annual report 2015

Koradior Holdings Limited
珂萊蒂爾控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3709)

Contents

Corporate Profile

ABOUT KORADIOR

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

Our business was established in 2007 by Mr. Jin Ming, our chief executive officer, chairman and executive director. Our "Koradior" brand, which targets the high-end stylish and smart-casual ladies-wear market, is positioned to offer our customers feminine, stylish, chic and young-looking designs for all seasons. In response to our customers' demand for high-end formal ladies-wear, we launched "La Koradior" brand in September 2012 which is positioned to offer luxurious and elegant designs for all seasons and has a brand theme of "glamorous, distinctive and vibrant". Our "Koradior elsewhere" brand, which is positioned to offer simple yet feminine, stylish and modern relaxed designs, was launched by us in September 2014. Our products include dresses, skirts, trousers, shirts, knitwear, vests, jackets, overcoats, scarves and accessories.

Our products are sold across a nationwide sales network, majority of which consisted of self-operated retail stores, covering 29 provinces, autonomous regions and municipalities in the PRC. As at 31 December 2015, there were 458 retail stores of which 410 were operated by us and 48 were operated by our distributors.

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

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. YANG Weiqiang (appointed on 1 March 2016)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Wai Kong
Mr. HUNG Man Sing
Mr. ZHONG Ming

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

JOINT COMPANY SECRETARIES

Ms. WU Huiming
Mr. LEUNG Ka Wai

AUTHORISED REPRESENTATIVES

Mr. DENG Shigang
Mr. LEUNG Ka Wai

AUDIT COMMITTEE

Mr. WONG Wai Kong *(Chairman)*
Mr. HUNG Man Sing
Mr. ZHONG Ming

AUDITOR

KPMG

REMUNERATION COMMITTEE

Mr. HUNG Man Sing *(Chairman)*
Mr. WONG Wai Kong
Mr. DENG Shigang

NOMINATION COMMITTEE

Mr. JIN Ming *(Chairman)*
Mr. HUNG Man Sing
Mr. WONG Wai Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Pingan Bank
Shenzhen branch, Jinsha sub-branch

China Merchants Bank
Shenzhen branch, Tairan Jingu sub-branch

COMPLIANCE ADVISER

Haitong International Capital Limited

COMPANY WEBSITE

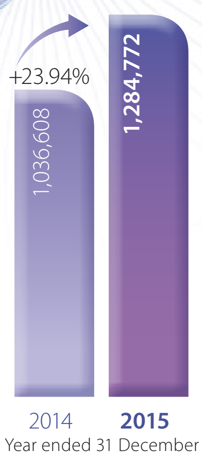
www.koradior.com

STOCK CODE

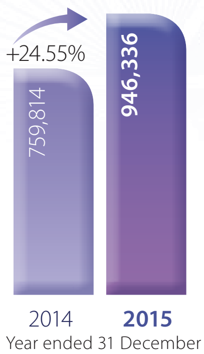
3709

Financial Highlights

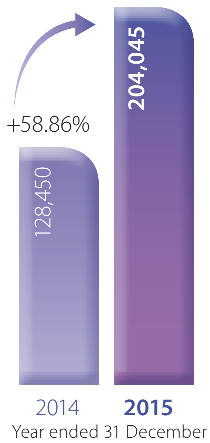
REVENUE
RMB'000



GROSS PROFIT
RMB'000



NET PROFIT
RMB'000



EARNINGS PER SHARE – BASIC (RMB CENTS)

NET ASSETS
RMB'000

GEARING RATIO

	Year ended 31 December		
	2015	2014	Increase
	RMB'000	RMB'000	%
Revenue	**1,284,772**	1,036,608	23.94%
Gross profit	**946,336**	759,814	24.55%
Operating profit	**268,218**	181,424	47.84%
Net Profit	**204,045**	128,450	58.86%
Net cash flows from operating activities	**180,522**	74,567	142.08%
Earnings per share[1]			
– Basic (RMB cents)	**40.28**	29.04	38.71%
– Diluted (RMB cents)	**39.85**	28.85	38.13%
	(%)	(%)	(% points)
Profitability Ratio			
Gross margin	**73.66%**	73.30%	0.36
Operating margin	**20.88%**	17.50%	3.38
Net margin	**15.88%**	12.39%	3.49

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Liquidity Ratio		
Current ratio[2] (times)	**3.44**	4.04
Trade and bills receivables turnover days[3]	**47.04**	45.79
Trade and bills payables turnover days[4]	**68.65**	69.38
Inventory turnover days[5]	**248.78**	217.83
Capital Ratio		
Gearing Ratio[6]	**9.82%**	7.33%
Interest coverage ratio[7] (times)	**230.23**	39.26

Key ratios:

1. Basic earnings per share = Profit attributable to owners of the Company/Weighted average number of ordinary shares (the weighted average number of shares in 2015 was 506,620,526 versus 442,353,118 in 2014)
2. Current ratio = Current assets/Current liabilities
3. Trade and bills receivables turnover days = Average of opening and closing balances on trade and bills receivables/Revenue x 365 days
4. Trade and bills payables turnover days = Average of opening and closing balances on trade and bills payables/Cost of sales x 365 days
5. Inventory turnover days = Average of opening and closing balances on inventory/Cost of sales x 365 days
6. Gearing ratio = Total bank borrowings/Total equity x 100%
7. Interest coverage ratio = Profit before interest and tax/Interest expenses

Financial Summary

(Financial figures are expressed in RMB'000)

	Year ended/as at 31 December				
	2015	2014	2013	2012	2011
Operating results					
Revenue	**1,284,772**	1,036,608	701,880	484,939	327,078
Profit from operations	**268,218**	181,424	110,848	39,226	27,048
Profit attributable to shareholders	**204,045**	128,450	80,112	27,812	19,442
Assets and liabilities					
Non-current assets	**133,667**	50,377	43,939	34,106	31,373
Current assets	**956,544**	839,985	323,993	175,087	110,531
Current liabilities	**277,782**	208,048	209,929	165,900	59,952
Net current assets	**678,762**	631,937	114,064	9,187	50,579
Total assets less current liabilities	**812,429**	682,314	158,003	43,293	81,952
Non-current liabilities	**–**	–	–	–	30,000
Shareholders' Equity	**812,429**	682,314	158,003	43,293	51,952

Chairman's Statement

The past year of 2015 witnessed a highly complicated environment in the economy of the People's Republic of China (the "PRC"). The Chinese government carried out an economic structural adjustment, with the gross domestic product ("GDP") growth slowed down to less than 7% year-on-year for the first time. Moreover, issues including slump of commodity prices, volatility in the capital market, and significant fluctuation of the RMB exchange rate also exerted impact upon the consumer confidence, creating a complex and ever-changing external condition for business. However, it can also be noted that significant achievements in the economic structural adjustment were realized under the Chinese government's leadership, such as domestic consumption contributed approximately 66% to the growth, which no longer depended primarily on investment and exports. There was an increasing affluent population, leading to sustained rapid growth in the mid– and high-end consumer sector as well as consumption upgrade.

In spite of difficult macroeconomic environment in 2015, we still achieve good performance thanks to the hard work of all of our employees. Our revenue increased by 23.94% as compared with 2014, and our net profits hit RMB200 million for the first time, representing a significant increase of 58.86% as compared with 2014. Such achievement was, on one hand, benefiting from the consumption upgrade in the mid– and high-end women's wear sector we operating in, which has maintained a double-digit growth; on the other hand, because of the direct sales strategy we have been implementing based on the Company's sound financial condition. The Company has set up a stable and efficient management team as well as an administration system using scientific methods, thus endowing the Group with strong anti-risk capability in face of economy downturn so as to realized expansion despite of pressures.

We made new efforts for our brand promotion in 2015. In September 2015, as the sole fashion brand from the PRC officially invited by the Milan Fashion Week in Italy, La Koradior made its debut and received high attention from the international fashion circle. We also invited Miranda Kerr, a top model worldwide, and signed with her to be our brand spokesperson. During the reporting period, Koradior elsewhere, one of our proprietary brands, took part in the 15th China International Fashion Brand Fair – Shenzhen and in the 23rd China International Fashion Fair held in Shanghai. At the Shenzhen fashion week, the Company also put on an autumn and winter series show. Using creative designs and colors, these series embodies classic European romance and fully expresses the fashion concept the brand intends to delivery to the public, winning praise from the media and wide recognition from the market. As a fashion company, the Company try its best for design and creation, closely follow the international trend, and devote itself in releasing as many as stock keeping units to the market. In March 2016, our Koradior brand was awarded "Top 5 Brands in Overall Market Share Among Similar Products 2015" by the China National Commercial Information Centre.

In 2015, we repurchased the shares in the capital market for the first time, demonstrating our confidence in our future. In December 2015, Fosun Group, a well-known institutional investor in the PRC, made its investment in us and became our strategic investor. In the future, we will explore different opportunities for possible in-depth cooperation with Fosun in the fashion area.

Looking forward into 2016, in spite of uncertainties in the macroeconomic condition, we are still confident to the economy in the PRC. There will be more fierce competition in the mid– and high-end women's wear market in the PRC, with more and more peers' access to the capital market to seek for mergers and acquisitions. With in-depth development of the internet, consumers are becoming stronger personality with diversified tastes, thus a multi-brand strategy being a sure choice for an industry player. Since we implemented such strategy in 2012, we have now developed a brand portfolio including three own brands, namely Koradior, La Koradior and Koradior elsewhere. It is, however, not enough for us to distinguish ourselves in the accelerating industrial consolidation in the future. We must set up more brands with different styles so as to meet the demands of different customers. Based on these three brands, we will actively explore the extension growth approach through acquisition & cooperation and quicken execution of the Company's multi-brand strategy. Meantime, with the maturity and development of the e-commerce, we will continue to promote our online and offline operation to improve the customers' shopping experience.

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

By order of the Board
Jin Ming
Chairman and CEO

Hong Kong, 29 March 2016

Management Discussion and Analysis

INDUSTRY REVIEWS

Against the background of macroeconomic slowdown and sluggish global economic recovery, the year of 2015 saw a high-then-low trend in the consumer sector. The retail sector fundamentals in 2015 were still weak in general, with 10.7% of growth in the total retail sales of social consumer goods, representing a decrease of 1.3 percentage points as compared with 2014. With slowdown in the growth of the number of online shoppers and an increasingly huge online retail scale, the online shopping growth also decreased to 33.3% in 2015 from over 50% in 2014 and before, accounting for 12.8% of the total retail social consumer goods. Among the offline parts, department stores experienced a significant decline, among which jewelries and men's wears recorded a sharp decrease, while mid- and high-end women's wears and outdoor products retained rapid growth thanks to consumption upgrade. Experience consumption, such as shopping mall restaurants and entertainments continued to be popular spots with large consumer traffic. Due to the impact from online shopping and shopping malls, there was a decrease in the street storefront rents.

In 2015, although there was a sustained two-digit growth in the mid- and high-end women's wear market, industrial diversification was substantial. While some enterprises experienced reduced turnover, the niche brands with casual style and distinctive features realized rapid growth. Confronted with an adverse macro-environment, some companies began to shift their focus to other industries other than garment industry, but more companies stayed steadfast in the mid- and high-end women's wear sector, carrying out innovation for development or seeking capital to found industrial funds or business incubators to create new brands. Mergers and acquisitions were rampant in this sector. Listed players enlarged their business scale through integrating resources by acquisition or cooperation with others, while the unlisted ones were making active preparations to get access to the capital market. With more and more companies getting listed, industrial integration will be faster in the future. There will be more intense competition among different brands, and the industrial leader will emerge, leading to a more and more stable market pattern.

In terms of consumers, more and more emerging consumers from the generation after 80s become the core consumers of our brands. Two major aspects separate the consumers from the after-80s and the after-70s: first, the former group is made of a larger proportion of college graduates; second, they are more "professional" consumers who grew up in the internet era. In the past, consumers used to be those without their own ideas and were easy to be influenced by others and followed the crowd. Therefore, the brand position for them could be anything and the scale could be large. But the after-80s generation buyers are with their own thoughts. They are rational and with their own label. They can also be influenced, but only by their likes. It is difficult to attract and retain these customers with unclear brand positioning. In the future, a brand has to be more accurate so as to keep the core customer group it targets for. Diversity and personality of the emerging consumers will bring about more and more fashion segments, and the niche brands will be welcoming their historical development period.

In-depth development of the internet has absolutely changed the consumers' shopping habits, enabling them to freely switch among different time and different venues, and between online and offline. Integration of whole channels is speeding up, and mobile payments via WeChat and Alipay are quickly adopted. More and more social groups and web celebrities appear. People's consumption needs have upgraded from simply cost-effective to brand, quality, and emotional identification sensitive. Experience consumption and service based on trust will be more able to ignite consumers' awareness and purchase intention in the mid- and high-end women's wear sector.

FINANCIAL REVIEWS

Revenue

The principal activities of the Group are design, promotion, marketing and sales of self-owned branded ladies' wear products in the PRC. The Group's revenue is generated primarily from (a) retail sales to end customers in our self-operated retail stores; (b) sales on third party e-commerce platforms; (c) wholesales to our distributors, who in turn sell our products to end customers through the retail stores operated by them; and (d) others which were mainly derived from staff sales or direct sales through promotional activities outside our retail stores. Revenue represents the sales value of goods sold less returns, discounts and value added tax. Total revenue increased from RMB1,036.61 million for the year ended 31 December 2014 to RMB1,284.77 million for the year ended 31 December 2015, representing an increase of 23.94% or RMB248.16 million. Sales generated by our self-operated retail stores accounted for about 85.02% and 89.84% of our total revenue in 2015 and 2014 respectively, as it is our strategy to grow our business and sales network predominantly through expanding the number of our self-operated retail stores.

Total revenue from e-commerce increased 74.82% from RMB58.42 million for the year ended 31 December 2014 to RMB102.13 million for the year ended 31 December 2015, primarily due to an increase in sales of our products through online retail stores, which was driven by an increase in expenditure on advertising and promotion through e-commerce platforms and search engines in the PRC as well as, our effort in developing our online retail stores through expanding our e-commerce team and establishing a business division dedicated to the e-commerce business.

Total revenue from distributors increased 82.30% from RMB45.15 million for the year ended 31 December 2014 to RMB82.31 million for the year ended 31 December 2015.

Cost of sales

Cost of sales increased from RMB276.79 million during the year ended 31 December 2014 to RMB338.44 million for the year ended 31 December 2015, representing an increase of 22.27% or RMB61.65 million, mainly due to the increase in the cost of inventories sold as a result of the growth of our sales.

FINANCIAL REVIEWS *(Continued)*

Gross profit and gross margin

Gross profit increased from RMB759.81 million for the year ended 31 December 2014 to RMB946.34 million for the year ended 31 December 2015, representing an increase of 24.55% or RMB186.53 million. Our overall gross profit margin slightly increased from 73.30% for 2014 to 73.66% for 2015.

Operating expenses

Operating expenses increased from RMB585.92 million for the year ended 31 December 2014 to RMB692.44 million for the year ended 31 December 2015, representing an increase of 18.18% or RMB106.52 million. Operating expenses include selling and distribution expenses, administrative expenses and other operating expenses, and details are listed below:

Selling and distribution expenses

Selling and distribution expenses increased by 21.10% to RMB628.63 million for year ended 31 December 2015 from RMB519.11 million for the year ended 31 December 2014, primarily due to:

(a) the increase in fees paid to departments stores and shopping malls (including concession fees, rent, management fees, service charge and other expenses) from RMB315.28 million in 2014 to RMB365.00 million in 2015 as a result of the increase in our sales;

(b) the increase in salaries and staff benefits for our sales and marketing staff from RMB113.36million in 2014 to RMB141.89 million in 2015 due to the expansion of retails stores and improvement in remuneration package; and

(c) the increase in advertising and brand building and promotion expenses from RMB46.20 million in 2014 to RMB65.45 million in 2015 as a result of the expansion of our sales network as well as our business growth.

Administrative and other operating expenses

Administrative and other operating expenses decreased by 4.5% to RMB63.81 million for the year ended 31 December 2015 from RMB66.82 million for the year ended 31 December 2014. Higher administrative and other operating expenses last year was primarily due to the legal and professional fee incurred for the initial public offering ("IPO") of the Company's shares in 2014. If the one-off IPO expenses of RMB13.86 million in 2014 were excluded, the administrative and other operating expenses would be increased by 20.49% from RMB52.96 million for the year ended 31 December 2014 to RMB63.81 million for the year ended 31 December 2015 primarily due to the increase in salaries and benefits for our administrative staff as we expanded our business and increased the head-count of our administrative staff.

Finance costs

Finance costs decreased by 74.68% to RMB1.17 million for the year ended 31 December 2015 from RMB4.62 million for the year ended 31 December 2014, mainly due to the repayment of bank borrowings in PRC and the increase in the bank borrowings in Hong Kong for lower loan interest rate.

Income tax expenses

Income tax expenses increased by 30.32% to RMB63.01 million for the year ended 31 December 2015 from RMB48.35 million for the year ended 31 December 2014, mainly due to the increase in operating profit.

FINANCIAL REVIEWS *(Continued)*

Net profit and profit margin

As the result of foregoing factors, the net profit of the Company attributable to shareholders was RMB204.05 million for the year ended 31 December 2015 as compared to RMB128.45 million for the year ended 31 December 2014, representing an increase of 58.86% or RMB75.60 million. Net profit margins were 12.39% and 15.88% for the years ended 31 December of 2014 and 2015 respectively.

Capital structure

The Group requires working capital to support its design and development, retail and other business operations. As at 31 December of 2015, the Group's total current asset were RMB956.54 million (31 December 2014: RMB839.99 million) and total current liabilities were RMB277.78 million (31 December 2014: RMB208.05 million). The current ratio was 3.44 (31 December 2014: 4.04). The Directors believe that this healthy capital structure and the net cash inflow from operating activities are sufficient to support the operating activities of the Group.

As at 31 December 2015, the Group's interest bearing loans are bank loans denominated in Hong Kong dollars and RMB, of which HK$83.33million will expire in three years, and RMB10 million will expire in six months. All loans are interest-bearing at variable interest rates and are guaranteed by the Company.

Financial position, liquidity and gearing ratio

As at 31 December 2015, the Group's cash and cash equivalents were RMB436.80 million (31 December 2014: RMB427.87 million), denominated as to 92.91% in RMB, 0.15% in United States dollar and 6.94% in Hong Kong dollar. The net cash inflow from operating activities generated was RMB180.52 million for the year ended 31 December 2015, up 142.08% from RMB74.57 million for the year ended 31 December 2014.

As at 31 December 2015, the gearing ratio (i.e. outstanding bank loans divided by total equity) was 9.82% (31 December 2014: 7.33%).

Exposures to fluctuation in foreign exchange

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

Charges of assets

As at 31 December 2015, the banking facilities of the Group were secured by pledged bank deposits amounted HK$50,000,000 (equivalent to RMB41,890,000) (31 December 2014: Nil).

Contingent liabilities

As at 31 December 2015, the Group had no significant contingent liabilities (31 December 2014: Nil).

Material acquisition and disposal

For the year ended 31 December 2015, the Group had no material acquisition or disposal of subsidiaries or associated companies (31 December 2014: Nil).

FINANCIAL REVIEWS *(Continued)*

Significant Investments

The Group entered into a partnership agreement with Shenzhen Dongfang Ruizhe Assets Management Co., Ltd. (深圳東方瑞哲資產管理有限責任公司), Shenzhen HT Intelligent Control Co., Ltd. (深圳和而泰智能控制股份有限公司) and Hangzhou Xinkun Equity Investment Partnership (杭州心坤股權投資合夥企業) on 15 December 2015, to jointly establish Shenzhen Qianhai Ruilin Investment Management Co., L.P. (深圳前海瑞霖投資管理企業(有限合夥)) ("Qianhai Ruilin") with a total investment amount of RMB110 million, of which the Group will invest RMB30 million. As of 31 December 2015, the Group has invested RMB20 million. The establishment of Qianhai Ruilin was solely for investing in Qingdao Kute Smart Co., Ltd (青島酷特智能股份有限公司). The signing of the partnership agreement by the Group does not constitute a notifiable transaction of the Company.

Use of proceeds

With the successful listing of the Company's shares on the Main Board of the Stock Exchange on 27 June 2014, net proceeds of HK$534.74 million have been raised, of which HK$404.30 million had been utilised as at 31 December 2015 as follows:

Items	Amount (HK$ million)
Establish new self-operated retail stores	187.06
Develop new brands of our Group	90.01
Further development of e-commerce business	43.87
Koradior brand promotion and marketing	53.47
Working capital and general corporate purposes	26.74
Upgrading ERP system	3.15
Total	404.30

BUSINESS REVIEWS

1. Business

The Group operates three major brands of high-end women's wear: (i) Koradior brand launched in April 2007, which focuses on affluent ladies between the ages of 30 and 45, designed to be feminine, stylish, chic and young-looking for those women chasing casual elegance, and is committing to providing quality lifestyle; (ii) La Koradior launched in September 2012, branded luxury atmosphere and distinctive style, advocating the luxury and elegance of life and meeting the formal female social occasion dress needs; and (iii) Koradior elsewhere, a new brand launched by the Group in September 2014, which is positioned to offer a simple yet feminine, stylish, modern relaxed, leisurely elegance from the heart, demonstrating that life is elsewhere. The three major brands meet various dressing needs of our customers. As at 31 December 2015, there were 458 retail stores covering 29 cities of provinces, autonomous regions and municipalities, of which 410 were operated by us and 48 were operated by our distributors. Out of the 410 self-operated retail stores, there were 314 retail stores in department stores, 60 retail stores in shopping malls, 20 retail stores in outlets and 16 retail stores in street shops. For the year ended 31 December 2015, the Group's revenue increased to RMB1,284.77 million, representing an increase of 23.94% as compared to in 2014. Revenue generated by our self-operated retail stores accounted for 85.02% of total revenue and e-commerce revenue was RMB102.13 million, representing 7.95% of total revenue, primarily generated through third party e-commerce platforms such as Tmall, VIP.com and Dangdang. In 2015, Koradior was awarded "Forbes China Potential Enterprises Award" ("福布斯中國潛力企業獎") by Forbes China.

Revenue analysis by brands

Brand	2014		2015		Increase	Increase
	RMB'000	%	**RMB'000**	**%**	RMB'000	by %
Koradior	961,175	92.72%	**1,118,715**	**87.07%**	157,540	16.39%
La Koradior	61,346	5.92%	**87,730**	**6.83%**	26,384	43.01%
Koradior elsewhere	14,087	1.36%	**78,327**	**6.10%**	64,240	456.02%
Total	1,036,608	100%	**1,284,772**	**100%**	248,164	23.94%

Revenue analysis by sales channels

Sales channel	2014		2015		Increase	Increase
	RMB'000	%	**RMB'000**	**%**	RMB'000	by %
Self-operated retail stores	931,270	89.84%	**1,092,328**	**85.02%**	161,058	17.29%
Wholesales to distributors	45,153	4.36%	**82,312**	**6.41%**	37,159	82.30%
E-commerce	58,417	5.64%	**102,125**	**7.95%**	43,708	74.82%
Others	1,768	0.16%	**8,007**	**0.62%**	6,239	352.88%
Total	1,036,608	100%	**1,284,772**	**100%**	248,164	23.94%

BUSINESS REVIEWS *(Continued)*

1. Business *(Continued)*

The Group has always focused on the self-operated retail stores establishing. For the year ended 31 December 2015, 410 self-operated retail stores generated revenue of RMB1,092.33 million, representing an increase of 17.29% as compared to 2014. Direct revenue comes mainly from the existing stores sales growth and new opened store sales.

The Group's brand is further expanded after the large-scale development, with more dealers come to seek cooperation. There were 16 new retail stores operated by distributors in 2015. As at 31 December 2015, there were 48 retail stores operated by distributors and the revenue of retail stores operated by distributors reached RMB82.31 million, an increase of 82.30% as compared to 2014.

The Group makes use of the third party e-commerce platform as one of its sales channels. E-commerce revenues for the year of 2015 amounted to RMB102.13 million, of which RMB69.19 million or 67.75% of total e-commerce revenue was from Tmall, RMB32.04 million or 31.37% of total e-commerce revenue was from VIP.com and RMB0.88 million or 0.86% of total e-commerce revenue was from Dangdang.com. E-commerce revenues for the year of 2014 amounted to RMB58.42 million, of which RMB38.71 million or 66.26% of total e-commerce revenue was from Tmall, RMB18.55 million or 31.76% of total e-commerce revenue was from VIP.com and RMB1.1 million or 1.89% of total e-commerce revenue was from Dangdang.com.

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

The following table sets out the breakdown of our revenue generated from our self-operated retail stores and wholesales to distributors by geographical regions for the years ended 31 December 2014 and 2015, respectively:

	Year ended 31 December			
	2014		**2015**	
Region	(RMB million)	%	**(RMB million)**	**%**
Central PRC[1]	110.24	11.29	**130.64**	**11.12**
Eastern PRC[2]	336.44	34.46	**385.14**	**32.79**
North Eastern PRC[3]	57.92	5.93	**65.64**	**5.59**
North Western PRC[4]	64.2	6.58	**83.52**	**7.11**
Northern PRC[5]	124.05	12.70	**137.28**	**11.68**
South Western PRC[6]	188.37	19.29	**246.17**	**20.96**
Southern PRC[7]	95.2	9.75	**126.25**	**10.75**
Total	976.42	100	**1,174.64**	**100**

BUSINESS REVIEWS *(Continued)*

1. Business *(Continued)*

Notes:

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

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

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

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

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

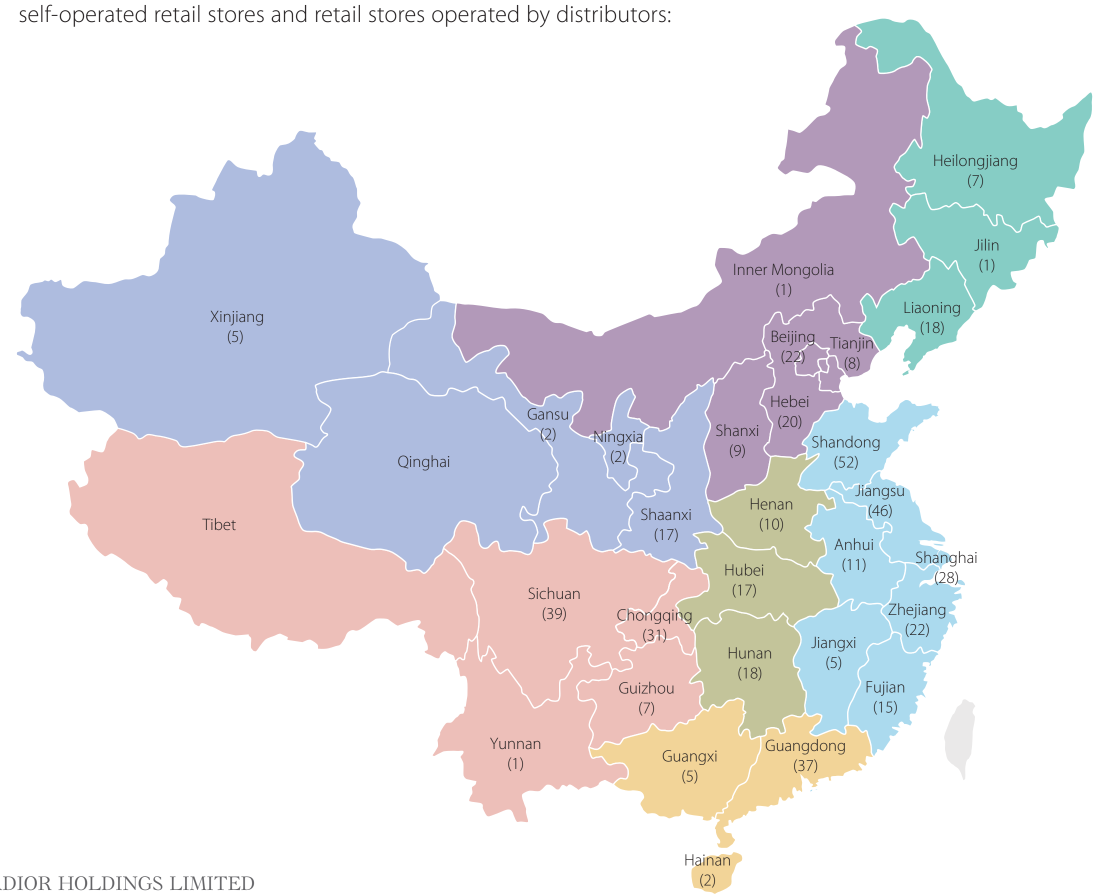
[6] South Western PRC includes Guizhou, Chongqing, Yunnan, Tibet and Sichuan.

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

During the year ended 31 December 2015, the revenue of retail stores generated from Eastern PRC and South Western PRC covers more than half of total revenue of self-operated retail stores and wholesales to distributors.

Breakdown of retail stores by geographical regions

During 2015, the Group opened 139 new retail stores (of which 123 are self-operated) and closed 19 retail stores (of which 15 are self-operated stores), representing a net increase of 120 retail stores. The following table sets out the number of retail stores in our sales network by geographical regions in the PRC as at 31 December 2015, including both self-operated retail stores and retail stores operated by distributors:



BUSINESS REVIEWS *(Continued)*

1. Business *(Continued)*

	Number of retail stores			
Region	As at 1 January 2015	Opened during the year	Closed during the year	As at 31 December 2015
Central PRC[1]	37	10	(2)	45
Eastern PRC[2]	123	63	(7)	179
North Eastern PRC[3]	20	8	(2)	26
North Western PRC[4]	17	11	(2)	26
Northern PRC[5]	45	18	(3)	60
South Western PRC[6]	62	18	(2)	78
Southern PRC[7]	34	11	(1)	44
Total	338	139	(19)	458

Notes:

1 Central PRC includes Henan, Hubei and Hunan.

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

3 North Eastern PRC includes Jilin, Heilongjiang and Liaoning.

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

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

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

7 Southern PRC includes Guangxi, Hainan and Guangdong.

2. Design, research and development

The new brand "Koradior elsewhere" came into the full year operation in this year. The Group launched 127 series of products under three brands in 2015, compared with 98 series of products in 2014.And the total number of SKU[1] reached 2,900 in 2015, representing an increase of 16% from a total of 2,500, SKU in 2014. Our research and design team members rapidly expanded to 129 as at 31 December 2015 from 119 as at 31 December 2014.

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

BUSINESS REVIEWS *(Continued)*

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

The Group engages well-known designers from overseas and China as its brand creative directors for "Koradior", "La Koradior" and "Koradior elsewhere". Research and development expenses were RMB19.56 million, representing 1.52% of the Group's total revenue for the year ended 31 December 2015, as compared to RMB16.39 million, representing 1.58% of the Group's total revenue for the year ended 31 December 2014. The research and development of products not only got customer's satisfaction but were also highly recognized by government departments. During the year, the Group released a series of creative design including Koradior "Happiness Eden" series and La Koradior "China Image" for Milan Fashion Week and Koradior Elsewhere "Life in elsewhere" series. In 2015, Koradior was awarded "The Most Influential Brand" ("最具行業影響力品牌獎") by Shenzhen Garment Industry Association.

3. Marketing and promotion

Airport advertising is one of the most effective ways to promote brands. The Group has placed advertisements at Shenzhen Airport, Shanghai Pudong International Airport, Shanghai HongQiao international airport and Chengdu airport presently. One of our self-owned brands – La Koradior was a participant at the Milan Fashion Week Spring/Summer on September 2015, which was the sole fashion brand from the PRC officially invited by the Milan Fashion week in Italy, we also invited Miranda Kerr, a top model worldwide and signed with her to the Group's brands spokesperson. The Group participated in the 15th session of the China (Shenzhen) International Brand Clothing and Accessories Fair in July 2015, and the 23rd China International Fashion Fair in Shanghai in March 2015. The Group increased brand promotions and customer interactions through the public platform Wechat's lucky draw cards, greeting cards, and other functions, to increase its brand awareness and influence the Group also placed brand imaging advertisements in selected top nationwide circulated fashion/lifestyle magazines and publications, such as "VOGUE" etc. The Group also co-sponsored the film "Only You" directed by Zhang Hao and starring Tang Wei and Liao Fan. For the year ended 31 December 2015, the brand and marketing promotion expenses (excluded sales promotion expenses) were RMB42.58 million, accounted for 3.31% of the Group's total revenue, representing an increase of RMB17.5 million or 69.78% as compared to RMB25.08 million, accounted for 2.42% of the Group's total revenue for the year ended 31 December 2014 primarily due to (a) signed a two years agreement for model service with our brands (b) participated at the Milan Fashion Week Spring/Summer (c) the increase in advertisements at Chengdu airport.

4. Human resources

As at 31 December 2015, we had a total of 2,619 full-time employees in the PRC. The following table sets forth a breakdown of our employees by departments as at 31 December 2014 and 2015:

	2015	2014
	Number of employees	
Management, administration and finance	**64**	61
Product design and research and development	**129**	119
Sales and marketing	**2,352**	1,792
Procurement, logistics and quality control	**74**	74
Total	**2,619**	2,046

BUSINESS REVIEWS *(Continued)*

4. Human resources *(Continued)*

The Group has implemented various programs for staff training and development, particularly focusing on the training of sales and marketing. We provide competitive salary and welfare package for our staff. For the year ended 31 December 2015, the total salary and welfare expenses were RMB181.19 million, representing for 14.10% of the Group's total revenue and an increase of RMB35.27 million or 24.17% as compared to RMB145.92 million or 14.08% of the Group's total revenue for the year ended 31 December 2014.

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

5. Prospect

Looking ahead into 2016, the Group will maintain its proactive strategies and tap into the capital advantage to invest more on brand marketing and promotion, product innovation and design as well as sales networks. In addition, The Company will seek for any acquisition opportunities which can expand the brand mix to satisfy the growing needs and demands of customer in a broader prospective. Meanwhile, the Company will further develop its e-commerce business and design more specific online products, so as to fully leverage the advantage of the platform.

RISK MANAGEMENT

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

ENVIRONMENTAL AND SAFETY MEASURES

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

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

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. JIN Ming（金明）, aged 45, is the founder and chief executive officer of our Group. He is also the chairman of our Board and was appointed as a Director on 23 March 2012 and re-designated as an executive Director on 5 March 2014. Mr. Jin has over 12 years of experience in the ladies-wear fashion and retail industry and is primarily responsible for our overall corporate strategies, planning and business development. In May 2001, Mr. Jin started working at Shenzhen Yingjia Fashion Co, Ltd ("Yingjia Fashion"), our largest OEM contractors, as a marketing manager, in which he has gained extensive management experience in the ladies fashion and retail industry. He was then responsible for retail channels' development and maintenance. In January 2003, he became the general manager of marketing of Yingjia Fashion and was put in charge of brand promotion, the development and maintenance of sales channel and retail activities. In March 2007, he was appointed as chairman of the board of our Group. Mr. Jin graduated from University of Science and Technology of China（中國科學技術大學）with a Bachelor Degree of Arts in English for Science and Technology*（科技英語）in Anhui Province in July 1992 and completed his Executive Master of Business Administration from China Europe International Business School（中歐國際工商學院）in Shanghai in October 2013. Mr. Jin is also the sole director of Koradior Investments Limited, one of our controlling shareholders.

Ms. HE Hongmei（賀紅梅）, aged 43, was appointed as one of our executive Directors on 5 March 2014. Ms. He is mainly responsible for overseeing the whole business unit, overall business planning and strategy execution. Ms. He joined our Group in March 2007 and has approximately 22 years' experience in the ladies-wear industry, including sales, business operation and procurement. Ms. He studied in Business and Enterprise Management*（商業企業管理）in Huangshi Finance and Trade School*（黃石市財貿學校大冶中等專業學校）in Huangshi, Hubei Province from September 1995 to July 1997. Before she joined Yingjia Fashion in 2001, she worked in Hubei Daye Textile Company*（湖北省大冶市紡織品公司）for nearly 6 years. In May 2001, Ms. He joined the customer service team of Yingjia Fashion and was promoted as the regional head in July 2002. Since March 2007, she started working for Shenzhen Koradior Fashion Ltd ("Shenzhen Koradior") which is an indirect wholly-owned subsidiary of our Company as the director of brand business department and became the general manager of Shenzhen Koradior in January 2009.

Mr. DENG Shigang（鄧仕剛）, aged 43, was appointed as one of our executive Directors on 5 March 2014. Mr. Deng joined our Group in June 2012 as the Chief Financial Officer, responsible for the overall financial management and operation of our Group. Mr. Deng has over 17 years of experience in finance and accounting. From April 1999 to August 2000, he was the financial manager of Guangzhou Panyu MCP Industries Co., Ltd.*（廣州番禺美特包裝有限公司）which is a subsidiary wholly-owned by CPMC Holdings Limited (Stock code: 906), a company listed on the Stock Exchange of Hong Kong. From January 2001 to July 2003, he was the financial manager of Ming Fai Enterprise (Shenzhen) Co., Ltd（明輝實業（深圳）有限公司）, a subsidiary of Ming Fai International Holdings Limited (stock code: 3828), a company listed on the Stock Exchange of Hong Kong. From August 2003 to April 2012, he was employed by a subsidiary of Kam Hing International Holdings Limited (stock code: 2307) in which his last position is Deputy General Manager, a company listed on the Stock Exchange of Hong Kong which is engaged in the production and sale of garment and textile. He received his Bachelor of Economics Degree majoring in Accounting and Auditing and Master of Business Administration from Sun Yat-sen University（中山大學）in Guangzhou, Guangdong Province in June 1995 and June 2001 respectively. He became a qualified member of The Chinese Institute of Certified Public Accountants in January 2001.

NON-EXECUTIVE DIRECTOR

Mr. Yang Weiqiang（楊偉強）, aged 48, is currently the president of Shenzhen Qianhai Fosun Ruizhe Asset Management Limited（深圳前海復星瑞哲資產管理有限公司）("Fosun Ruizhe").Fosun Ruizhe is an investment management company focusing on financial investment,industry investment and merger integration. Its business covers equity investments in both public and private markets. Fosun Ruizhe has successfully participated in various investment and merger deals of many industry-leading companies, including Grandland Decoration Group（廣田集團）(stock code: 002482), the Company and Red Collar Group（紅領集團）in respect to its intelligent customised manufacturing platform known as "酷特智能". Mr. Yang Weiqiang served as the chief executive officer and managing director of Heaven-Sent Capital Management Group Co., Ltd.（硅谷天堂資產管理集團股份有限公司）from 2008 to 2013. During the period from 1995 to 2007, Mr. Yang worked at TCL Corporation with various senior positions including deputy general manager of TCL sales arm, general manager of TCL computer arm, senior vice president and executive director of TCL Corporation Group. Mr. Yang Weiqiang graduated from Zhengzhou University（鄭州大學）, majoring in computer science and later obtained EMBA degree from Guanghua School of Management (Peking University)（北京大學光華管理學院）as well as EMBA degree from Cheung Kong Graduate School of Business（長江商學院）.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Wai Kong（黃偉桄）, aged 50, was appointed as an independent non-executive Director on 6 June 2014. Mr. Wong obtained a Bachelor Degree of Business Administration from the Hong Kong Baptist University in Hong Kong in November 1990, a Master Degree of Business Administration from the University of Sheffield in the United Kingdom in May 1995, a Master Degree of Science in Business Information Technology from the Middlesex University in the United Kingdom in January 2003 and a Doctor of Philosophy in Business Administration from the Bulacan State University in the Republic of the Philippines in July 2015. Mr. Wong is a certified public accountant (practising) in Hong Kong and was admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants in December 2010 and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom in August 2003. Mr. Wong has over 21 years of experience in corporate finance, financial advisory and management, professional accounting and auditing. Mr. Wong has worked as an auditor in two international accounting firms for 5 years. He worked as a chief financial officer from December 2002 to September 2008 and has been an executive director since October 2008 in Kam Hing International Holdings Limited (stock code: 2307), a company listed on the Stock Exchange of Hong Kong which is engaged in the production and sale of garment and textile. Mr. Wong is also an independent non-executive director of Odella Leather Holdings Limited (Stock Code: 8093) on 28 January 2015, a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong.

Mr. HUNG Man Sing（洪文星）, aged 62, was appointed as an independent non-executive Director on 6 June 2014. Mr. Hung has been engaged in the fashion retail and manufacturing industry for nearly 32 years and obtained extensive experience in fashion retail management, producing technology innovation and supply chain management. Since June 1986, Mr. Hung has been the products manager of A.M.K. Garment Centre. In 1986, he joined Fun Corporation Limited as a senior consultant and promoted as a director in 1988. Since December 1992, he has also been the China business manager of United Colors of Benetton. From February 1992 to July 1997, he served as director of China Xiamen Benefun Corporation Group*（中國廈門奮發企業集團）. In March 2001, he was employed as Chairman of CHM Clothing & Accessories Association Limited, taking responsibility for company's business and management in Hong Kong. In January 2006, Mr. Hung was appointed as Chairman of ZHK Cyber (International) Technology Holdings Limited and primarily responsible for the company's business and management within Hong Kong, China and Southeast Asia. From May 2005 to June 2008, Mr. Hung was the chairman of PNG Resources Holdings Limited, formerly known as LeRoi Holdings Limited (stock code: 221), a company listed on the Stock Exchange which was then engaged in the trading of fashion apparel to the PRC market. Since December 2010, he has been acting as a general manager of Amvescap Consultancy Limited*（中南亞太（國際）顧問諮詢有限公司）. In August 2007, he became a member of the Hong Kong Institute of Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. ZHONG Ming（鍾鳴）, aged 46, was appointed as an independent non-executive Director on 6 June 2014. He graduated from University of Science and Technology of China（中國科學技術大學）with a Bachelor Degree of Science in Biology in Anhui Province in July 1992 and completed his Executive Master of Business Administration from China Europe International Business School（中歐國際工商學院）in Shanghai in September 2007. From July 1992 to January 2002, Mr. Zhong worked for Procter & Gamble (Guangzhou) Limited*（廣州寶潔有限公司）as a brand manager. Then he joined Wall's (China) Co, Ltd. Shanghai Branch（和路雪（中國）有限公司上海分公司）as vice president of marketing from August 2003 to June 2006. He was employed by Reckitt Benckiser Household Products (China) Co., Ltd（利潔時家化（中國）有限公司）as marketing director from June 2006 to June 2008. From June 2012 to November 2013, Mr. Zhong worked as the senior vice president of operation of TPG Huhua (Shanghai) Equity Investment Management Enterprise (Limited Partnership). Mr. Zhong works as the general manager of China for Luxottica (Shanghai) Trading Co., Limited.

SENIOR MANAGEMENT

Mr. GUO Zhongqiao（郭忠橋）, aged 36, is the sales director of our Group. Mr. Guo joined our Group in November 2011 and oversees the sales and operation of our Group. Mr. Guo has over 11 years of experience in sales and distribution in fashion industry. Prior to joining our Group, Mr. Guo has been the region manager and director of self-operated distribution of Yingjia Fashion from July 2005 to October 2011. He was a manager of the Northern region for the marketing department of Shenzhen Taiming Fashion Limited*（深圳市臺茗服飾有限公司）from February 2004 to June 2005. He obtained an Adult Education Graduation Certificate in Computer and Information Management*（電腦與信息管理）from Jiangxi Economic Administration Cadres College*（江西經濟管理幹部學院）in Nanchang, Jiangxi Province in July 1999.

Mr. HU Qi（胡琦）, aged 37, is the design director of our Group. Mr. Hu joined our Group in March 2007 and primarily takes responsibility for the design and development of ladies-wear of our Group. Mr. Hu has over 14 years of experience in fashion design. Prior to joining our Group, Mr. Hu was the chief designer of Shenzhen Fei Ying Si Fashion Limited*（深圳市飛影思服飾有限公司）from June 2004 to August 2006. He also worked in the design team for Shenzhen Zeyuan Houye Fashion Co.,Ltd.*（深圳市澤源厚業時裝有限公司）from May 2003 to June 2004 and Shenzhen Yezi Garment Limited*（深圳市葉子服裝實業有限公司）from September 2001 to May 2003. He obtained a bachelor degree in Fashion Art and Design*（服裝藝術設計）from the Hubei Academy of Fine Arts*（湖北美術學院）in Wuhan, Hubei Province in July 2001.

Mr. WU Ting（吳頲）, aged 39, is the e-commerce director of our Group. Mr. Wu joined our Group in March 2007 and primarily takes responsibility for the operation, management and development of e-commerce of our Group. He has been the manager of our operations and sales department from March 2007 to March 2010 and senior manager of our planning department from March 2010 to February 2013. Mr. Wu has over 14 years of experience in sales, operation, and marketing in the apparel industry. Prior to joining our Group, Mr. Wu has been the manager of the products department, the operations department and marketing department of Yingjia Fashion during the period from October2001 to January 2007. He obtained a bachelor degree in Fashion Design*（服裝）from Suzhou University*（蘇州大學）in Suzhou, Jiangsu Province in June 1999.

SENIOR MANAGEMENT *(Continued)*

Ms. HU Lifen（胡麗芬）, aged 45, is the operations director of our Group, primarily responsible for the operations and management of the supply chain of our Group. Ms. Hu joined our Group in March 2007 and has been the manager of our product planning department till March 2013. Ms. Hu has over 14 years of experience in marketing and production planning of fashion companies. Prior to joining our Group, Ms. Hu was the manager of products department of Yingjia Fashion from December 2005 to March 2007. She was a marketing manager for Shenzhen Yinzuo Fashion Limited*（深圳市銀座時裝有限公司）from July 2001 to December 2005. She passed the specialty test in accounting in Zhongnan University of Economics*（中南財經大學）, which is Zhongnan University of Economics and Law（中南財經政法大學）now in Wuhan, Hubei Province in December 1999.

JOINT COMPANY SECRETARIES

Ms. WU Huiming（吳惠明）, aged 35, is one of the joint company secretaries of our Company, primarily responsible for company secretarial affairs and coordination of investor relations of our Group. Ms. Wu joined our Group as a strategic planner in November 2012. Ms. Wu has over 4 years of experience in strategic research and mergers and acquisition affairs. From October 2009 to November 2012, Ms. Wu was an analyst and a senior analyst of the strategic investment department of Shenzhen World Union Properties Consultancy Co., Limited (SZ: 002285 深圳世聯行地產顧問股份有限公司), a company listed on the Shenzhen Stock Exchange. She worked as the business manager in the purchasing department from August 2005 to October 2006 and product market engineer in the trade department form July 2003 to August 2005 for Shenzhen Eyang Technology Development Co., Limited（深圳市宇陽科技發展有限公司）, which is engaging in electronic manufacturing services and a subsidiary of Eyang Holdings (Group) Co. Limited (stock code: 117). She obtained her Bachelor of Economics in International Economics and Trade from University of Science and Technology Beijing（北京科技大學）in Beijing in July 2003 and a Master Degree in Business and Administration from Tsinghua University（清華大學）in Beijing in July 2009.

Mr. LEUNG Ka Wai（梁嘉偉）, aged 45, is one of the joint company secretaries of our Company, primarily responsible for company secretarial affairs of our Group. Mr. Leung is a member of the Hong Kong Institute of Certified Public Accountants. He was also admitted as a solicitor in Hong Kong in 2000 and is a partner in Michael Li & Co.

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

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

THE BOARD OF DIRECTORS

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

Board composition

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

Title	Name	Position	Gender	Age	Length of services
Executive Directors:	Mr. Jin Ming	Chairman of the Board, Chief Executive Office and Chairman of Nomination Committee	Male	45	9 years
	Ms. He Hongmei		Female	43	9 years
	Mr. Deng Shigang	Member of Remuneration Committee	Male	43	3 years
Non-Executive Director (Appointed on 1 March 2016)	Mr. Yang Weiqiang		Male	49	Nil
Independent Non-Executive Directors:	Mr. Wong Wai Kong	Chairman of Audit Committee Member of Remuneration Committee Member of Nomination Committee	Male	50	2 years
	Mr. Hung Man Sing	Chairman of Remuneration Committee Member of Audit Committee Member of Nomination Committee	Male	62	2 years
	Mr. Zhong Ming	Member of Audit Committee	Male	46	2 years

THE BOARD OF DIRECTORS *(Continued)*

Board composition *(Continued)*

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

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

Board meetings

The Board discusses the overall strategy as well as the operational and financial performance of the Company. Other Board meetings are held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. The table below sets out the attendance of all members of the Board at the meetings held during the year ended 31 December 2015:

	Regular Board Meetings	**AGM**
Executive Directors:		
Mr. JIN Ming *(Chairman and Chief Executive Officer)*	4/4	1/1
Ms. HE Hongmei	4/4	1/1
Mr. DENG Shigang	4/4	1/1
Independent Non-executive Directors:		
Mr. WONG Wai Kong	4/4	1/1
Mr. HUNG Man Sing	4/4	1/1
Mr. ZHONG Ming	4/4	1/1

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

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

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

THE BOARD OF DIRECTORS *(Continued)*

Board meetings *(Continued)*

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

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, the Company has confirmed with all Directors that they have complied with the required standard set out in the Model Code and its code of conduct regarding any Director's securities transactions during the year ended 31 December 2015.

Confirmation of independence

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

Appointment, re-election and removal

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

Directors' training

During the year ended 31 December 2015, Directors were provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. During the year, the Company has organized in-house corporate governance workshop for all the then Directors of the Company namely Mr. Jin Ming, Ms. He Hongmei, Mr. Deng Shigang, Mr. Wong Wai Kong, Mr. Hung Man Sing and Mr. Zhong Ming. The workshop covered topics including environment, social and governance reporting. In addition to formal workshop, all Directors namely Mr. Jin Ming, Ms. He Hongmei, Mr. Deng Shigang, Mr. Wong Wai Kong, Mr. Hung Man Sing and Mr. Zhong Ming developed themselves through (i) conducting focused discussion on issues relating to the business and operations of the Company at committee meetings; (ii) research, reading and study of relevant regulations and standards; and (iii) attending relevant courses, seminars and talks in order to strengthen the skills and knowledge relevant for their respective roles.

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

THE AUDIT COMMITTEE

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

For the year ended 31 December 2015, two audit committee meetings were held to review and discuss with the management of the Company and the external auditors the accounting principles and practices adopted by the Group, as well as internal controls and other financial reporting matters. The attendance records of individual committee members are set out below:

Mr. WONG Wai Kong *(Chairman)*	2/2
Mr. HUNG Man Sing	2/2
Mr. ZHONG Ming	2/2

THE REMUNERATION COMMITTEE

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

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

For the year ended 31 December 2015, two meetings of the Remuneration committee were held to, amongst others, review and approve the remuneration packages of the Directors and senior management of the Company. The attendance records of individual committee members are as follows:

Mr. HUNG Man Sing *(Chairman)*	2/2
Mr. WONG Wai Kong	2/2
Mr. DENG Shigang	2/2

THE NOMINATION COMMITTEE

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

For the year ended 31 December 2015, two meetings of the Remuneration committee were held to, amongst others, review and approve the remuneration packages of the Directors and senior management of the Company. The attendance records of individual committee members are as follows:

Mr. HUNG Man Sing *(Chairman)*	2/2
Mr. WONG Wai Kong	2/2
Mr. DENG Shigang	2/2

BOARD DIVERSITY

Pursuant to Code Provision A5.6 of the CG Code, the Company has adopted a board diversity policy which consists of the following main aspects:

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

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

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

The nomination committee is responsible to review the policy on board diversity and any measurable objectives for its implementation and to review the progress on achieving the objectives.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Remuneration bands	Number of persons
Up to HK$1,000,000	7
HK$1,000,001 to HK$2,000,000	3
HK$2,000,001 to HK$3,000,000	Nil

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

AUDITOR'S REMUNERATION

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

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

FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

Financial reporting

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

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

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

Internal control and risk management

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

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

During the year of 2015, the Board has conducted a review on the effectiveness of the Group's internal control and risk management systems which covers financial, operational, compliance procedural and risk management functions and have considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Group believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Group has therefore made continued efforts to uplift its quality of corporate governance. It has established a highly effective system of internal controls and adopted a series of measures to ensure its safety and effectiveness. As a result, the Group is able to safeguard its assets and protect the interests of its Shareholders. The Board is of the view that the systems of internal control and risk management are effective and there are no irregularities, improprieties.

JOINT COMPANY SECRETARIES

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

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

The Company confirms that Mr. Leung Ka Wai and Ms. Wu Huiming have attended no less than 15 hours of relevant professional training during 2015.

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

CONSTITUTIONAL DOCUMENTS

Save for the adoption of the Articles of Association of the Company on 6 June 2014 for the purpose of listing of the Company (details of which were set out in appendix III to the prospectus of the Company dated 17 June 2014), there was no change in the memorandum and articles of association of the Company during the year ended 31 December 2015.

Report of the Directors

The Directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

Koradior Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), are leading and fast growing high-ended ladies-wear companies in the People's Republic of China (the "PRC"). The principal activities and other particulars of the subsidiaries are set out in note 12 to the financial statements.

BUSINESS REVIEW

Details of business review and prospect of the Company are disclosed in the section headed "Management Discussion and Analysis" on pages 9 to 19 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

(a) Fashion risk

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

(b) Intense competition

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

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

PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

(c) Macroeconomic environment

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

(d) Supply chain

We engage independent third-party manufacturers to produce our fabrics and raw materials, all accessory products and certain apparel products. Any disruption in the supply of fabrics, raw materials and products from suppliers may cause problems in our supply chain. We do not have long-term contracts with any of our suppliers and we may need to compete with other companies for fabrics, raw materials and other products. Nevertheless, we have developed long-standing and good relationships with a number of our vendors so as to minimize the impact from any supply disruptions and ensure we can locate alternative suppliers of comparable quality at a reasonable price all the time. For the year ended 31 December 2015, 22.55% (2014: 26.77%) of our products were produced by our top five suppliers.

(e) Credit Risk

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

(f) Weather

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

(g) Information system

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

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

KEY RELATIONSHIPS

(a) Employees

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

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

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

(b) Suppliers

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

(c) Customers

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

ENVIRONMENTAL POLICY

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

REGULATORY COMPLIANCE

As disclosed in the prospectus of the Company dated 17 June 2014, the Company's business is subject to various laws and regulations such as: The Administrative Measures for Fair Transactions between Retailers and Suppliers《零售商供應商公平交易管理辦法》(which provides the code of business conduct, collection of charges, payment of purchases, return policies and punishments between retailers and suppliers during the transactions), The Measures for Administration on Sales Promotion Acts of Retailers《零售商促銷行為管理辦法》(which provides the standards and requirements of retailers' sales promotion and advertisement); and The Administrative Measures for Online Trading (which are applicable to all behaviours engaging in online product trading and relevant services). During 2015,there was no incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business.

USE OF PROCEEDS

With the successful listing of the Company's shares on the Main Board of the Stock Exchange, the net proceeds of HK$534.74 million (including the partial exercise of the over-allotment option on 21 July 2014) have been raised and were kept at the bank account of the Group to be used in accordance with the plan of use of proceeds as stated in the prospectus of the Company dated 17 June 2014. The Company has utilised HK$404.30 million as at 31 December 2015.

MAJOR CUSTOMERS AND SUPPLIERS

The customers consist of end customers and distributor customers that purchase products from the Group and sold to end customers. During the year ended 31 December 2015, aggregate sales to the Group's largest and five largest customers accounted for 2.29% (2014: 1.1%) and 3.42% (2014: 2.01%) respectively, of the Group's total revenue for the year.

The supplier consist of OEM contractors and raw material suppliers. Aggregate purchases from the Group's largest and five largest suppliers accounted for 6.24% (2014: 9.97%) and 22.55% (2014: 26.77%), respectively, of the Group's total purchases from suppliers for the year ended 31 December 2015. The largest OEM contractor, Shenzhen Yingjia Fashion Ltd ("Yingjia Fashion"), is a connected person owned as to 53% by Ms. Chen Lingmei who is the mother of Mr. Jin Ming, and all other OEM contractors are independent third parties. The VAT-inclusive processing fees incurred to Yingjia Fashion for the years ended 31 December 2014 and 2015 amounted to RMB39.32 million and RMB28.33 million, respectively, representing 17.36% and 10.99% of total purchase of outsourced products and sub-contracting fees during the same periods, respectively.

FIVE-YEAR FINANCIAL SUMMARY

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

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2015 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 53 to 102 of the annual report.

DIVIDENDS

The Board now recommend the payment of a final dividend of HK$0.15 per share to the members of the Company whose names appear on the register of members of the Company on 31 May 2016 in respect of the year ended 31 December 2015 (2014: HK$0.1). Subject to the approval by the shareholders at the forthcoming annual general meeting ("AGM") of the Company to be held on Tuesday, 24 May 2016, the final dividend will be paid on or about 15 June 2016.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2015 are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

As at 31 December 2015, the total issued share capital of the Company was 502,034,000 ordinary shares.

As stated in the announcement of the Company dated 18 May 2015, the Board approved the repurchase of up to 50,694,800 shares of the Company by way of on-market repurchase pursuant to the general mandate to repurchase shares approved at the annual general meeting. During the Period under Review, the Company carried out an on-market repurchase of a total of 4,914,000 on the Hong Kong Stock Exchange and the repurchase amount totalled HK$49,706,060 (excluding any fees or taxes). The Company cancelled of all such repurchased shares. Accordingly, the total issued share capital of the Company was reduced from 506,948,000 shares to 502,034,000 ordinary shares.

RESERVES

Details of movements in reserves of the Company and the Group are set out in note 23 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Group's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB372.19 million.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit schemes of the Group and the employer's costs charged to the consolidated statement of profit or loss and other comprehensive income for the year are set out in notes 6 and 21 to the financial statements.

SUBSIDIARIES

Details of the subsidiaries of the Company are set out in note 12 to the financial statements.

CAPITAL EXPENDITURE

During the year, the Group's total capital expenditure amounted to approximately RMB94.95 million (2014: RMB33.23 million) which was used for store decorating and purchase of office, furniture and equipment for each retail store capitalised under leasehold improvements and furniture, fixtures and equipment.

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

BORROWINGS

Particulars of borrowings of the Group as at the balance sheet date are set out in note 19 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

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

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

Independent Non-executive Directors
Mr. WONG Wai Kong (appointed on 6 June 2014)
Mr. HUNG Man Sing (appointed on 6 June 2014)
Mr. ZHONG Ming (appointed on 6 June 2014)

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

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the related paragraph headed "Connected transactions" below and the related party transactions in note 26 to the financial statements, there was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 31 December 2015, the following Directors or the chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Name of Director	Nature of interest	No. of Shares/ underlying shares held	Position	Approximate percentage of issued share capital
Mr. Jin Ming	Founder of a discretionary trust (note 1)	300,450,500	Long	59.85%
Ms. He Hongmei	Beneficial owner	500,000 (note 2)	Long	0.10%
Mr. Deng Shigang	Beneficial owner	500,000 (note 2)	Long	0.10%

Notes:

1. These shares are held by Koradior Investments Limited. The entire issued share capital of Koradior Investments Limited is wholly-owned by Kingstun Holdings Limited, the entire issued share capital of which is in turn wholly-owned by Standard Chartered Trust (Singapore) Limited (through its nominee SCTS Capital Pte Ltd) as trustee of the Fiona Trust. The Fiona Trust is a discretionary trust set up by Mr. Jin Ming as settlor. The beneficiaries of Fiona Trust are Mr. Jin Ming, his spouse and his children. Mr. Jin Ming as founder of Fiona Trust is taken to be interested in the 300,450,500 Shares held by Koradior Investments Limited by virtue of Part XV of the SFO.

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

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

So far as is known to the Directors and the chief executive of the Company, as at 31 December 2015, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares held	Position	Approximate percentage of issued share capital
Koradior Investments Limited (note 1)	Beneficial owner	300,450,500	Long	59.85%
Standard Chartered Trust (Singapore) Limited (note 2)	Trustee	300,450,500	Long	59.85%
Kingstun Holdings Limited (note 2)	Interest in a controlled corporation	300,450,500	Long	59.85%
Chui Jinny (note 3)	Interest in a controlled corporation	41,249,578	Long	8.25%
Sisu Holdings Limited (note 3)	Beneficial owner	41,249,578	Long	8.25%
Fosun International Limited (note 4)	Interest in a controlled corporation	25,800,000	Long	5.14%
Fosun International Holdings Ltd (note 4)	Interest in a controlled corporation	25,800,000	Long	5.14%
Guo Guangchang (note 4)	Interest in a controlled corporation	25,800,000	Long	5.14%

Notes:

1. The entire issued share capital of Koradior Investments Limited is wholly-owned by Kingstun Holdings Limited, the entire issued share capital of which is in turn wholly-owned by Standard Chartered Trust (Singapore) Limited (through its nominee SCTS Capital Pte Ltd) as trustee of the Fiona Trust. The Fiona Trust is a discretionary trust set up by Mr. Jin Ming as settlor. The beneficiaries of Fiona Trust are Mr. Jin Ming, his spouse and his children. Mr. Jin Ming as founder of Fiona Trust is taken to be interested in the 300,450,500 Shares held by Koradior Investments Limited by virtue of Part XV of the SFO.

2. Standard Chartered Trust (Singapore) Limited (through its nominee SCTS Capital Pte Ltd), as trustee of Fiona Trust, which was established by Mr. Jin Ming as settlor in favour of the beneficiaries of Fiona Trust, held 100% of the issued share capital of Kingstun Holdings Limited, which in turn held 100% of the issued share capital of Koradior Investments Limited.

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

4. As at 31 December 2015, Fosun International Limited was 71.3% owned by Fosun Holding Limited, which was wholly owned by Fosun International Holdings Limited, which was 64.45% owned by Mr. Guo Guangchang.

SHARE OPTION SCHEME

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

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

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

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

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

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

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

SHARE OPTION SCHEME *(Continued)*

As at 31 December 2015, there were 10,000,000 share options granted under the Scheme which were outstanding, and there were 5,000,000 shares available for issue under the Scheme Mandate Limit (representing 1% of the issued share capital of the Company as at 31 December 2015).

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

Name or category of grantee	At 1 January 2015	Granted during the year	Number of share options Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2015	Exercise period (note)	Exercise price per share	Closing price per share immediately before date of grant
Directors									
Mr. Deng Shigang	500,000	–	–	–	–	500,000	10 July 2014 to 9 July 2022	HK$4.42	HK$4.46
Ms. He Hongmei	500,000	–	–	–	–	500,000	10 July 2014 to 9 July 2022	HK$4.42	HK$4.46
Sub-total	1,000,000	–	–	–	–	1,000,000			
Employees (other than Directors) in aggregate	9,000,000	–	–	–	–	9,000,000	10 July 2014 to 9 July 2022	HK$4.42	HK$4.46
Total	10,000,000	–	–	–	–	10,000,000			

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

DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESS

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

DEED OF NON-COMPETITION

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

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

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

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

(3) each of the Controlling Shareholders has provided to the Company such written confirmation in respect of the compliance with the Deed of Non-Competition by his/it and his/its associates for the year ended 31 December 2015; and

(4) the independent non-executive directors of the Company have reviewed the status of compliance by the Controlling Shareholders with the undertakings in the Deed of Non-Competition during the year ended 31 December 2015 and confirmed that, so far as they can ascertain, each of the Controlling Shareholders has complied with the Deed of Non-Competition.

The Company is not aware of any other matters regarding the compliance of the Deed of Non-Competition that are required to be brought to the attention of the shareholders of the Company, and there has not been any change in terms of the Deed of Non-Competition for the year ended 31 December 2015.

CONNECTED TRANSACTIONS

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

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

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

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

(i) Lease of office from Mr. Jin

On 1 March 2014, Shenzhen Koradior Fashion Co. Ltd ("Shenzhen Koradior"), a wholly-owned subsidiary of the Company, entered into a lease agreement with Mr. Jin, pursuant to which Shenzhen Koradior leased an office located at 7G, Zone B, Shum Yip Terra's Hongsong Building,Terra 6th Road North, Futian, Shenzhen, the PRC, with a total floor area of approximately 533 sq.m., from Mr. Jin at RMB64,002 per month. The annual rental will not be more than HK$999,999 if converted into Hong Kong dollars. The term of the lease agreement commenced on 1 March 2014 and ended on 31 December 2015. Shenzhen Koradior has renewed the lease agreement on same terms for another two years up to 31 December 2017.

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

EXEMPTED CONTINUING CONNECTED TRANSACTIONS *(Continued)*

(A) *(Continued)*

(ii) Lease of office from Mr. Wang

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

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

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

(B) Processing Agreement with Yingjia Fashion

(i) Background

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

(ii) Services

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTION *(Continued)*

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

(iii) Pricing Policy

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

(iv) Internal control procedures

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

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

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

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

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

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

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTION *(Continued)*

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

(vi) Transaction amounts

For the year ended 31 December 2015, the VAT-inclusive processing fees incurred to Yingjia Fashion amounted to approximately RMB28.33 million and accounted for approximately 10.99% of our total purchase of outsourced products and subcontracting fees during the same periods, which is within the maximum annual amount of RMB36.00 million.

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

(vii) Annual caps

The maximum amount of VAT-inclusive processing fees under the Processing Agreement shall not exceed the caps RMB25.00 million respectively for each of the year ending 31 December 2016.

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

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTION

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

The highest applicable percentage ratio (other than the profits ratio) of the transactions contemplated under the Processing Agreement is, on an annual basis, 25% or more and the total annual consideration is HK$10,000,000 or more. As such, the transactions contemplated under the Processing Agreement are subject to the requirements set out in Rules 14A.71, the independent shareholders' approval requirement set out in Rule 14A.36, the annual review requirements set out in Rule 14A.55 to 14A.59 and the requirements set out in Rule 14A.50 to 14A.53 of the Listing Rules.

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

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

If any terms of the Processing Agreement are altered or if our Company enters into any new agreements with any connected persons (within the meaning of the Listing Rules) in the future, our Company must fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

Corporate Governance Measures

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

We have also adopted the following corporate governance measures:

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

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

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

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

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

Corporate Governance Measures *(Continued)*

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

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

(ii) on normal commercial terms or better; and

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

KPMG, the auditor of the Company, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 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 Company has received an unqualified letter from KPMG containing their findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

The Company repurchased a total of 4,914,000 shares on the Stock Exchange during the year ended 31 December 2015. Details of the repurchases are as follows:

Date of repurchases	Total number of shares repurchased	Repurchase price Per share Highest	Lowest	Total paid
		HK$	HK$	HK$
19 November 2015	300,000	9.90	9.75	2,942,500
20 November 2015	400,000	9.95	9.80	3,942,260
23 November 2015	450,000	9.95	9.85	4,450,500
24 November 2015	350,000	10.00	9.90	3,480,000
25 November 2015	199,000	10.10	10.00	2,000,000
26 November 2015	585,000	10.14	10.00	5,887,280
27 November 2015	750,000	10.22	10.08	7,606,000
30 November 2015	700,000	10.28	10.16	7,146,800
1 December 2015	587,000	10.40	10.26	6,065,620
2 December 2015	593,000	10.48	10.38	6,185,100
	4,914,000			49,706,060

The purchased shares above were all cancelled on or before 9 December 2015.

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

The purchase of the Company's shares during the year was effected by the directors, pursuant to the repurchase mandate granted by the shareholders of the Company at the annual general meeting held on 18 May 2015, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

MANAGEMENT CONTRACTS

No contract, other than directors' service contracts and employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during 2015.

PERMITTED INDEMNITY PROVISION

Subject to the applicable laws, every director and other officers of the Company shall be entitled to be indemnified by the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur in the execution and discharge of his or her duties or in relation thereto pursuant to the Company's Articles of Association. Such provisions were in force during the course of the financial year ended 31 December 2015 and remained in force as of the date of this report.

PRE-EMPTIVE RIGHTS

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

SIGNIFICANT EVENTS

There have been no significant events affecting the Group which have occurred since 31 December 2015.

TAX RELIEF

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

CORPORATE GOVERNANCE REPORT

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

SUFFICIENCY OF PUBLIC FLOAT

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

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the AGM, the register of members will be closed from Friday, 20 May 2016 to Monday, 24 May 2016, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday19 May 2016.

To determine the eligibility of the shareholders of the Company to receive the proposed final dividend, the register of members will be closed from Monday, 30 May 2016 to Tuesday, 31 May 2016, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to receive the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 27 May 2016.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2015. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Group with external auditor.

AUDITORS

The consolidated financial statements for the year ended 31 December 2015 have been audited by KPMG, who shall retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Jin Ming
Chairman and Chief Executive Officer

29 March 2016

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

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Koradior Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 53 to 102, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's 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.

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

29 March 2016

Consolidated Statement of Profit or Loss

for the year ended 31 December 2015 (Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Revenue	4	**1,284,772**	1,036,608
Cost of sales		**(338,436)**	(276,794)
Gross profit		**946,336**	759,814
Other revenue	5	**20,987**	4,899
Other net (loss)/income	5	**(6,665)**	2,634
Selling and distribution expenses		**(628,632)**	(519,106)
Administrative and other operating expenses		**(63,808)**	(66,817)
Profit from operations		**268,218**	181,424
Finance costs	6(a)	**(1,165)**	(4,621)
Profit before taxation	6	**267,053**	176,803
Income tax	7	**(63,008)**	(48,353)
Profit for the year		**204,045**	128,450
Earnings per share (RMB cents)	10		
Basic		**40**	29
Diluted		**40**	29

The notes on pages 58 to 102 form part of these financial statements. Details of dividends payable to shareholders of the Company attributable to the profit for the year are set out in note 23(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2015 (Expressed in Renminbi)

	2015 RMB'000	2014 RMB'000
Profit for the year	**204,045**	128,450
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")	**3,681**	(1,149)
Total comprehensive income for the year	**207,726**	127,301

The notes on pages 58 to 102 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2015 (Expressed in Renminbi)

	Note	31 December 2015 RMB'000	31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment	11	**93,635**	38,582
Deposits and prepayments	13	**16,969**	10,913
Other financial assets	14	**20,000**	–
Deferred tax assets	15(b)	**3,063**	882
		133,667	50,377
Current assets			
Inventories	16	**261,083**	200,266
Trade and other receivables	13	**216,773**	211,851
Pledged bank deposits	17	**41,890**	–
Cash and cash equivalents	18(a)	**436,798**	427,868
		956,544	839,985
Current liabilities			
Bank loans	19	**79,817**	50,000
Trade and other payables	20	**155,613**	134,689
Current taxation	15(a)	**42,352**	23,359
		277,782	208,048
Net current assets		**678,762**	631,937
Total assets less current liabilities		**812,429**	682,314
Net assets		**812,429**	682,314
Capital and reserves			
Share capital	23	**3,997**	4,038
Reserves	23	**808,432**	678,276
Total equity		**812,429**	682,314

Approved and authorised for issue by the board of directors on 29 March 2016.

Jin Ming
Chairman and Chief Executive Officer

Deng Shigang
Executive Director

The notes on pages 58 to 102 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015 (Expressed in Renminbi)

	Note	Share capital RMB'000 Note 23(c)(ii)	Share premium RMB'000 Note 23(d)(i)	Capital reserve RMB'000 Note23(d)(ii)	Statutory reserve RMB'000 Note 23(d)(iii)	Exchange reserve RMB'000 Note 23(d)(iv)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2014		618	37,700	(25,155)	7,500	(36)	137,376	158,003
Changes in equity for 2014								
Profit for the year		–	–	–	–	–	128,450	128,450
Other comprehensive income		–	–	–	–	(1,149)	–	(1,149)
Total comprehensive income		–	–	–	–	(1,149)	128,450	127,301
Dividend declared in the respect of the current year	23(b)	–	–	–	–	–	(24,197)	(24,197)
Issue of shares upon initial public offering, net of issuing costs		1,048	418,210	–	–	–	–	419,258
Capitalisation issue		2,372	(2,372)	–	–	–	–	–
Equity settled share-based transactions	23(d)(ii)	–	–	1,949	–	–	–	1,949
Appropriation to statutory reserves	23(d)(iii)	–	–	–	128	–	(128)	–
Balance at 31 December 2014 and 1 January 2015		4,038	453,538	(23,206)	7,628	(1,185)	241,501	682,314

	Note	Share capital RMB'000 Note 23(c)(ii)	Share premium RMB'000 Note 23(d)(i)	Capital redemption reserve RMB'000 Note 23(c)(iii)	Capital reserve RMB'000 Note23(d)(ii)	Statutory reserve RMB'000 Note 23(d)(iii)	Exchange reserve RMB'000 Note 23(d)(iv)	Retained earnings RMB'000	Total RMB'000
Balance at 31 December 2014 and 1 January 2015		4,038	453,538	–	(23,206)	7,628	(1,185)	241,501	682,314
Changes in equity for 2015									
Profit for the year		–	–	–	–	–	–	204,045	204,045
Other comprehensive income		–	–	–	–	–	3,681	–	3,681
Total comprehensive income		–	–	–	–	–	3,681	204,045	207,726
Dividend declared in the respect of the previous year	23(b)	–	–	–	–	–	–	(40,024)	(40,024)
Repurchase and cancellation of shares	23(c)(iii)	(41)	(41,053)	41	–	–	–	–	(41,053)
Equity settled share-based transactions	23(d)(ii)	–	–	–	3,466	–	–	–	3,466
Appropriation to statutory reserves	23(d)(iii)	–	–	–	–	3,242	–	(3,242)	–
Balance at 31 December 2015		3,997	412,485	41	(19,740)	10,870	2,496	402,280	812,429

The notes on pages 58 to 102 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2015 (Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Operating activities			
Cash generated from operations	18(b)	**226,718**	121,546
Income tax paid	15(a)	**(46,196)**	(46,979)
Net cash generated from operating activities		**180,522**	74,567
Investing activities			
Payment for the purchase of property, plant and equipment		**(97,588)**	(31,913)
Payment for purchase of wealth management products		**(50,000)**	(30,000)
Proceeds from sale of wealth management products		**84,888**	–
Payment for purchase of available-for-sale investments		**(20,000)**	–
Net cash flow from investment in short-term investments		**4,263**	270
Interest received		**4,011**	562
Net cash used in investing activities		**(74,426)**	(61,081)
Financing activities			
Proceeds from bank loans		**93,780**	75,000
Repayment of bank loans		**(63,963)**	(80,000)
Increase of pledged bank deposits		**(41,890)**	–
Payment for repurchase of shares		**(41,053)**	–
Net proceeds from issue of shares upon initial public offering, net of issuing costs		**–**	419,258
Repayments to related parties		**–**	(34,908)
Repayment of a loan to a third party		**–**	(15,000)
Interest paid		**(1,165)**	(4,621)
Dividend paid to equity shareholders of the Company		**(40,024)**	(24,197)
Net cash (used in)/generated from financing activities		**(94,315)**	335,532
Net increase in cash and cash equivalents		**11,781**	349,018
Cash and cash equivalents at 1 January		**427,868**	77,105
Effect of foreign exchange rate changes		**(2,851)**	1,745
Cash and cash equivalents at 31 December	18(a)	**436,798**	427,868

The notes on pages 58 to 102 form part of these financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

Koradior Holdings Limited (the "Company") was incorporated in the Cayman Islands on 23 March 2012 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries hereinafter are collectively referred to as the "Group".

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries.

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial assets classified as available-for-sale (see note 2(e)) are stated at their fair value.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries

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

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Available-for-sale investments

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

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

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

(f) Property, plant and equipment

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Operating lease charges

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

(h) Impairment of assets

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

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

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(ii) *Impairment of other assets*

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

– property, plant and equipment; and

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

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Inventories

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

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

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

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

(j) Trade and other receivables

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

(k) Interest-bearing borrowings

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

(l) Trade and other payables

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

(m) Cash and cash equivalents

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Employee benefits

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

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

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

(ii) Share-based payments

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

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

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

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

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

  - the same taxable entity; or

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

(p) Provisions and contingent liabilities

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Revenue recognition

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

(i) Sale of goods

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

(ii) Interest income

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

(iii) Government grants

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

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

(r) Translation of foreign currencies

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

(s) Borrowing costs

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

(t) Research and development expenditure

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

(u) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Related parties *(Continued)*

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

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

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

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

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

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

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(v) Segment reporting

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

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

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

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 2. Note 15 and 22 contain information about the assumptions and their risk factors relating to recognition of deferred tax liabilities in respect of undistributed profits of the Group's subsidiaries in the PRC and fair value of share options granted. Apart from these, the Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Net realisable value of inventories

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

(b) Impairment of trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of the reporting period.

(c) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets at the end of the reporting period in order to determine the amount of depreciation expenses to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

4 REVENUE

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

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

The Group's customer base is diversified and no single external customer contributed 10% or more of the Group's total revenue during the years ended 31 December 2015 and 2014.

5 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2015 **RMB'000**	2014 RMB'000
Interest income	**13,162**	832
Government grants (note)	**7,793**	3,816
Others	**32**	251
	20,987	4,899

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

Other net (loss)/income

	2015 **RMB'000**	2014 RMB'000
Net foreign exchange (loss)/gain	**(6,531)**	2,894
Others	**(134)**	(260)
	(6,665)	2,634

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2015 RMB'000	2014 RMB'000
(a)	**Finance costs:**		
	Interest on bank loans	**1,165**	4,621
(b)	**Staff costs:**		
	Contributions to defined contribution retirement plans (note 21)	**8,035**	5,625
	Equity settled share-based payment expenses (note 22)	**3,466**	1,949
	Salaries, wages and other benefits	**169,684**	138,343
		181,185	145,917
(c)	**Other items:**		
	Depreciation (note 11)	**39,894**	27,196
	Auditor's remuneration		
	– audit services	**2,300**	2,300
	– tax services	**–**	200
	Operating lease charges		
	– minimum lease payments	**47,233**	34,646
	– contingent rentals	**305,685**	274,971
	Cost of inventories (note 16)	**329,713**	275,407
	Research and development costs (note)	**19,560**	16,385

Note: Research and development costs include staff costs of employees in the design and product development department of RMB12,464,000 for the year ended 31 December 2015 (2014: RMB9,682,000), which are included in the staff costs as disclosed in note 6(b).

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2015 RMB'000	2014 RMB'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**950**	89
Over provision in respect of prior years	**(89)**	–
	861	89
Current tax – PRC Corporate Income Tax		
Provision for the year	**64,328**	48,610
	65,189	48,699
Deferred tax		
Origination and reversal of temporary differences (note 15(b))	**(2,181)**	(346)
	63,008	48,353

Notes:

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

(ii) The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong Special Administrative Region Government of 75% of the tax payable for the year of assessment 2014-15 subject to a maximum reduction of HK$20,000 for each business (2014: a maximum reduction of HK$10,000 was granted for the year of assessment 2013-14 and was taken into account in calculating the provision for 2014).

(iii) Pursuant to PRC Corporate Income Tax Law ("CIT Law"), the applicable Corporate Income Tax rate for the Group's subsidiaries in mainland China for the year ended 31 December 2015 were 25% (2014: 25%) except for Dongfang Susu Creativity and Design (Shenzhen) Co., Ltd.("Dongfang Susu"), which is entitled to a reduced Corporate Income Tax rate of 15% (2014: 15%) under the preferential tax policy of Shenzhen-Hong Kong Modern Service Industry Cooperation Zone.

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

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

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

	2015	2014
	RMB'000	RMB'000
Profit before taxation	**267,053**	176,803
Notional tax on profit before taxation, calculated at the standard tax rates applicable to the respective tax jurisdictions	**61,564**	46,660
Tax effect of non-taxable income	**(437)**	(2)
Tax effect of non-deductible expenses	**1,986**	1,695
Statutory tax concession	**(16)**	–
Over provision in respect of prior years	**(89)**	–
Actual tax expense	**63,008**	48,353

8 DIRECTORS' EMOLUMENTS

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

Year ended 31 December 2015

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

8 DIRECTORS' EMOLUMENTS *(Continued)*

Year ended 31 December 2014

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Equity settled share-based payments (note 2) RMB'000	Total RMB'000
Chairman						
Mr. Jin Ming	–	840	25	–	–	865
Executive directors						
Ms. He Hongmei	–	731	25	–	206	962
Mr. Deng Shigang	–	580	23	–	206	809
Independent non-executive directors						
Mr. Wong Wai Kong (note 1)	79	–	–	–	–	79
Mr. Hung Man Sing (note 1)	79	–	–	–	–	79
Mr. Zhong Ming (note 1)	79	–	–	–	–	79
Total	237	2,151	73	–	412	2,873

Note 1: Mr. Wang Wai Kong, Mr. Hung Man Sing and Mr. Zhong Ming were appointed as independent non-executive directors of the Company on 6 June 2014.

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

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 22.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2014: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining two (2014: two) individuals are as follows:

	2015	2014
	RMB'000	RMB'000
Salaries and other emoluments	**689**	641
Retirement scheme contributions	**39**	48
Equity settled share-based payments	**–**	182
	728	871

The emoluments of the two (2014: two) individual with the highest emoluments are within the following bands:

	2015	2014
	Number of individuals	Number of individuals
HK$ Nil to HK$1,000,000	**2**	2

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year of RMB204,045,000 (2014: RMB128,450,000) and the weighted average of 506,620,526 ordinary shares (2014: 442,353,118 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2015	2014
Issued ordinary shares at 1 January	**506,948,000**	97,701
Effect of share split	–	76,109,079
Effect of capitalisation issue	–	298,793,220
Effect of issuance of shares upon initial public offering, net of issuing costs	–	67,353,118
Effect of share repurchases (note 23(c)(iii))	**(327,474)**	–
Weighted average number of ordinary shares at 31 December	**506,620,526**	442,353,118

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the year of RMB204,045,000 (2014: RMB 128,450,000) and the weighted average number of ordinary shares of 512,028,022 shares (2014: 445,161,934 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2015	2014
Weighted average number of ordinary shares at 31 December	**506,620,526**	442,353,118
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 22)	**5,407,496**	2,808,816
Weighted average number of ordinary shares (diluted) at 31 December	**512,028,022**	445,161,934

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings situated on leasehold land	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 1 January 2014	22,728	43,509	4,060	4,076	74,373
Additions	–	30,026	368	2,836	33,230
Disposals	–	(2,382)	–	–	(2,382)
At 31 December 2014 and 1 January 2015	22,728	71,153	4,428	6,912	105,221
Additions	42,113	50,653	278	1,903	94,947
Disposals	–	(3,802)	–	–	(3,802)
At 31 December 2015	64,841	118,004	4,706	8,815	196,366
Accumulated depreciation:					
At 1 January 2014	3,847	33,352	2,577	2,049	41,825
Charge for the year	1,080	24,074	750	1,292	27,196
Written back on disposals	–	(2,382)	–	–	(2,382)
At 31 December 2014 and 1 January 2015	4,927	55,044	3,327	3,341	66,639
Charge for the year	3,137	35,024	491	1,242	39,894
Written back on disposals	–	(3,802)	–	–	(3,802)
At 31 December 2015	8,064	86,266	3,818	4,583	102,731
Net book value:					
At 31 December 2015	56,777	31,738	888	4,232	93,635
At 31 December 2014	17,801	16,109	1,101	3,571	38,582

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

12 INVESTMENT IN SUBSIDIARIES

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

Name of company	Place of Incorporation/ establishment and business	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Fiona Kim Investments Limited ("Fiona Kim")	BVI	50,000 shares of US$1 each	100%	100%	–	Investment holding
La Kora International Limited ("La Kora International")	Hong Kong	HK$10,000	100%	–	100%	Trademark holding and brand promotion
La Kordi Fashion (Shenzhen) Co., Ltd.* ("La Kordi Fashion") (拉珂帝服飾(深圳)有限公司)	PRC	HK$400,000,000	100%	–	100%	Trading of womenswear
Shenzhen Koradior Fashion Co., Ltd.* ("Shenzhen Koradior") (深圳市珂萊蒂爾服飾有限公司)	PRC	RMB15,000,000	100%	–	100%	Trading of womenswear
Dongfang Susu* (東方素素創意設計(深圳)有限公司)	PRC	HK$5,000,000	100%	–	100%	Fashion creativity and design

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

13 TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables and bills receivable (note (a))	**175,731**	155,430
Deposits and prepayments	**55,737**	36,369
Investment in a wealth management product	**–**	30,000
Other receivables	**2,274**	965
	233,742	222,764
Less: Non-current deposits and prepayments	**(16,969)**	(10,913)
	216,773	211,851

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

Non-current deposits and prepayments were included in other non-current assets and represented rental deposits paid to department stores and shopping malls for leases that expire twelve months after the year end date and prepayments for purchases of properties.

(a) Ageing analysis

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

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

	2015 RMB'000	2014 RMB'000
Within 1 month	**112,407**	103,559
1 to 2 months	**45,196**	36,725
2 to 3 months	**12,008**	7,646
Over 3 months	**6,120**	7,500
	175,731	155,430

13 TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

	2015 **RMB'000**	2014 RMB'000
Neither past due nor impaired	**157,603**	140,284
Less than 1 month past due	**12,008**	7,646
1 to 3 months past due	**5,293**	5,848
Over 3 months past due	**827**	1,652
	18,128	15,146
	175,731	155,430

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

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

14 OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets represent available-for-sale investments in an unlisted equity investment.

15 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2015 **RMB'000**	2014 RMB'000
Balance at the beginning of the year	**23,359**	21,639
Provision for income tax for the year (note 7(a))	**65,189**	48,699
Paid during the year	**(46,196)**	(46,979)
Balance at the end of the year	**42,352**	23,359

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

(b) Deferred tax assets recognised:

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

	Inventory provision RMB'000
At 1 January 2014	536
Credited to consolidated statement of profit or loss (note7(a))	346
At 31 December 2014 and 1 January 2015	882
Credited to consolidated statement of profit or loss (note 7(a))	2,181
At 31 December 2015	3,063

(c) Deferred tax liabilities not recognised

As at 31 December 2015, deferred tax liabilities in respect of the PRC dividend withholding tax relating to the undistributed profits of the Company's PRC subsidiaries were not recognised as the Company controls the dividend policy of these subsidiaries. Based on the assessment made by management as at the end of each reporting period, it was determined that the undistributed profits of RMB449,995,000 (2014: RMB282,035,000) of the Company's PRC subsidiaries would not be distributed in the foreseeable future.

16 INVENTORIES

	2015 **RMB'000**	2014 RMB'000
Raw materials	**24,274**	30,656
Work in progress	**2,188**	2,004
Finished goods	**234,621**	167,606
	261,083	200,266

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

	2015 **RMB'000**	2014 RMB'000
Cost of inventories sold	**329,713**	275,407
Write down of inventories	**8,723**	1,387
	338,436	276,794

17 PLEDGED BANK DEPOSITS

Pledged bank deposits have been pledged as security for certain bank loans (note 19). The pledged bank deposits will be released in 2016.

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2015 RMB'000	2014 RMB'000
Deposits with banks within three months to maturity when placed	**40,490**	–
Cash at bank and in hand	**396,308**	427,868
	436,798	427,868

As at 31 December 2015, cash and cash equivalents placed with banks in the PRC amounted to RMB383,273,000 (2014: RMB334,601,000). Remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

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

	Note	2015 RMB'000	2014 RMB'000
Profit before taxation		**267,053**	176,803
Adjustments for:			
Depreciation	6(c)	**39,894**	27,196
Interest expense	6(a)	**1,165**	4,621
Interest income	5	**(13,162)**	(832)
Foreign exchange loss/(gain)	5	**6,531**	(2,894)
Equity settled share-based transactions	22	**3,466**	1,949
Changes in working capital:			
Increase in inventories		**(60,817)**	(70,157)
Increase in trade and other receivables		**(30,413)**	(64,747)
Increase in trade and other payables		**9,952**	38,321
Increase in receipts in advance		**3,049**	11,337
Decrease in amounts due to related parties		**–**	(51)
Cash generated from operations		**226,718**	121,546

19 BANK LOANS

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

	2015 RMB'000	2014 RMB'000
Bank loans due for repayment within 1 year	**10,000**	50,000
Current portion of term loans due for repayment within 1 year	**27,927**	–
Non-current portion of term loans due for repayment after 1 year which contain a repayment on demand clause:		
After 1 year but within 2 years	**27,927**	–
After 2 years but within 5 years	**13,963**	–
	69,817	–
	79,817	50,000

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

	2015 RMB'000	2014 RMB'000
Secured	**69,817**	–
Unsecured	**10,000**	50,000
	79,817	50,000

As at 31 December 2015, the banking facilities of the Group were secured by pledged bank deposits (note 17) amounted HK$50,000,000 (equivalent to RMB41,890,000). As at 31 December 2014 and 2015, all of the bank facilities are guaranteed by the Company.

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

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 24(b). As at 31 December 2015, none of the covenants relating to drawn down facilities had been breached (2014: nil).

20 TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables		
– third parties	**47,473**	41,391
– a related party (note 26(a))	**13,231**	25,205
Trade payables (note (a))	**60,704**	66,596
Receipts in advance	**17,287**	14,238
Staff costs payables	**19,575**	16,044
VAT and other tax payables	**45,253**	26,596
Other payables	**12,794**	11,215
	155,613	134,689

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

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

	2015 RMB'000	2014 RMB'000
Within 1 month	**44,255**	40,551
1 to 2 months	**4,949**	6,719
2 to 3 months	**4,679**	4,591
Over 3 months	**6,821**	14,735
	60,704	66,596

21 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions at the rate of 10% to 20% (2014: 10% to 20%) of the eligible employees' salaries to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

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

22 EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

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

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

	2015		2014	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**HK$4.42**	**10,000,000**	–	–
Granted during the year	**–**	**–**	HK$4.42	10,000,000
Outstanding at the end of the year	**HK$4.42**	**10,000,000**	HK$4.42	10,000,000

As at 31 December 2015, 5,000,000 share options became exercisable (2014: nil).

The options outstanding as at 31 December 2015 had an exercise price of HK$4.42 (2014: HK$4.42) and a weighted average remaining contractual life of 6.5 years (2014: 7.5 years).

23 CAPITAL, RESERVES AND DIVIDEND

(a) Movements in components of equity

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

The Company

	Note	Share capital RMB'000 Note 23(c)(ii)	Share premium RMB'000 Note 23(d)(i)	Capital redemption reserve RMB'000 Note 23(c)(iii)	Capital reserve RMB'000 Note 23(d)(ii)	Exchange reserve RMB'000 Note 23(d)(iv)	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2014		618	37,700	–	–	(156)	(14)	38,148
Changes in equity for 2014:								
Loss for the year		–	–	–	–	–	(1,117)	(1,117)
Other comprehensive income for the year		–	–	–	–	(2,353)	–	(2,353)
Total comprehensive income for the year		–	–	–	–	(2,353)	(1,117)	(3,470)
Dividend declared in respect of the current year	23(b)	–	–	–	–	–	(24,197)	(24,197)
Issue of shares upon initial public offering, net of issuing costs		1,048	418,210	–	–	–	–	419,258
Capitalisation issue		2,372	(2,372)	–	–	–	–	–
Equity settled share-based transactions	23(d)(ii)	–	–	–	1,949	–	–	1,949
As at 31 December 2014 and 1 January 2015		4,038	453,538	–	1,949	(2,509)	(25,328)	431,688
Changes in equity for 2015:								
Loss for the year		–	–	–	–	–	(1,517)	(1,517)
Other comprehensive income for the year		–	–	–	–	23,630	–	23,630
Total comprehensive income for the year		–	–	–	–	23,630	(1,517)	22,113
Dividend declared in respect of the previous year	23(b)	–	–	–	–	–	(40,024)	(40,024)
Equity settled share-based transactions	23(d)(ii)	–	–	–	3,466	–	–	3,466
Repurchase and cancellation of shares	23(c)(iii)	(41)	(41,053)	41	–	–	–	(41,053)
As at 31 December 2015		3,997	412,485	41	5,415	21,121	(66,869)	376,190

(b) Dividends

Subsequent to 31 December 2015, the directors proposed a final dividend of HK\$0.15 per ordinary share, amounting to HK\$75,611,000 (equivalent to RMB63,347,000), subject to approval of the shareholders at the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability as at 31 December 2015.

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

On 27 August 2014, the Company declared a special interim dividend of HK\$0.06 per share to those shareholders of the Company whose names appear on the register of members of the Company on 12 September 2014. The dividend amounting to HK\$30,417,000 (equivalent to RMB24,197,000) was fully paid on 31 October 2014.

23 CAPITAL, RESERVES AND DIVIDEND *(Continued)*

(c) Share capital

(i) Authorised share capital

Ordinary shares of HK$0.01 each	No. of shares ('000)	HK$'000	RMB'000
As at 31 December 2014 and 2015	1,500,000	1,500	11,948

(ii) Issued share capital

	2015		2014	
	No. of shares ('000)	**RMB'000**	No of shares ('000)	RMB'000
Ordinary shares, issued and fully paid				
At 1 January	**506,948**	**4,038**	98	618
Share split	**–**	**–**	76,109	–
Issue of shares upon initial public offering, net of issuing costs	**–**	**–**	131,948	1,048
Capitalisation issue	**–**	**–**	298,793	2,372
Repurchase and cancellation of shares (23(c)(iii))	**(4,914)**	**(41)**	–	–
At 31 December	**502,034**	**3,997**	506,948	4,038

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

23 CAPITAL, RESERVES AND DIVIDEND *(Continued)*

(c) Share capital *(Continued)*

(iii) Repurchase and cancellation of shares

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

Month/year	Number of shares repurchase	Highest price paid per share	Lowest price paid per share	Aggregate price paid	
					Equivalent in
		HK$	HK$	HK$'000	RMB'000
November 2015	3,734,000	10.28	9.75	37,455	30,914
December 2015	1,180,000	10.48	10.26	12,251	10,139
	4,914,000			49,706	41,053

At 31 December 2015, all of the 4,914,000 repurchased ordinary shares have been cancelled and the related issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(3) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of HK$49,000 (equivalent to approximately RMB41,000) was transferred from share premium to the capital redemption reserve. The premium paid on the repurchase of shares of HK$49,657,000 (equivalent to approximately RMB41,012,000) was charged to the share premium.

23 CAPITAL, RESERVES AND DIVIDEND *(Continued)*

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital reserve

The capital reserves comprise the following:

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

– the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised during the year ended 31 December 2015 in accordance with the accounting policy adopted for share-based payments in note 2(n)(ii) of RMB3,466,000 (2014: RMB1,949,000).

(iii) Statutory reserve

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

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

(iv) Exchange reserve

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

(e) Distributability of reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to shareholders of the Company was 372,193,000 (2014: RMB427,650,000). After the end of the reporting period the directors proposed a final dividend of HK$0.15 per ordinary share (2014: HK$0.1 per share), amounting to HK$75,611,000 (2014: HK$50,695,000) (see note 23 (b)). This dividend has not been recognised as a liability at the end of the reporting period.

23 CAPITAL, RESERVES AND DIVIDEND *(Continued)*

(f) Capital management

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

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

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, as at 31 December 2015 and 2014 were 25% and 23%, respectively.

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

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

(i) Deposit with banks

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

(ii) Trade and other receivables

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

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

(a) Credit risk *(Continued)*

(ii) Trade and other receivables (Continued)

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 13.

(iii) Non-current rental deposits

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

(b) Liquidity risk

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

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

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

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

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

(b) Liquidity risk *(Continued)*

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

	At 31 December 2014 Contractual undiscounted cash outflow		
	Within 1 year RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	51,642	51,642	50,000
Trade and other payables (excluded receipts in advance)	120,451	120,451	120,451
	172,093	172,093	170,451

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

(c) Interest rate risk

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

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

	At 31 December			
	2015		2014	
	Effective interest rate	**Amount**	Effective interest rate	Amount
		RMB'000		RMB'000
Variable rate borrowings:				
Bank loans	**1.72%~5.06%**	**79,817**	6.16%	50,000

(ii) *Sensitivity analysis*

As at 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decrease/increase the Group's profit after tax for the year and retained earnings by approximately RMB658,000 (2014: RMB375,000). Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the impact on the Group's profit for the year and retained earnings that would arise assuming that there is an annualised impact on interest expense by a change in interest rates. The analysis has been performed on the same basis for 2014.

(d) Currency risk

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

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

(d) Currency risk *(Continued)*

(i) Exposure to currency risk

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

	Exposure to foreign currencies (expressed in RMB)			
	2015		2014	
	RMB	**HK$**	RMB	HK$
	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade and other receivables	**46,381**	**–**	7,877	–
Cash and cash equivalents	**42,596**	**20,177**	84,971	24,521
Pledged bank deposits	**41,890**	**–**	–	–
Trade and other payables	**(14,699)**	**–**	–	(9,861)
Total exposure	**116,168**	**20,177**	92,848	14,660

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of one percent in foreign exchange rates of RMB against HK$, with all other variables held constant, would have increased/decreased the Group's net profit for the year and retained profits by approximately RMB814,000 (2014: RMB665,000).

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2014.

(e) Fair value

The Group's financial assets are carried at amounts not materially different from their fair values as at 31 December 2015 and 2014.

25 COMMITMENTS

Operating leases commitments

As at 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	**46,221**	27,235
After 1 year but within 5 years	**63,296**	13,079
After 5 years	**12,769**	–
	122,286	40,314

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

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

26 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

(a) Processing agreement

Shenzhen Yingjia Fashion Co., Ltd.* ("Yingjia Fashion") (深圳市赢家服飾有限公司) is 53% and 47% owned by Ms. Chen Lingmei, the mother of Mr. Jin Ming and Mr. Jin Jingquan, the father of Mr. Jin Ming, respectively. Mr. Jin Ming is a director and the ultimate controlling party of the Company (see note 28).

During the year ended 31 December 2015, the Group entered into a processing agreement with Yingjia Fashion, pursuant to which Yingjia Fashion provided processing and manufacturing services to the Group. The VAT-inclusive processing fees incurred to Yingjia Fashion amounted to RMB28,330,000 (2014: RMB39,320,000) for the year ended 31 December 2015. The outstanding amount as at 31 December 2015 was RMB13,231,000 (2014: RMB25,205,000).

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

26 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Lease agreements

(i) During the year ended 31 December 2015, the Group ceased the lease of a warehouse with Yingjia Fashion. The operating lease charges in respect of such properties paid and payable to Yingjia Fashion amounted to nil (2014: RMB924,000) for the year ended 31 December 2015. No amounts were outstanding as at 31 December 2015 (2014: nil).

(ii) During the year ended 31 December 2015, the Group entered into a lease agreement in respect of certain properties with Mr. Jin Ming. The amount of rental incurred in the year was RMB768,000 (2014: RMB768,000). No amounts were outstanding as at 31 December 2015 (2014: nil).

(iii) During the year ended 31 December 2015, the Group entered into a lease agreement in respect of certain properties with Mr. Wang Sumin, brother in law of Mr. Jin Ming. The amount of rental incurred in the year was RMB614,000 (2014: RMB614,000). No amounts were outstanding as at 31 December 2015 (2014: nil).

(c) Operating leases commitments

At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable to Mr. Jin Ming and Mr. Wang Sumin as follows:

	2015 **RMB'000**	2014 RMB'000
Within 1 year	**1,024**	2,306
After 1 year but within 5 years	**768**	1,180
	1,792	3,486

26 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management personnel remuneration

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

	2015	2014
	RMB'000	RMB'000
Short-term employee benefits	**3,435**	3,138
Retirement benefit contributions	**170**	170
Equity settled share-based payments	**1,341**	780
	4,946	4,088

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

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

(i) The related party transaction in respect of note 26(a) above constitute connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section headed "Non-exempt continuing connected transaction" of the Reports of the directors.

(ii) The related party transactions in respect of note 26(b) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

27 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Investment in a subsidiary		**312,417**	392,665
Current assets			
Cash and cash equivalents		**660**	1,291
Other receivables		**65,003**	39,445
		65,663	40,736
Current liabilities			
Other payables		**1,890**	1,713
		1,890	1,713
Net current assets		**63,773**	39,023
Net assets		**376,190**	431,688
Capital and reserves			
Share capital	23	**3,997**	4,038
Reserves	23	**372,193**	427,650
Total equity		**376,190**	431,688

Approved and authorised for issue by the board of directors on 29 March 2016.

Jin Ming
Chairman and Chief Executive Officer

Deng Shigang
Executive Director

28 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

As at 31 December 2015, the directors consider the immediate controlling party of the Company to be Koradior Investments Limited, which is incorporated in the BVI, and the ultimate controlling party of the Company to be Mr. Jin Ming.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the IASB has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

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

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position, except for the following.

IFRS 15 *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction contracts* and IFRIC 13 *Customer Loyalty Programmes*. It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

IFRS 16 *Leases*

IFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, IFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces IAS 17 *Leases* and the related interpretations including IFRIC 4 *Determining whether an arrangement contains a lease*.

The Group does not plan to early adopt the above new standards or amendments. With respect to IFRSs 15 and 16, given the Group has not completed its assessment of their full impact on the Group, their possible impact on the Group's results of operations and financial position has not been quantified.