comprehensive income		**—**	**—**	**615,251**	**615,251**	**43,147**	**658,398**
Total transactions with owners in their capacity as owners							
Appropriation to statutory reserve	16(a)	**—**	**47,098**	**(47,098)**	**—**	**—**	**—**
Buy-back of shares	16(b)(v)	**(10,478)**	**(109,568)**	**—**	**(120,046)**	**—**	**(120,046)**
Dividends	29	**—**	**—**	**(464,685)**	**(464,685)**	**—**	**(464,685)**
Business Combination	33	**—**	**—**	**—**	**—**	**125,854**	**125,854**
Contributions from a shareholder by awarding its equity instruments to the employees	16(b)(i)	**—**	**3,215**	**—**	**3,215**	**—**	**3,215**
Total transactions with owners in their capacity as owners		**(10,478)**	**(59,255)**	**(511,783)**	**(581,516)**	**125,854**	**(455,662)**
As at 31 December 2015		**492,902**	**1,746,192**	**887,949**	**3,127,043**	**182,835**	**3,309,878**

The notes on pages 72 to 138 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 RMB'000	 2014 RMB'000
Cash flow from operating activities			
Cash generated from operations	30(a)	**1,307,660**	1,030,927
Interest paid		**(17,485)**	(52,981)
Income tax paid		**(226,571)**	(175,581)
Net cash generated from operating activities		**1,063,604**	802,365
Cash flow from investing activities			
Proceeds from disposal of property, plant and equipment	30(b)	**270**	1,041
Decrease/(increase) in bidding deposit for purchase of land use rights	13	**17,900**	(17,900)
Net decrease in bank deposits secured for issuance of bill payables and borrowings		**—**	486
Acquisition of subsidiaries, net of cash acquired	33	**(140,463)**	—
Interest received from term deposits		**22,136**	—
Received/(placement) of term deposits	14	**1,393,506**	(1,378,233)
Purchases of available-for-sale financial assets	9	**(150,000)**	—
Purchases of land use rights	7	**(22,140)**	(120,836)
Purchases of property, plant and equipment		**(436,975)**	(373,759)
Purchases of intangible assets	8	**(9,811)**	(8,912)
Net cash generated from/(used in) investing activities		**674,423**	(1,898,113)
Cash flows from financing activities			
Proceeds from issuance new shares pursuant to global initial public offering, netting off listing expenses	15(a)	**—**	1,472,540
Prepayment for A share listing expenses	13	**(5,612)**	—
Proceeds from borrowings		**500,000**	1,516,166
Repayments of borrowings		**(1,145,366)**	(1,654,900)
Buy-back of shares	15(b)	**(120,046)**	—
Dividends paid to the company's shareholders		**(467,102)**	(147,591)
Net cash (used in)/generated from financing activities		**(1,238,126)**	1,186,215
Net increase in cash and cash equivalents	14	**499,901**	90,467
Exchange gains/(losses) on cash and cash equivalents		**7,902**	(410)
Cash and cash equivalents at beginning of the year		**610,607**	520,550
Cash and cash equivalents at end of the year		**1,118,410**	610,607

The notes on pages 72 to 138 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Shanghai La Chapelle Fashion Co., Ltd. ("the Company"), initially known as Shanghai Xuhui La Chapelle Fashion Limited (上海徐匯拉夏貝爾服飾有限公司), was incorporated in the People's Republic of China ("PRC") on 14 March 2001 as a limited liability company. On 26 February 2004, the Company changed its name to Shanghai La Chapelle Fashion Limited (上海拉夏貝爾服飾有限公司). On 23 May 2011, the Company was converted into a joint stock company with limited liabilities under the Company Law of the PRC and changed its name to Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司).

The Company and its subsidiaries (together the "Group") are principally engaged in designing, marketing and selling apparel products in the PRC. The address of the Company is Room 3300, Block 1, Level 3, 270 Cao Xi Road, Shanghai, the PRC.

The English names of companies mentioned in this report represented the best effort by directors of the Company in translating their Chinese names as they may not have official English names.

The Company completed its global initial public offering and its shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 9 October 2014 (the "Listing").

The Company is in the process of it's A share offering on the Shanghai Stock Exchange and submitted the application on 19 October 2015, the application documents are still under review by the regulator.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 11 March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

- Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits. The amendment does not have a significant effect on the consolidated financial statements.

- Amendments from annual improvements to IFRSs/HKFRSs — 2010–2012 Cycle, on IFRS 8, 'Operating segments', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' and IAS 24, 'Related party disclosures'. The amendments do not have a significant effect on the consolidated financial statements.

- Amendments from annual improvements to IFRSs/HKFRSs — 2011–2013 Cycle, on IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'. The amendments do not have a significant effect on the consolidated financial statements.

(b) *New Hong Kong Companies Ordinance (Cap. 622)*

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(c) New and amended standards issued but are not effective and not yet adopted by the Group

- IFRS 14 "Regulatory Deferral Accounts", effective for the accounting period beginning on or after 1 January 2016.
- Amendment to IFRS 11 "Acquisitions of interests in joint operation", effective for the accounting period beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortization", effective for the accounting period beginning on or after 1 January 2016.
- Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or joint venture", effective for the accounting period beginning on or after 1 January 2016.
- Amendment to IAS 27 "Equity method in separate financial statements", effective for the accounting period beginning on or after 1 January 2016.
- Some amendments included in Annual Improvements 2014 which are effective for the accounting period on or after 1 January 2016, including:
    - — Amendment to IFRS 5 "Non-current assets held for sale and discontinued operations"
    - — Amendment to IFRS 7 "Financial instruments: Disclosures"
    - — Amendment to IAS 19 "Employee benefits"
    - — Amendment to IAS 34 "Interim financial reporting"
- Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment entities: applying the consolidation exception", effective for the accounting period beginning on or after 1 January 2016.
- Amendments to IAS 1 "Disclosure initiative", effective for the accounting period beginning on or after 1 January 2016.
- IAS 15 "Revenue from Contracts with Customers", effective for the accounting period beginning on or after 1 January 2018.
- IFRS 9 "Financial Instruments" replace the whole of IAS 39, effective for the accounting period beginning on or after 1 January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(c) New and amended standards issued but are not effective and not yet adopted by the Group (continued)

Management anticipates that the adoption of these new standards, amendments to standards and interpretation to standards will not result in a significant impact on the results and financial position of the Group except for the following set out below:

- IFRS 16 "Leases" provides updated guidance on the definition of leases, and the guidance on the combination and separation of contracts, effective for the accounting period beginning on or after 1 January 2019. Early application is permitted if IFRS 15 is also applied. The Group is yet to assess full impact of IFRS 16.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Intra-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as senior executive management that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

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

Foreign exchange gain and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within "Finance income or expenses". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "Other gains — net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less depreciation and provision for impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

	Years
Buildings and facilities	20 years
Machinery and equipment	5 to 10 years
Office and electronic equipment	3 to 5 years
Vehicles	5 years
Leasehold improvements	2 to 5 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

Construction in progress represents buildings, plant and machinery under construction or pending installation and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition and capitalised borrowing costs. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gain and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains — net" in the consolidated statement of comprehensive income.

2.6 Land use rights

Land use rights represent upfront prepayments made for the land use rights at historical cost, and are expensed in the consolidated statement of comprehensive income on a straight-line basis over 50 years. Whenever there is an impairment, the impairment is recognised in the consolidated statement of comprehensive income (Note 2.8).

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets (continued)

(b) Acquired trademark

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 8 to 10 years.

(c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 10 years.

2.8 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "deposits, prepayments and other receivables" with exclusion of prepayment, "term deposits", "restricted cash" and "cash and cash equivalents" in the consolidated balance sheets (Notes 13 and 14).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

2.9.2 Recognition and measurement

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

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statements of comprehensive income as "gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statements of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated statements of comprehensive income as part of other income when the Group's right to receive payments is established.

2.10 Impairment of financial assets

(a) Assets carried at amortised cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

(b) Assets classified as available for sale

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

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, sub-contracting costs that have been incurred in bringing the inventories to their present condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Receivables

Receivables primarily include trade receivables and deposits, prepayments and other receivables.

(a) Trade receivables and other receivables

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

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

(b) Deposits

Deposits are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Allowance for impairment of deposits is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of deposits.

2.13 Cash and cash equivalents

In the consolidated cash flow statements, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.14 Restricted cash and term deposits

Restricted cash represents guaranteed deposits held in a separate bank account for issuance of bill payables. Such restricted cash are released when the Group repays the related bill payables.

Term deposits represent guaranteed deposits placed at designated bank accounts with more than three months to maturity when places. Such term deposits are released when they mature.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Payables

Payables primarily include trade and bill payables and other payables, accruals and other current liabilities.

(a) Trade and bill payables and other payables

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

Trade and bill payables and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(b) Liabilities linked to operating leases

In negotiating a new or renewed operating lease, certain lessors provide incentives to enter into the agreements. Such incentives are generally in the form of granting rent-free or reduced rent for the initial periods of the lease term. The aggregate benefits of the incentives which are considered as part of the net rental consideration shall be recognised as a reduction of rental expense over the lease term, on a straight-line basis. Accordingly, the accounting periods in which this net rental consideration is recognised may be different with the periods, upon which the payments of rental consideration are settled, which in turn, may result in "liabilities linked to operating leases".

2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Contributions from a shareholder by awarding its equity instruments to the employees

Shanghai Hexia Investment Co., Ltd. (上海合夏投資有限公司, hereafter referred to as "Shanghai Hexia"), a company which was set up for the benefits of the Group's employees and holds certain equity interests in the Company, adopted a series of share-based compensation plans in exchange for employee services to the Group.

(a) Accounting treatment under Shanghai Hexia

Under each of the share-based compensation plan, an employee has the right to choose settlement either in cash or by Shanghai Hexia's issuing equity instruments, with different length of vesting periods. Accordingly, Shanghai Hexia is considered to have issued compound instruments with debt component (to the extent that the employees have rights to demand cash) and equity component (to the extent that the employees have rights to demand settlement in Shanghai Hexia's issuing equity instruments by giving up their rights to demand cash). The fair value of the debt component at the grant date is determined as the present value of the future cash outflow. The equity component is then measured at the difference between the fair value of compound instrument as a whole and the debt component. The fair value of compound instruments is determined by the discounted cash flow method under the income approach. The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market.

(b) Accounting treatment under the Group

In the Group's consolidated financial statements, the share-based compensation plans are treated as equity-settled share-based payments, as the Group does not have any obligation to settle these awards. An expense for the grant date fair value of each of the equity-settled share-based payments is recognised over the different length of vesting periods with a credit recognised in equity. The credit to equity is treated as a capital contribution from Shanghai Hexia.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits

(a) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Bonus entitlements

The expected cost of bonus payments are recognized as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2.22 Provision and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Provision and contingent liabilities (continued)

A contingent liability is not recognized but is disclosed in the Group's consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

2.23 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

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 or concessionaire fees, the amount is recognized as "selling and marketing expenses" as it arises.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of products

Revenue from the sales of products is recognized when the risk and reward of the products have been transferred to the customer, which is usually at the time when a group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Accumulated experience is used to estimate and provide for sales returns at the time of sale.

(b) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

(c) Dividend income

Dividend income is recognized when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Government incentives

Incentives from the government are recognized at their fair value where there is a reasonable assurance that the incentives will be received and the Group will comply with all attached conditions.

Government incentives relating to income are deferred and recognized in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government incentives relating to assets are included in non-current liabilities as deferred income and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders, where appropriate.

2.27 Research and development

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects relating to design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group did not use any derivative financial instruments to hedge risk exposures for the years ended 31 December 2015 and 2014.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from foreign currency exposures, primarily with respect to Hong Kong dollar ("HKD"). Foreign exchange risk arises from recognized assets and liabilities in foreign currencies. The Group did not use forward contracts to hedge against its foreign currency risk for the years ended 31 December 2015 and 2014.

As at 31 December 2015, if RMB had strengthened by 5% against HKD with all other variables held constant, the Group's net profit for the year would have been approximately RMB16,844,000 (2014: RMB45,142,000) higher as a result of foreign exchange gain on translation of HKD denominated cash and cash equivalents and term deposits.

(ii) Cash flow and fair value interest rate risk

Since it has no significant interest-bearing assets (other than cash and cash equivalents and term deposits, details of which have been disclosed in Note 14), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 18. The Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk for the years ended 31 December 2015 and 2014. Management will continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arises. There were no borrowings obtained at variable rates at 31 December 2015 and 2014.

Bank borrowings obtained at fixed rates exposed the Group to fair value interest rate risk. The fixed interest rates are based on the market interest rate. Since borrowings obtained in 2014 were with the maturity dates within eighteen months, the fair value of the borrowings approximated their carrying amount. There were no borrowings obtained at fixed rates at 31 December 2015.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits, prepayments and other receivables with exclusion of prepayment, cash and cash equivalents and term deposits with banks included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has policies in place to ensure that appropriate credit terms granted to the department stores with good credit history and the Group performs regular credit evaluations of the department stores. The trade receivables from concessionaire sales through department stores are generally collected within 90 days from the invoice date. Management makes monthly assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial position of the debtors and whether there are any disputes with the debtors. Management is of the opinion that no additional allowance for impairment is required.

The Group also places rental deposits for certain retail outlets with landlords. Management makes monthly assessment on the recoverability of the rental deposits and is of the opinion that no additional allowance for impairment is required.

As at 31 December 2015 and 2014, all the bank balances and term deposits with banks as detailed in Note 14 are deposited at state-owned banks and other medium or large size commercial banks. Management does not expect any losses arising from non-performance by these counterparties.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for additions of property, plant and equipment, including leasehold improvements, repayment of borrowings and payment for purchases and operating expenses. The Group finances its working capital requirements through a combination of internal generated funds, bank borrowings and issuing new shares, as necessary.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has readily available funding through adequate amount of committed credit facilities to meet its working capital requirements.

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	**Between 1 and 2 years** RMB'000	**Between 2 and 5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
As at 31 December 2015					
Trade and bill payables	**1,228,180**	**—**	**—**	**—**	**1,228,180**
Financial liabilities as included in other payables, accruals and other current liabilities	**604,817**	**—**	**—**	**—**	**604,817**
	1,832,997	**—**	**—**	**—**	**1,832,997**
As at 31 December 2014					
Borrowings and interest payable	648,536	21,989	—	—	670,525
Trade and bill payables	911,041	—	—	—	911,041
Financial liabilities as included in other payables, accruals and other current liabilities	582,072	—	—	—	582,072
	2,141,649	21,989	—	—	2,163,638

The estimated amount of interest payments on borrowings were arrived based on the principal borrowing balance and prevailing interest rates at respective balance sheet dates up to the final maturity dates of the borrowing agreements.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on basis of the gearing ratio. This ratio is calculated as total borrowings divided by equity as shown in the consolidated balance sheets.

The gearing ratios as at 31 December 2015 and 2014 were as follows:

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
Total borrowings (Note 18)	**—**	641,266
Total equity	**3,309,878**	3,107,142
Gearing ratio (%)	**0%**	21%

The decrease in the gearing ratio for the year ended 31 December 2015 was resulted primarily from issuing of new shares pursuant to the global initial public offering. The Group used partial of IPO proceeds to repay the borrowings in June and July 2015, respectively.

3.3 Fair value estimation

(a) The table below analyses the Group's financial instruments carried at fair value as at 31 December 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(a) (continued)

The following table presents the Group's assets and liabilities that were measured at fair value as at 31 December 2015:

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total** RMB'000
Available-for-sale financial assets				
Unlisted equity interest (Note 9)	—	—	150,000	150,000

The Group did not have any financial liabilities that were measured at fair value as at 31 December 2015.

The Group did not have any financial assets or liabilities that were measured at fair value as at 31 December 2014.

There were no transfers among levels during the years ended 31 December 2015 and 2014.

(i) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(a) (continued)

(ii) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2015:

	Unlisted equity interest RMB'000
Beginning of year	—
Acquisition of unlisted equity interest (Note 9)	150,000
End of year	150,000

There was no financial instruments in level 3 for the year ended 31 December 2014.

(b) Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount as at 31 December 2015 and 2014:

- Trade receivables;
- Deposits, prepayments and other receivables (except for prepayments);
- Cash and cash equivalents (including restricted cash and term deposits);
- Trade and bill payables;
- Other payables, accruals and other current liabilities (except for staff salaries and welfare payables and accrued taxes other than income tax);
- Borrowings.

4 CRITICAL 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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives, residual values and depreciation charges of property, plant and equipment and useful lives and amortization of intangible assets

The Group's management determines the estimated useful lives, residual values and related depreciation or amortization charges for the Group's property, plant and equipment and intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Depreciation with respect to the concessionaire counters is calculated based on an estimated useful life of two years. This assumption is made based on the facts that the Group normally conduct renovation of the concessionaire counters once every two years and that the Group is typically able to renew its concessionaire agreements upon expiry. Depreciation with respect to the standalone retail outlets is calculated based on an estimated useful life of the shorter of five years and the terms of the leases. Management will revise the depreciation and amortization charges where useful lives are different from that of previously estimated. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in useful lives and residual values and therefore depreciation/amortization expense in future periods.

(b) Impairment of non-financial assets

Non-financial assets including property, plant and equipment, land use rights and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and the future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(d) Current and deferred income tax

The Group is subject to income taxes in different areas in the PRC. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(e) Allowance for impairment of receivables

The Group's management determines the allowance for impairment of trade receivables, deposits, prepayments and other receivables based on an assessment of the recoverability of these receivables. This assessment is based on the credit history of department stores and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the allowance for impairment at each balance sheet date.

(f) Impairment of assets-for-sale equity investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(g) Estimated impairment of goodwill

The Group tested annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Notes 2.7 and 2.8. The recoverable amounts of CGU have been determined based on value in-use calculations. These calculations require the use of estimates. In the opinion of the Group's management, the recoverable amount of the CGU will not be lower than the carrying amount even if a reasonably possible change in a key assumption on which management has based its determination of the CGU's recoverable amount occurs.

5 SEGMENT INFORMATION

The Group operates as a single operating segment. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors that makes strategic decisions.

The Group is principally engaged in designing, marketing and selling apparel products and 100% of its revenue are derived in the PRC for the years ended 31 December 2015 and 2014.

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue for the years ended 31 December 2015 and 2014.

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	**Machinery and equipment** RMB'000	**Office and electronic equipment** RMB'000	**Vehicles** RMB'000	**Leasehold improvements** RMB'000	**Construction in progress** RMB'000	**Total** RMB'000
At 1 January 2014							
Cost	—	1,479	53,234	4,258	1,122,432	99,576	1,280,979
Accumulated depreciation	—	(590)	(18,399)	(1,702)	(468,795)	—	(489,486)
Net book amount	—	889	34,835	2,556	653,637	99,576	791,493
Year ended 31 December 2014							
Opening net book amount	—	889	34,835	2,556	653,637	99,576	791,493
Transferred from construction in progress	172,635	—	—	—	—	(172,635)	—
Additions	—	7,002	15,443	2,029	202,542	98,964	325,980
Disposals (Note 30(b))	—	(1)	(189)	(1,673)	—	—	(1,863)
Depreciation charge (Note 24)	(2,858)	(549)	(17,485)	(998)	(299,929)	—	(321,819)
Closing net book amount	169,777	7,341	32,604	1,914	556,250	25,905	793,791
At 31 December 2014							
Cost	172,635	8,480	68,164	3,329	1,274,739	25,905	1,553,252
Accumulated depreciation	(2,858)	(1,139)	(35,560)	(1,415)	(718,489)	—	(759,461)
Net book amount	169,777	7,341	32,604	1,914	556,250	25,905	793,791
Year ended 31 December 2015							
Opening net book amount	**169,777**	**7,341**	**32,604**	**1,914**	**556,250**	**25,905**	**793,791**
Acquired from business combination (Note 33)	**—**	**278**	**2,029**	**2,406**	**3,475**	**—**	**8,188**
Transferred from construction in progress	**5,936**	**12,096**	**—**	**—**	**—**	**(18,032)**	**—**
Additions	**—**	**6,185**	**18,916**	**507**	**306,750**	**127,822**	**460,180**
Disposals (Note 30(b))	**—**	**(119)**	**(369)**	**—**	**—**	**—**	**(488)**
Depreciation charge (Note 24)	**(8,950)**	**(2,658)**	**(22,028)**	**(835)**	**(352,044)**	**—**	**(386,515)**
Closing net book amount	**166,763**	**23,123**	**31,152**	**3,992**	**514,431**	**135,695**	**875,156**
At 31 December 2015							
Cost	**178,571**	**26,885**	**84,129**	**6,242**	**1,586,942**	**135,695**	**2,018,464**
Accumulated depreciation	**(11,808)**	**(3,762)**	**(52,977)**	**(2,250)**	**(1,072,511)**	**—**	**(1,143,308)**
Net book amount	**166,763**	**23,123**	**31,152**	**3,992**	**514,431**	**135,695**	**875,156**

As at 31 December 2014, certain buildings and facilities with carrying amount of RMB168,636,000 (2015: Nil) were pledged as collaterals for the Group's bank borrowings (Note 18).

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of property, plant and equipment has been charged to the consolidated statement of comprehensive income (Note 24) as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Administrative expenses	**11,886**	9,273
Selling and marketing expenses	**374,629**	312,546
	386,515	321,819

In 2014, the Group has capitalised borrowing costs of RMB2,826,000 in construction in progress (Note 26). Borrowing costs were capitalised using the weighted average interest rate of 6.00%.

7 LAND USE RIGHTS

Land use rights represent prepaid operating lease payments for land located in the PRC, which are held on leases of 50 years.

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Opening net book value	**136,346**	15,941
Additions	**22,140**	120,836
Amortization charges (Note 24)	**(3,161)**	(431)
Closing net book value	**155,325**	136,346

As at 31 December 2014, certain land use rights with a carrying amount of RMB 15,617,000 (2015: Nil) were pledged as collaterals for the Group's bank borrowings (Note 18).

The amortization of land use rights has been charged to the consolidated statement of comprehensive income (Note 24) as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Administrative expenses	**1,180**	431
Selling and marketing expenses	**1,981**	—
	3,161	431

As at 31 December 2015, the land use rights certificate of certain land use rights with a carrying amount of RMB57,818,000 were not obtained (31 December 2014: RMB57,280,000).

8 INTANGIBLE ASSETS

	Goodwill RMB'000	Brand RMB'000	Favourable Contract RMB'000	Acquired trademark RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2014						
Cost	—	—	—	1,776	45,248	47,024
Accumulated amortization	—	—	—	(469)	(10,236)	(10,705)
Net book amount	—	—	—	1,307	35,012	36,319
Year ended 31 December 2014						
Opening net book amount	—	—	—	1,307	35,012	36,319
Additions	—	—	—	—	6,954	6,954
Amortization charge (Note 24)	—	—	—	(201)	(10,479)	(10,680)
Closing net book amount	—	—	—	1,106	31,487	32,593
At 31 December 2014						
Cost	—	—	—	1,776	52,202	53,978
Accumulated amortization	—	—	—	(670)	(20,715)	(21,385)
Net book amount	—	—	—	1,106	31,487	32,593
Year ended 31 December 2015						
Opening net book amount	**—**	**—**	**—**	**1,106**	**31,487**	**32,593**
Acquired from business combination (Note 33)	**105,722**	**48,130**	**9,203**	**—**	**1,070**	**164,125**
Additions	**—**	**—**	**—**	**—**	**9,811**	**9,811**
Amortization charge (Note 24)	**—**	**(3,782)**	**(882)**	**(201)**	**(12,645)**	**(17,510)**
Closing net book amount	**105,722**	**44,348**	**8,321**	**905**	**29,723**	**189,019**
At 31 December 2015						
Cost	**105,722**	**48,130**	**9,203**	**1,776**	**63,083**	**227,914**
Accumulated amortization	**—**	**(3,782)**	**(882)**	**(871)**	**(33,360)**	**(38,895)**
Net book amount	**105,722**	**44,348**	**8,321**	**905**	**29,723**	**189,019**

8 INTANGIBLE ASSETS (CONTINUED)

The amortization of intangible assets has been charged to the consolidated statement of comprehensive income (Note 24) as follows:

	Year ended 31 December	
	2015 **RMB'000**	2014 RMB'000
Administrative expenses	**12,433**	10,680
Selling and marketing expenses	**5,077**	—
	17,510	10,680

Impairment tests for goodwill

The goodwill arose from the acquisition of equity interests in following entities:

Entity name	**Year**	**Amount** RMB'000
Hangzhou Anshe E-Commerce Company Limited ("Hangzhou Anshe")	2015	**92,339**
Jack Walk (Shanghai) Fashion Limited ("Jack Walk")	2015	**13,383**
		105,722

Goodwill is allocated to the Group's CGUs identified according to business strategy.

A CGU level summary of goodwill is presented below:

	2015 **RMB'000**
Hangzhou Anshe	**92,339**
Jack Walk	**13,383**
	105,722

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The Company expects cash flow beyond the five-year period will be similar to that of the fifth year based on existing production capacity. Cash flows beyond the five-year period are extrapolated using zero growth rates.

8 INTANGIBLE ASSETS (CONTINUED)

The key assumptions used for value-in-use calculations are as follows:

	Hangzhou Anshe	**Jack Walk**
Revenue growth	9%	35%
Gross margin	44%	47%–51%
Discount rate	15%	15%

Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant business. Based on the assessments, no goodwill was impaired as at 31 December 2015.

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 **RMB'000**
At 1 January 2015	**—**
Acquisition of unlisted equity interest	**150,000**
At 31 December 2015	**150,000**
Less: Current portion	**—**
Long-term portion of available-for-sale financial assets	**150,000**

(a) The Group did not have available-for-sale financial assets as at 31 December 2014.

(b) The Group entered into the partnership ("Agreement") with Beijing Legend Capital Fellow Investment Consultancy Partnership (Limited Partnership) (北京君聯同道投資顧問合夥企業（有限合夥）, "Beijing Legend Fellows"). Pursuant to the Agreement, an investment partnership Tianjin Xing Kuang Enterprise Management Consulting Partnership (Limited Partnership) (天津星曠企業管理諮詢合夥企業（有限合夥）, "the Partnership") was established by both parties, with a total amount of RMB153,000,000, of which the Group contributed RMB150,000,000 as the limited partner and Beijing Legend Fellows contributed RMB3,000,000 as the general partner. The main business scope of the fund is project investment, investment management and asset management. The Group had neither obligation nor intention to provide financial support to the Partnership, and the Partnership was out of the scope for consolidation.

(c) Based on the assessment of management, no available-for-sale financial assets was impaired as at 31 December 2015.

10 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset when the deferred income taxes relate to the same tax jurisdiction. The net deferred income taxes balance after offsetting were as follows:

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
Deferred income tax assets:		
— to be recovered within 12 months	**134,600**	126,090
— to be recovered after more than 12 months	**34,387**	6,741
	168,987	132,831

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
Deferred income tax liabilities:		
— to be recovered within 12 months	**1,791**	—
— to be recovered after more than 12 months	**11,376**	—
	13,167	—
Deferred income tax assets — net	**155,820**	132,831

The analysis of deferred tax assets and deferred tax liabilities without taking into consideration of offsetting of balance within the same jurisdiction was as follows:

Deferred income tax assets	**Tax losses carried forward**	**Inventory write-down**	**Accruals**	**Unrealized profit (a)**	**Allowance for impairment of receivables**	**Rental incentives recognized on a straight-line basis**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	4,236	29,214	58,982	39,592	—	34,131	166,155
Credited to the consolidated statement of comprehensive income	(267)	31,610	(11,798)	(17,160)	—	3,522	5,907
At 31 December 2014	3,969	60,824	47,184	22,432	—	37,653	172,062
Acquired from business combination (Note 33)	1,949	3,145	3,388	—	—	20	8,502
Credited to the consolidated statement of comprehensive income	(222)	8,292	(42,085)	15,341	8,303	4,077	(6,294)
At 31 December 2015	**5,696**	**72,261**	**8,487**	**37,773**	**8,303**	**41,750**	**174,270**

10 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

(a) Deferred income tax assets of unrealized profit were mainly attributable to the unrealized profit of intra-group transfer of inventories.

Deferred income tax liabilities	**Difference in depreciation between tax and accounting**	**Fair value adjustments on assets and liabilities upon business combination**	**Capitalised borrowing costs**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	51,845	—	332	52,177
(Credited)/Debited to the consolidated statement of comprehensive income	(13,652)	—	706	(12,946)
At 31 December 2014	38,193	—	1,038	39,231
Acquired from business combination (Note 33)	—	14,334	—	14,334
(Credited)/Debited to the consolidated statement of comprehensive income	(33,875)	(1,167)	(73)	(35,115)
At 31 December 2015	**4,318**	**13,167**	**965**	**18,450**

11 INVENTORIES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Raw materials	**3,999**	1,774
Finished goods	**1,739,188**	1,317,546
Low value consumables	**13,070**	8,122
	1,756,257	1,327,442

11 INVENTORIES (CONTINUED)

Inventories are valued at the lower of cost and estimated net realisable value. Inventory write-down is made for obsolete and slow-moving items. The movement of inventory write-down was as follows:

	Year ended 31 December	
	2015 **RMB'000**	2014 RMB'000
Beginning balance of the year	**243,296**	116,857
— Acquired from business combination	**12,577**	—
— Write down of inventories to net realisable value included in the "cost of sales" (Note 24)	**225,369**	215,752
— Sales of inventories written down in prior years included in the "cost of sales" (Note 24)	**(175,665)**	(64,118)
— Donation of inventories fully written down in prior years	**(16,535)**	(25,195)
Ending balance of the year	**289,042**	243,296

The cost of inventories recognized as "cost of sales" amounted to approximately RMB2,581,451,000 for the year ended 31 December 2015 (2014: RMB2,160,057,000) (Note 24).

12 TRADE RECEIVABLES

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
Trade receivables	**1,074,252**	1,028,901
Less: allowance for impairment of receivables (Note 24)	**(29,796)**	—
Trade receivables — net	**1,044,456**	1,028,901

12 TRADE RECEIVABLES (CONTINUED)

As at 31 December 2015 and 2014, the aging analysis of trade receivables based on invoice date was as follows:

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
Trade receivables, gross		
— Within 30 days	**901,768**	919,761
— Over 30 days and within 60 days	**78,319**	53,807
— Over 60 days and within 90 days	**29,154**	16,694
— Over 90 days and within 180 days	**26,845**	20,263
— Over 180 days and within 360 days	**15,025**	12,992
— Over 360 days	**23,141**	5,384
	1,074,252	1,028,901

As at 31 December 2015 and 2014, the fair value of the trade receivables of the Group approximated their carrying amounts.

As at 31 December 2015 and 2014, the carrying amounts of the Group's trade receivables were denominated in RMB.

The Group's trade receivables are primarily derived from sales through concessionaire stores and are generally collectible within 90 days from the invoice date. As at 31 December 2015, trade receivables of RMB 29,796,000 (31 December 2014: nil) were impaired and fully provided for allowance for impairment. Allowance for impairment of trade receivables has been provided for estimated irrecoverable amounts from the sales of goods.

As at 31 December 2015, trade receivables of RMB38,926,000 (31 December 2014: RMB38,639,000) were past due but not impaired. Based on the past experience, management believes that no additional allowance for impairment is necessary in respect of these pass-due trade receivables as there has not been a significant change in their credit position and the balances are considered fully recoverable. These trade receivables relate to a number of independent debtors for whom there are no recent history of defaults. The Group does not hold any collateral as security over these debtors.

12 TRADE RECEIVABLES (CONTINUED)

The aging analysis of these trade receivables past due but not impaired at 31 December 2015 and 2014 is as follows:

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
Trade receivables, gross		
— Over 90 days and within 180 days	**21,517**	20,263
— Over 180 days and within 360 days	**11,884**	12,992
— Over 360 days	**5,525**	5,384
	38,926	38,639

13 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
Prepayments for purchases of inventories	**224,321**	136,776
Deposits	**174,899**	134,990
Less: allowance for impairment of deposits (Note 24)	**(3,415)**	—
Deposits — net	**171,484**	134,990
Bidding deposit for purchase of land use rights	**—**	17,900
Interest receivable	**1,879**	2,845
Staff advances	**6,432**	1,935
Prepayment of listing expenses	**5,612**	—
Receivables from non-controlling interests	**721**	—
Others	**669**	998
	411,118	295,444

As at 31 December 2015 and 2014, the fair value of the deposits, prepayments and other receivables of the Group, except for the prepayments which are not financial assets, approximated their carrying amounts.

As at 31 December 2015 and 2014, the carrying amounts of the deposits, prepayments and other receivables of the Group are denominated in the following currencies:

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
— RMB	**411,042**	293,486
— HKD	**76**	1,958
	411,118	295,444

14 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TERM DEPOSITS

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
Cash at bank and in hand	**1,118,410**	1,983,384
Less: Term deposits (a)	**—**	(1,372,777)
Cash and cash equivalents	**1,118,410**	610,607
Cash at bank and in hand denominated in:		
— RMB	**669,240**	779,614
— HKD	**449,170**	1,203,770
	1,118,410	1,983,384

(a) Term deposits represent deposits held in separate bank accounts with more than three months to maturity when placed.

15 SHARE CAPITAL

	Note	**Number of ordinary shares** (thousands)	**Nominal value of ordinary shares** RMB'000
As at 1 January 2014		364,737	364,737
Issue of new shares pursuant to global initial public offering	(a)	138,643	138,643
As at 31 December 2014		503,380	503,380
Buy-back of shares	(b)	(10,478)	(10,478)
As at 31 December 2015		492,902	492,902

(a) On 9 October 2014, the Company completed its global initial public offering of shares by issuing 121,579,000 H shares at a price of HK$13.98 per share. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on the same date. On 30 October 2014, the Joint Global Coordinators exercised the Over-allotment Option by issuing 17,064,000 H shares at a price of HK$13.98 per share. The listing proceeds to the Company, netting off listing expenses, were HK$1,850,815,000 (equivalent to RMB1,466,672,000), resulting in an increase of share capital of the Company by RMB138,643,000 and the capital reserve by RMB1,328,029,000.

(b) For the year ended 31 December 2015, 10,478,000 shares of a nominal value of RMB10,478,000 were bought back at total consideration of HK$149,794,000 (equivalent to RMB120,046,000) (Note 16(b)(v)).

16 OTHER RESERVES

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
Statutory reserve (a)	**224,207**	177,109
Capital reserve (b)	**1,521,985**	1,628,338
— Excess of the cash consideration received over the share capital	**1,609,792**	1,609,792
— Buy-back of shares	**(109,568)**	—
— Contributions from a shareholder by awarding its equity instruments to the employees	**21,761**	18,546
	1,746,192	1,805,447

(a) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and the articles of association of the Company and its subsidiaries, it is required to appropriate 10% of the annual statutory net profits of the Company and its subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the share capital of the Company and its subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of share capital.

For the year ended 31 December 2015, RMB47,098,000 (2014: RMB83,086,000) were appropriated to the statutory reserve from net profits of the Company and its subsidiaries.

16 OTHER RESERVES (CONTINUED)

(b) Capital reserve

	Excess of the cash consideration received over the share capital	Buy-back of shares	Contributions from a shareholder by awarding its equity instruments to the employees (i)–(v)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	281,763	—	10,388	292,151
Issue of new shares pursuant to global initial public offering (Note 15(a))	1,328,029	—	—	1,328,029
Shanghai Hexia granted its equity instruments to the employees of the Group	—	—	8,158	8,158
At 31 December 2014	**1,609,792**	**—**	**18,546**	**1,628,338**
Buy-back of shares	**—**	**(109,568)**	**—**	**(109,568)**
Shanghai Hexia granted its equity instruments to the employees of the Group	**—**	**—**	**3,215**	**3,215**
At 31 December 2015	**1,609,792**	**(109,568)**	**21,761**	**1,521,985**

(i) Contributions from a shareholder by awarding its equity instruments to the employees

Shanghai Hexia, a company which was set up for the benefits of the Group's employees and holds certain equity interests in the Company, operates a series of share-based compensation plans in exchange for employee services to the Group. Details of the share-based compensation plans are summarised as follows:

On 30 December 2009, Shanghai Hexia was established in the PRC by Mr. Xing Jiaxing (邢加興) and certain selected employees (the "Selected Employees"). The registered capital of Shanghai Hexia at that time was RMB500,000, which was paid up by Mr. Xing Jiaxing and the Selected Employees at the ratio of 32.79% and 67.21%. On 8 April 2010, Shanghai Hexia acquired 8.25% and 7% of the equity interests in the Company from two individuals and two financial investors, respectively. The cash considerations for these acquisitions of RMB17,113,000 were paid by Mr. Xing Jiaxing as a unilateral contribution to the existing equity owners of Shanghai Hexia. The proportion attributable to the Selected Employees was considered as management incentive.

In December 2010, Good Factor Limited ("Good Factor"), a financial investor transferred 5% and 3% of its equity interests in the Company to Mr. Xing Jiaxing and Shanghai Hexia, respectively, at nil consideration for the purpose of rewarding the chief executive and the Selected Employees for their contributions to the Group.

On 22 April 2011, Mr. Xing Jiaxing further transferred 15.49% of his existing equity interests in Shanghai Hexia to several employees (the "New Employees") of the Group at nil consideration as management incentive.

16 OTHER RESERVES (CONTINUED)

(b) Capital reserve (continued)

(i) Contributions from a shareholder by awarding its equity instruments to the employees (continued)

For the years ended 31 December 2015 and 2014, certain Selected Employees and New Employees left the Company and settled the equity interests they held in Shanghai Hexia with Mr. Xing Jiaxing.

As at 31 December 2015, the percentage of equity interest in the Company indirectly held by the Selected Employees and New Employees through Shanghai Hexia is 5.20% (31 December 2014: 5.58%).

(ii) Rights conferred to each of the employees who held equity interests in Shanghai Hexia and the vesting condition

Rights conferred to each of the employees who held equity interests in Shanghai Hexia included: (1) right of entitlement to dividends; (2) right to vote and participate in the general meeting; (3) right to appoint and replace members of board of directors; and (4) right to inspect the records relating to financing and investment decisions and arrangements of Shanghai Hexia.

The vesting condition of each of the share-based compensation plans is consistent and summarised as follow:

- If an employee leaves the Company within 24 months after the date of successful listing of the Company's shares on any stock exchange (the "Listing"), he/she will receive cash equal to the capital contribution amount to Shanghai Hexia;

- If an employee leaves the Company after 24 months but within 36 months after the Listing, he/she will receive cash equal to his/her attributable net assets value of the Group at that time;

- If an employee leaves the Company after 36 months but within 60 months after the Listing, 50% of his/her attributable equity interests in Shanghai Hexia will vest; and

- If an employee completes 60 months service period after the Listing, 100% of his/her attributable equity interests in Shanghai Hexia will vest.

16 OTHER RESERVES (CONTINUED)

(b) Capital reserve (continued)

(iii) Fair value estimation of share-based compensation plans

The Company needs to estimate the fair value of its equity interests at the relevant grant dates. The discounted cash flow method under the income approach has been applied in the determination of the fair value of the equity interests in the Company. The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market.

The fair value as of the grant dates of each of the share-based compensation plans are summarised as follows:

The fair value of the pre-IPO share options at the grant date was valued by an independent qualified valuer using Binomial valuation model as follows:

	RMB'000
Granted to the Selected Employees by Mr. Xing Jiaxing on 2 April 2010	24,226
Granted to Mr. Xing Jiaxing by Good Factor on 19 October 2010	9,354
Granted to the Selected Employees by Good Factor on 19 October 2010	7,526
Granted to the New Employees by Mr. Xing Jiaxing on 22 April 2011	40,754

(iv) Accounting treatment of the share-based compensation plans

The employee may choose the method of settlement, either cash-settled or equity-settled, depending on the length of his/her service period. Accordingly, the share-based compensation plans were accounted for as compound financial instruments in the financial statements of Shanghai Hexia. As the Company received the benefits associated with the services of these employees, the share-based compensation charges were pushed down to the Company during the vesting period and recorded as an expense in the consolidated statement of comprehensive income, with a corresponding contribution from Shanghai Hexia which increased the capital reserve of the Company.

Expenses arising from the share-based compensation plans were charged in the consolidated statement of comprehensive income (Note 25) as follows:

	Year ended 31 December	
	2015 **RMB'000**	2014 RMB'000
Administrative expenses	**5,044**	6,579
Selling and marketing expenses	**(1,829)**	1,579
	3,215	8,158

16 OTHER RESERVES (CONTINUED)

(b) Capital reserve (continued)

(v) Buy-back of shares

According to the resolution of 2014 annual general meeting, the directors of the Company are authorised to approve the buy-back of the Company's H shares through the Stock Exchange of Hong Kong Limited, with an aggregate number not exceeding 13,824,000 shares. For the year ended 31 December 2015, the Company bought back 10,478,000 H shares through the Stock Exchange of Hong Kong Limited at an aggregated consideration of HK$149,794,000 (equivalent to RMB120,046,000). All of the shares bought back during the year were de-registered and the nominal value of such de-registered shares of RMB10,478,000 was debited to share capital (Note 15(b)). The relevant premium of RMB109,568,000 was paid out from the Company's capital reserve.

17 RETAINED EARNINGS

	RMB'000
As at 1 January 2014	506,362
Profit for the year	503,452
Appropriation to statutory reserve (Note 16(a))	(83,086)
Dividends declared (Note 29)	(142,247)
As at 31 December 2014	784,481
Profit for the year	615,251
Appropriation to statutory reserve (Note 16(a))	(47,098)
Dividends declared (Note 29)	(464,685)
As at 31 December 2015	887,949

18 BORROWINGS

	As at 31 December 2015 RMB'000	 2014 RMB'000
Non-current		
Bank borrowings — secured or guaranteed	—	21,266
Current		
Bank borrowings — secured or guaranteed	—	20,000
Bank borrowings — unsecured	—	600,000
	—	620,000
	—	641,266

The carrying amount of the Group's borrowings were denominated in RMB.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the year end were as follows:

	6 months or less RMB'000	**Between 6 and 12 months** RMB'000	**Between 1 and 5 years** RMB'000	**Total** RMB'000
As at 31 December 2015	—	—	—	—
As at 31 December 2014	210,000	410,000	21,266	641,226

18 BORROWINGS (CONTINUED)

As at 31 December 2015 and 2014, the Group's borrowing were payable as follows:

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
On demand or within 1 year	—	620,000
Between 1 and 2 years	—	21,266
	—	641,226

The weighted average effective interest rates at each balance sheet date were as follows:

	As at 31 December	
	2015	2014
Borrowings — current	**n.a.**	6.01%
Borrowings — non-current	**n.a.**	6.77%

The fair value of the borrowings approximated their carrying amounts as at 31 December 2014.

The Group had the following undrawn bank borrowing facilities:

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
Facilities in RMB	**1,650,000**	920,000

As at 31 December 2015 and 2014, bank borrowings were secured or guaranteed by:

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
Secured by property, plant and equipment (i)	—	29,266
Secured by land use rights (ii)	—	12,000
	—	41,266

18 BORROWINGS (CONTINUED)

(i) As at 31 December 2014, the bank borrowings of RMB29,266,000 were secured by certain buildings and facilities (Note 6) of the Group, with a carrying amount of RMB168,636,000;

(ii) As at 31 December 2014, the bank borrowings of RMB12,000,000 were secured by certain land use rights (Note 7) of the Group, with a carrying amount of RMB15,617,000.

19 TRADE AND BILL PAYABLES

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
Bill payables (a)	**342,449**	402,373
Trade payables (b)	**885,731**	508,668
	1,228,180	911,041

As at 31 December 2015 and 2014, trade and bill payables of the Group were non-interest bearing, and their fair value approximated their carrying amounts due to the short maturities.

As at 31 December 2015 and 2014, trade and bill payables were denominated in RMB.

(a) The aging of bill payables was normally 90 days.

(b) As at 31 December 2015 and 2014, the aging analysis of the trade payables based on invoice date, which were trade in nature, was as follows:

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
Trade payables		
— Within 30 days	**270,883**	46,507
— Over 30 days and within 60 days	**224,241**	199,070
— Over 60 days and within 90 days	**290,204**	192,138
— Over 90 days and within 180 days	**81,098**	58,590
— Over 180 days and within 360 days	**9,464**	4,475
— Over 360 days	**9,841**	7,888
	885,731	508,668

20 OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
Payables for purchases of property, plant and equipment	**312,737**	289,532
Liabilities linked to operating leases (Note 2.16(b))	**199,656**	188,695
Staff salaries and welfare payables	**267,109**	194,180
Accrued taxes other than income tax	**188,167**	89,388
Interest payables	**—**	1,112
Customers' deposits	**44,818**	54,282
Other liabilities-contingent consideration (Note 33(a))	**8,000**	—
Advance from customers	**2,752**	—
Other accrued expenses and payables	**39,606**	49,564
	1,062,845	866,753

As at 31 December 2015 and 2014, all other payables, accruals and other current liabilities of the Group were non-interest bearing, and their fair values, except for accrued taxes other than income tax which were not financial liabilities, approximated their carrying amounts due to the short maturities.

As at 31 December 2015 and 2014, other payables, accruals and other current liabilities were denominated in RMB.

21 DEFERRED INCOME

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
Current		
Government incentives (a)	**6,037**	30
Incentives to compensate the costs for leasehold improvements (b)	**25,058**	19,424
	31,095	19,454
Non-Current		
Government incentives (a)	**659**	575
Incentives to compensate the costs for leasehold improvements (b)	**43,747**	29,201
	44,406	29,776
Deferred income	**75,501**	49,230

21 DEFERRED INCOME (CONTINUED)

(a) Government incentives

	Year ended 31 December	
	2015 **RMB'000**	2014 RMB'000
At beginning of the year	**605**	1,400
— Additions	**6,122**	1,155
— Credited to the consolidated statement of comprehensive income (Note 23)	**(31)**	(1,950)
At end of the year	**6,696**	605

The Company received government incentives from local governments as support on expenses relating to certain brands and certain construction projects. When the required criteria set by the local governments for such incentives are met, the portion of the qualified funds was recognised as "other gains — net" and the remaining balance was recorded as deferred income.

(b) Incentives to compensate the costs for leasehold improvements

	Year ended 31 December	
	2015 **RMB'000**	2014 RMB'000
At beginning of the year	**48,625**	13,469
— Additions	**44,738**	45,971
— Credited to the consolidated statement of comprehensive income	**(24,558)**	(10,815)
At end of the year	**68,805**	48,625

Certain lessors provided incentives to the Group to compensate the costs for leasehold improvements. The Group recognised the aggregate benefit of incentives as a reduction of "operating lease rentals" over the lease term on a straight-line basis. The current portion of incentives was estimated based on the expected reduction of "operating lease rentals" to be recognised within the next 12 months from the reporting date. The remaining balance was recorded as non-current portion.

22 REVENUE

	Year ended 31 December	
	2015 **RMB'000**	2014 RMB'000
Retail points	**8,491,304**	7,776,576
Online stores	**588,939**	37,593
Wholesale	**15,465**	—
	9,095,708	7,814,169

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for products supplied, stated net of discounts, returns and value added taxes. The retail points are operated in the form of concessionaire counters and standalone retail outlets. The concessionaire counters are located within department stores. During the year ended 31 December 2015, for the revenue generated from concessionaire counters, value added taxes are calculated on the basis of the revenue earned from the end customers being net of concessionaire fees charged by the department stores amounting to RMB1,656,777,000 (the year ended 31 December 2014: RMB1,605,257,000). The concessionaire fees are recorded as selling and administrative expenses.

23 OTHER GAINS — NET

	Year ended 31 December	
	2015 **RMB'000**	2014 RMB'000
Losses on disposal of property, plant and equipment — net (Note 30(b))	**(218)**	(822)
Government incentives	**62,823**	45,561
— Relating to income (a)	**62,792**	43,611
— Relating to items with attached conditions (Note 21(a))	**31**	1,950
Others	**1,680**	6,466
	64,285	51,205

(a) Government incentives primarily included the financial subsidies received from local Finance Bureau of RMB61,266,000 during the year ended 31 December 2015 (2014: RMB38,700,000).

24 EXPENSES BY NATURE

	Year ended 31 December	
	2015 **RMB'000**	2014 RMB'000
Costs of inventories recognized as expenses included in costs of sales (Note 11)	**2,581,451**	2,160,057
— original value	**2,757,116**	2,224,175
— inventories written down in prior years	**(175,665)**	(64,118)
Operating lease rentals	**2,443,320**	2,240,273
— concessionaire fees	**1,656,777**	1,605,257
— rental and store maintenance fee	**786,543**	635,016
Employee benefit expenses (Note 25)	**1,908,186**	1,630,728
Depreciation (Note 6)	**386,515**	321,819
Utilities and electricity	**212,767**	175,373
Write-down of inventories to net realisable value (Note 11)	**225,369**	215,752
Marketing and promotion expenses	**123,777**	79,777
Taxes and levis	**97,185**	77,329
Costs of low value materials	**65,636**	64,416
Logistic expenses	**89,578**	54,479
Bank charges and point-of-sale device processing fees	**43,748**	31,287
Travelling and communication expenses	**36,471**	26,929
Consulting expenses	**35,751**	14,181
Listing expenses	**—**	13,382
Amortization of intangible assets (Note 8)	**17,510**	10,680
Allowance for impairment of receivables (Note 12)	**29,796**	—
Allowance for impairment of deposits (Note 13)	**3,415**	—
Sample expenses	**21,431**	9,349
Auditor's remuneration	**3,668**	2,600
— audit service	**3,500**	2,600
— non-audit service	**168**	—
Amortization of land use rights (Note 7)	**3,161**	431
Miscellaneous	**2,862**	2,972
Total cost of sales, selling and marketing and administrative expenses	**8,331,597**	7,131,814

25 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Wages, salaries and bonuses	**1,549,416**	1,310,642
Contribution to pension plan (a)	**176,525**	155,638
Housing fund, medical insurance and other social insurance (b)	**179,030**	156,290
Share-based compensation (Note 16(b))	**3,215**	8,158
	1,908,186	1,630,728

(a) Contribution to pension plan

As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in the PRC. The Group contributes 12% to 22% of such relevant income (comprising wages, salaries and bonuses, and subject to maximum caps), subject to certain ceiling and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

(b) Housing fund, medical insurance and other social insurance

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on approximately 14% to 25% of the relevant income (comprising wages, salaries and bonuses) of the employees, subject to maximum caps. The Group's liability in respect of these funds is limited to the contributions payable in each period.

25 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Housing fund, medical insurance and other social insurance (continued)

Five highest paid individual

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2015 included two (2014: two) directors whose emoluments were reflected in the analysis shown in Note 38. The emoluments payable to the remaining three (2014: three) during the year were as follows:

	Year ended 31 December	
	2015 **RMB'000**	2014 RMB'000
Wages, salaries and bonuses	**3,252**	2,756
Contribution to pension plan	**121**	91
Housing fund, medical insurance and other social insurance	**121**	114
Share-based compensation (Note 16(b))	**2,965**	3,011
	6,459	5,972

The emoluments fell within the following bands:

	Year ended 31 December	
	2015	2014
Emolument bands:		
HK$1,000,000 to HK$1,500,000		
(equivalent to RMB 837,000 to RMB 1,256,000)	**—**	1
HK$1,500,000 to HK$3,500,000		
(equivalent to RMB1,256,000 to RMB 2,932,000)	**3**	2
	3	3

No director, supervisor or the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

26 FINANCE INCOME/(EXPENSES) — NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Finance income		
— Exchange gains	**38,318**	—
— Interest income derived from bank deposits	**28,828**	9,563
	67,146	9,563
Finance expenses		
— Interest expense on bank borrowings	**(16,373)**	(55,701)
Less: capitalised interest (Note 6)	**—**	2,826
— Interest expenses on bank borrowings	**(16,373)**	(52,875)
— Exchange losses	**—**	(5,866)
	(16,373)	(58,741)
Finance income/(expenses) —net	**50,773**	(49,178)

27 TAXATION

(a) Income tax expense

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current income tax	**249,592**	192,024
Deferred income tax (Note 10)	**(28,821)**	(18,853)
Income tax expense	**220,771**	173,171

27 TAXATION (CONTINUED)

(a) Income tax expense (continued)

PRC corporate income tax ("CIT")

The income tax provision of the Company and its subsidiaries was calculated at the tax rate of 25% on the estimated assessable profits for the years ended 31 December 2015 and 2014, based on the existing legislation, interpretations and practices in respect thereof.

The tax on the Group's profit before income tax differs from the theoretical amount that could arise using the statutory CIT rates applicable to the years ended 31 December 2015 and 2014 as follows:

	Year ended 31 December	
	2015 **RMB'000**	2014 RMB'000
Profit before tax	**879,169**	684,382
Tax calculated at statutory tax rates applicable to each group entity	**219,792**	171,096
Tax effect of:		
Expenses not deductible for tax purpose (i)	**979**	2,075
Tax charge	**220,771**	173,171

(i) Expense not deductible for tax purpose primarily include share-based compensation expenses, expense not qualified for tax deduction purpose and welfare and entertainment expenses exceeding the tax deduction limits under the CIT Law.

(b) Value-added tax ("VAT") and related taxes

The Group's revenues are subject to output VAT generally calculated at 3% or 17% of the selling prices pursuant to different circumstances. Input credit relating to input VAT paid on purchases can be used to offset the output VAT. The Group is also subject to city construction tax, educational surcharge, local educational surcharge and river management fee based on 7%, 3%, 2% and 1% of the net VAT payable respectively.

28 EARNINGS PER SHARE

Basic

Basic earnings per share was calculated by dividing the profit attributable to the equity owners of the Company by the deemed weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2015	2014
Profit attributable to equity owners of the Company (RMB'000)	**615,251**	503,452
Weighted average number of ordinary shares in issue (thousands of shares)	**498,717**	395,662
Basic earnings per share (RMB per share)	**1.23**	1.27

Diluted

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has no category of dilutive potential ordinary shares.

29 DIVIDENDS

Pursuant to a resolution of the Board of Directors on 11 March 2016, a final dividend of RMB0.42 per share (tax inclusive) for the year ended 31 December 2015 has been recommended by the directors. This final cash dividend is subject to the approval of the shareholders of the Company at the forthcoming 2015 annual general meeting. The total amount is estimated to be approximately RMB207,019,000 (tax inclusive). These financial statements do not reflect this dividend payable.

The interim dividend of RMB0.33 per share (tax inclusive) in respect of the six months ended 30 June 2015, amounting to a total dividend of approximately RMB162,658,000 (tax inclusive) was approved at the shareholders' meeting of the Company on 27 October 2015. It has been reflected as an appropriation of retained earnings for the year ended 31 December 2015 and paid out in 2015.

The dividend in respect of 2014 of RMB0.60 per share (tax inclusive), amounting to a total dividend of approximately RMB302,028,000 (tax inclusive) was approved at the shareholders' meeting of the Company on 5 May 2015. It was reflected as an appropriation of retained earnings for the year ended 31 December 2015 and paid out in 2015.

The dividend in respect of 2013 of RMB0.39 per share, amounting to a total dividend of RMB142,247,000 was approved at the shareholders' meeting of the Company on 16 February 2014. It was reflected as an appropriation of retained earnings for the year ended 31 December 2014 and paid out in 2014.

30 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit for the year before income tax	**879,169**	684,382
Adjustments for:		
— Depreciation of property, plant and equipment (Note 6)	**386,515**	321,819
— Amortization of land use rights (Note 7)	**3,161**	431
— Amortization of intangible assets (Note 8)	**17,510**	10,680
— Write-down of inventories to the net realisable value (Note 11)	**225,369**	215,752
— Allowance for impairment of receivables (Note 12, 13)	**33,211**	—
— Finance (income)/expenses (Note 26)	**(9,841)**	58,741
— Share-based compensation (Note 16(b))	**3,215**	8,158
— Losses on disposal of property, plant and equipment (Note 23)	**218**	822
— Interest income from term deposits	**(21,170)**	(2,845)
	1,517,357	1,297,940
Changes in working capital:		
— Increase in trade receivables	**(20,464)**	(155,310)
— Increase in deposits, prepayments and other receivables	**(60,019)**	(34,645)
— Increase in inventories	**(591,029)**	(250,267)
— Increase in trade and bill payables	**302,780**	(4,184)
— Increase in other payables, accruals and other liabilities	**132,764**	143,032
— Increase in deferred income	**26,271**	34,361
Cash generated from operations	**1,307,660**	1,030,927

(b) Proceeds from disposal of property, plant and equipment

In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprised:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Net book amount (Note 6)	**488**	1,863
Net losses on disposal of property, plant and equipment (Note 23)	**(218)**	(822)
Proceeds from disposal of property, plant and equipment	**270**	1,041

(c) Non — cash transaction

There were no significant non-cash transaction during the years ended 31 December 2015 and 2014.

31 CONTINGENCIES

The Group did not have any significant contingent liabilities.

32 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of year, but not yet incurred was as follows:

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
Property, plant and equipment	**189,192**	44,515

The Group's capital commitments mainly included the contractual obligations relating to the development of warehouse and logistics centre in Taicang, Chengdu, and Tianjin, and the development of administration centre in Shanghai, and the renovation mainly related to retail points.

(b) Operating lease commitments

The future aggregate minimum lease payments in respect of lease payments under non-cancellable operating leases were as follows:

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000
No later than 1 year	**604,083**	447,369
Later than 1 year and no later than 5 year	**1,682,383**	1,228,779
Later than 5 years	**505,672**	397,341
	2,792,138	2,073,489

Generally, the Group's operating leases are for terms of 2 to 8 years.

The actual payment in respect of certain operating lease are calculated at a certain percentage of sales of the respective department stores or at the higher of the minimum as noted above and the amounts determined based on a percentage of the sales of the department stores.

33 BUSINESS COMBINATION

(a) Acquisition of online retail business

On 13 February 2015, the Company entered into two contractual agreements with Hangzhou Anshe and its existing shareholders, namely, Mr. Shen Qinhua, Ms. Cao Qing and Marix Partners China II Hong Kong Limited for the purpose of obtaining 54.05% equity interest of Hangzhou Anshe. Pursuant to the agreements, the Company acquired 45% equity interest from the existing shareholders of Hangzhou Anshe at the consideration of RMB135,000,000. In addition, after the completion of the above equity interest transfer, the Company injected cash of RMB65,000,000 to Hangzhou Anshe as its additional paid-in capital injection. The Company's equity interest in Hangzhou Anshe therefore increased to 54.05% and obtained the control of Hangzhou Anshe on 1 April 2015. Hangzhou Anshe designs, markets and sells apparel products directly to retail customers through third-party online shopping platform.

With this acquisition, the Group aims to enhance its online sales and marketing capabilities and increase its presence in online market. The goodwill of RMB92,339,000 arising from the acquisition is attributable to the unique opportunity for the Group to capitalize on the talents of Hangzhou Anshe to further strengthen the Group's online sales channels and to improve the Group's online sales capabilities. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the total consideration paid, the fair value of assets acquired and liabilities assumed from Hangzhou Anshe at the acquisition date:

	RMB'000
Consideration:	
— Cash consideration paid to existing shareholders	135,000
— Cash injection	65,000
— Contingent consideration (Note 20)	8,000
Total consideration	208,000
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (Note 6)	7,326
Intangible assets (Note 8)	35,180
Deferred income tax assets (Note 10)	4,405
Inventories	46,141
Trade receivables	5,303
Deposits, prepayments and other receivables	61,556
Cash and cash equivalents	93,522
Trade and bill payables	(11,788)
Other payables, accruals and other current liabilities	(18,293)
Current income tax liabilities	(836)
Deferred income tax liabilities (Note 10)	(8,528)
Total identifiable net assets	213,988
Non-controlling interests	(98,327)
Goodwill (Note 8)	92,339
	208,000

33 BUSINESS COMBINATION (CONTINUED)

(a) Acquisition of online retail business (continued)

	RMB'000
Cash outflow to acquire Hangzhou Anshe, net of cash acquired	
— cash consideration	200,000
— cash and cash equivalents of Hangzhou Anshe at acquisition date	(93,522)
Net cash outflow on acquisition	106,478

The contingent consideration arrangement requires the Group to pay cash of RMB8,000,000 to the non-controlling interests of Hangzhou Anshe if the net profit of Hangzhou Anshe for the year ended 31 December 2015 exceeds RMB20,000,000.

For the period from 1 April 2015 to 31 December 2015, the revenue of Hangzhou Anshe was approximately RMB323,379,000 and net profit approximately RMB85,851,000. For the year ended 31 December 2015, the revenue of Hangzhou Anshe was approximately RMB377,577,000 and net profit approximately RMB88,453,000.

(b) Acquisition of menswear retail business

On 28 May 2015, the Company entered into a contractual agreement with Jack Walk and its existing shareholders, namely, Mr. Liu Changqiao and Shanghai Cheng Mao Investment Consulting Limited for the purpose of obtaining 69.12% equity interest of Jack Walk. Pursuant to the agreement, the Company injected cash of RMB75,000,000 to Jack Walk as its additional paid-in capital and obtained the control of Jack Walk on 1 August 2015. Jack Walk is principally engaged in designing, marketing and sales of male apparel products.

With this acquisition, the Group aims to enhance its menswear sales and marketing capabilities and increase its presence in the menswear market. The goodwill of RMB13,383,000 arising from the acquisition is attributable to the unique opportunity for the Group to leverage on Jack Walk's experienced management team. In addition, the Group can further strengthen its capability in designing and marketing of male apparel products and capture the growth potential of menswear market. None of the goodwill recognised is expected to be deductible for income tax purposes.

33 BUSINESS COMBINATION (CONTINUED)

(b) Acquisition of menswear retail business (continued)

The following table summarises the total consideration paid, the fair value of assets acquired and liabilities assumed from Jack Walk at the acquisition date:

	RMB'000
Consideration:	
— Cash injection	75,000
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (Note 6)	862
Intangible assets (Note 8)	23,223
Deferred income tax assets (Note 10)	4,097
Inventories	17,014
Trade receivables	19,584
Deposits, prepayments and other receivables	10,768
Cash and cash equivalents	41,015
Borrowings	(4,100)
Trade and bill payables	(2,571)
Other payables, accruals and other current liabilities	(14,942)
Deferred income tax liabilities (Note 10)	(5,806)
Total identifiable net assets	89,144
Non-controlling interests	(27,527)
Goodwill (Note 8)	13,383
	75,000

	RMB'000
Cash outflow to acquire Jack Walk, net of cash acquired	
— cash consideration	75,000
— cash and cash equivalents of Jack Walk at acquisition date	(41,015)
Net cash outflow on acquisition	33,985

For the period from 1 August 2015 to 31 December 2015, the revenue of Jack Walk was approximately RMB28,655,000 and net loss approximately RMB3,288,000. For the year ended 31 December 2015, the revenue of Jack Walk was approximately RMB56,062,000 and net loss approximately RMB13,332,000.

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2015 and 2014, and balances arising from related party transactions as at 31 December 2015 and 2014.

(a) Name and relationship with related parties

	Relationship with the Group
Mr. Xing Jiaxing	*Founder and one of the controlling shareholders*

(b) Transactions with related parties

Other than those disclosed in Note 29 or elsewhere in this report, for the years ended 31 December 2015 and 2014, the Group had no other significant transactions with related parties.

(c) Key management compensation

	Year ended 31 December	
	2015 **RMB'000**	2014 RMB'000
Wages, salaries and bonuses	**16,628**	12,249
Contribution to pension plan	**593**	446
Housing fund, medical insurance and other social insurance	**600**	479
Share-based compensation (Note 16(b))	**3,342**	3,887
	21,163	17,061

35 SUBSIDIARIES

Particulars of the subsidiaries of the Group as at the date of this report and for the years ended 31 December 2015 and 2014 were set out below:

			Effective interests held by the Company %				
			31 December				
Company name	**Country/place and date of incorporation**	**Paid-in and registered capital**	**2015**	2014	**Direct/ Indirect**	**Kind of legal entity**	**Principle activities**
Shanghai La Chapelle Casual Fashion Co., Ltd. (上海拉夏貝爾休閒服飾有限公司)	Shanghai, PRC 9 February 2010	RMB5,000,000	**100%**	100%	Direct	Domestic	Sales of apparel products
Candie's Shanghai Fashion Co., Ltd. (上海樂歐服飾有限公司)	Shanghai, PRC 18 October 2010	RMB16,000,000	**65%**	65%	Direct	Domestic	Design and sales of apparel products
Nanjing Lewei Fashion Co., Ltd. (南京樂微服飾有限公司)(a)	Nanjing, PRC 3 March 2011	RMB500,000	**—**	100%	Direct	Domestic	Sales of apparel products
Chongqing Lewei Fashion Co., Ltd. (重慶樂微服飾有限公司)	Chongqing, PRC 22 December 2010	RMB500,000	**100%**	100%	Direct	Domestic	Sales of apparel products
Beijing La Chapelle Lewei Fashion Co., Ltd. (北京拉夏樂微服飾有限公司)	Beijing, PRC 28 December 2010	RMB500,000	**100%**	100%	Direct	Domestic	Sales of apparel products
Chengdu La Chapelle Fashion Co., Ltd. (成都拉夏貝爾服飾有限公司)	Chengdu, PRC 17 February 2011	RMB500,000	**100%**	100%	Direct	Domestic	Sales of apparel products
Shanghai Weile Fashion Co., Ltd. (上海微樂服飾有限公司)	Shanghai, PRC 23 November 2011	RMB1,000,000	**100%**	100%	Direct	Domestic	Design and sales of apparel products
Shanghai Langhe Fashion Co., Ltd. (上海朗赫服飾有限公司)	Shanghai, PRC 5 December 2011	RMB5,000,000	**100%**	100%	Direct	Domestic	Design and sales of apparel products
Shanghai Xiawei Fashion Co., Ltd. (上海夏微服飾有限公司)	Shanghai, PRC 21 December 2011	RMB5,000,000	**100%**	100%	Direct	Domestic	Design and sales of apparel products
La Chapelle Fashion (Taicang) Co., Ltd. (拉夏貝爾服飾(太倉)有限公司)	Taicang, PRC 9 August 2012	RMB100,000,000	**100%**	100%	95% directly held and 5% indirectly held	Domestic	Sales of apparel products
La Chapelle (Tianjin) Co., Ltd. (拉夏貝爾服飾(天津)有限公司)	Tianjin, PRC 15 November 2012	RMB16,000,000	**100%**	100%	Direct	Domestic	Sales of apparel products
Chengdu Lewei Fashion Co., Ltd. (成都樂微服飾有限公司)	Chengdu, PRC 22 August 2013	RMB10,000,000	**100%**	100%	Direct	Domestic	Sales of apparel products
Shanghai Chongan Fashion Co., Ltd. (上海崇安服飾有限公司)	Shanghai, PRC 29 June 2015	RMB12,750,000	**85%**	—	Direct	Domestic	Sales of apparel products

35 SUBSIDIARIES (CONTINUED)

Company name	Country/place and date of incorporation	Paid-in and registered capital	Effective interests held by the Company % 31 December		Direct/ Indirect	Kind of legal entity	Principle activities
			2015	2014			
Shanghai Youshi Fashion Co., Ltd. (上海優飾服飾有限公司)	Shanghai, PRC 20 July 2015	RMB20,000,000	**100%**	—	Direct	Domestic	Sales of apparel products
Fujian Lewei Fashion Co., Ltd. (福建樂微服飾有限公司)	Fujian, PRC 27 July 2015	RMB10,000,000	**100%**	—	Direct	Domestic	Sales of apparel products
Shanghai La Chapelle Enterprise Management Co., Ltd. (上海拉夏企業管理有限公司)	Shanghai, PRC 5 May 2015	RMB15,000,000	**100%**	—	Direct	Domestic	Investment
LaCha Fashion	Hong Kong, PRC 25 June 2015	n.a.	**100%**	—	Indirect	Domestic	Investment
Hangzhou Anshe E- Commerce Co., Ltd. (杭州黯涉電子商務有限公司)	Hangzhou, PRC 20 January 2010	RMB59,465,000	**54%**	—	Direct	Domestic	E-Business
Hangzhou Fushe Fashion Co., Ltd. (杭州復涉服裝有限公司)	Hangzhou, PRC 12 July 2012	RMB1,000,000	**54%**	—	Indirect	Domestic	E-Business
Zhejiang Qigege Fashion Co., Ltd. (浙江七格格時裝有限公司)	Hangzhou, PRC 31 May 2012	RMB10,000,000	**54%**	—	Indirect	Domestic	E-Business
Hangzhou Zhuolv Fashion Co., Ltd. (杭州卓旅時裝有限公司)	Hangzhou, PRC 5 August 2015	RMB1,000,000	**54%**	—	Indirect	Domestic	E-Business
Shanghai Jack Walk Fashion Co., Ltd (上海傑克沃克服飾有限公司)	Shanghai, PRC 20 July 2009	RMB 16,194,000	**69%**	—	Direct	Domestic	Sales of apparel products

(a) Nanjing Lewei Fashion Co.,Ltd. was liquidated in June 2015 and no liquidation gain or loss incurred.

The English names of the PRC companies referred to above in this note represent management’s best efforts in translating the Chinese names of those companies as no English names have been registered or available.

36 EVENTS AFTER THE BALANCE SHEET DATE

(a) Pursuant to a resolution of the Board of Directors on 11 March 2016, a dividend of RMB0.42 per share (tax inclusive) totally approximately RMB207,000,000 was proposed (Note 29).

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December **2015** **RMB'000**	 2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**88,946**	144,320
Intangible assets		**26,355**	30,301
Investments in subsidiaries		**588,650**	143,400
Deferred income tax assets		**41,454**	43,259
		745,405	361,280
Current assets			
Inventories		**480,984**	438,777
Trade receivables		**962,072**	879,760
Deposits, prepayments and other receivables		**2,181,531**	1,992,368
Term deposits		**—**	1,372,777
Cash and cash equivalents		**858,987**	581,544
		4,483,574	5,265,226
Total assets		**5,228,979**	5,626,506
EQUITY			
Equity attributable to owners of the Company			
Share capital		**492,902**	503,380
Other reserves	(a)	**1,650,355**	1,711,594
Retained earnings	(a)	**346,403**	405,070
Total equity		**2,489,660**	2,620,044
LIABILITIES			
Non-current liabilities			
Deferred income		**1,591**	2,174
Current liabilities			
Deferred income		**3,335**	3,526
Trade and bill payables		**976,686**	671,170
Other payables, accruals and other current liabilities		**1,728,635**	1,727,186
Current income tax liabilities		**29,072**	2,406
Borrowings		**—**	600,000
		2,737,728	3,004,288
Total liabilities		**2,739,319**	3,006,462
Total equity and liabilities		**5,228,979**	5,626,506

The balance sheet of the Company was approved by the Board of Directors on 11 March 2016 and was signed on its behalf.

Xing Jiaxing **Wang Yong**

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Retained earnings RMB'000	**Other reserves** RMB'000
As at 1 January 2014	199,460	336,757
Profit for the year	386,507	—
Appropriation to statutory reserve	(38,650)	38,650
Dividends declared	(142,247)	—
Issue of new shares pursuant to global initial public offering	—	1,328,029
Shanghai Hexia granted its equity instruments to the employees of the Company	—	8,158
As at 31 December 2014	405,070	1,711,594
Profit for the year	451,132	—
Appropriation to statutory reserve	(45,114)	45,114
Dividends declared	(464,685)	—
Buy-back of shares	—	(109,568)
Shanghai Hexia granted its equity instruments to the employees of the Company	—	3,215
As at 31 December 2015	**346,403**	**1,650,355**

38 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors and chief executive’s emoluments

The remuneration of every director and the chief executive is set out below:

	Fees	Salaries	Discretionary bonuses	Housing allowance	Estimated money value of medical insurance and other social insurance	Employer’s contribution to retirement plan	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director’s other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Share-based compensation	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2015										
Executive Directors										
Xing Jiaxing (邢加興)	—	1,292	288	13	27	40	—	—	310	1,970
Wang Yong (王勇)	—	1,152	288	13	27	40	—	—	—	1,520
Hu Gang (胡剛) (ii)	—	480	378	5	11	16	—	—	—	890
Non-executive Director										
Li Jiaqing (李家慶)	—	—	—	—	—	—	—	—	—	—
Lu Weiming (陸衛明)	—	—	—	—	—	—	—	—	—	—
Cao Wenhai (曹文海)	—	—	—	—	—	—	—	—	—	—
Wang Haitong (王海桐) (iv)	—	—	—	—	—	—	—	—	—	—
Luo Bin (羅斌) (v)	—	—	—	—	—	—	—	—	—	—
Independent Non-executive Directors										
Mao Jianong (毛嘉農)	—	120	—	—	—	—	—	—	—	120
Chen Wei (陳巍)	—	120	—	—	—	—	—	—	—	120
Zhou Guoliang (周國良)	—	120	—	—	—	—	—	—	—	120
Law Japhet Sebastian (羅文鈺)	—	120	—	—	—	—	—	—	—	120
	—	3,404	954	31	65	96	—	—	310	4,860

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors and chief executive’s emoluments (continued)

The remuneration of every director and the chief executive is set out below:

	Fees	Salaries	Discretionary bonuses	Housing allowance	Estimated money value of medical insurance and other social insurance	Employer’s contribution to retirement plan	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director’s other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Share-based compensation	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2014										
Executive Directors										
Xing Jiaxing (邢加興)	—	1,055	85	12	26	37	—	—	310	1,525
Wang Yong (王勇)	—	1,055	85	12	26	37	—	—	—	1,215
Hu Gang (胡剛) (ii)	—	672	—	7	16	22	—	—	—	717
Shi Hai (石海) (i)	—	706	60	12	26	37	—	—	—	841
Non-executive Director										
Li Jiaqing (李家慶)	—	—	—	—	—	—	—	—	—	—
Lu Weiming (陸衛明)	—	—	—	—	—	—	—	—	—	—
Cao Wenhai (曹文海)	—	—	—	—	—	—	—	—	—	—
Liu Qing (柳青) (iii)	—	—	—	—	—	—	—	—	—	—
Independent Non-executive Directors										
Mao Jianong (毛嘉農)	—	101	—	—	—	—	—	—	—	101
Chen Wei (陳巍)	—	101	—	—	—	—	—	—	—	101
Zhou Guoliang (周國良)	—	101	—	—	—	—	—	—	—	101
Law Japhet Sebastian (羅文鈺)	—	101	—	—	—	—	—	—	—	101
	—	3,892	230	43	94	133	—	—	310	4,702

(i) Ms. Shi Hai was appointed as an executive director since May 2013 and resigned as an executive director in June 2014.

(ii) Mr. Hu Gang was appointed as an executive director since June 2014 and resigned as an executive director in May 2015.

(iii) Ms. Liu Qing was appointed as a non-executive director since May 2013 and resigned as a non-executive director in July 2014.

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors and chief executive's emoluments (continued)

(iv) Ms. Wang Haitong was appointed as a non-executive director since July 2014.

(v) Mr. Luo Bin (羅斌) was appointed as a non-executive director since May 2015.

(vi) The directors were also employees of the Group and the Group paid employee emoluments to them in their capacity as employees before or after their respective appointments as directors for the years ended 31 December 2015 and 2014.

(b) Directors' retirement benefits

There is no retirement benefits by a defined benefit pension plan operated by the Group. The Group contributes to state-4 sponsored retirement schemes for its directors in the PRC only (Note 25(a)).

(c) Directors' termination benefits

There is no directors' termination benefits operated by the Group.

(d) Consideration provided to third parties for making available directors' services

For the years ended 31 December 2015 and 2014, no consideration was provided to third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

For the years ended 31 December 2015 and 2014, there were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.