CHINA FORDOO HOLDINGS LIMITED
中國虎都控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 2399

ABOUT FORDOO

Fordoo is one of the leading menswear enterprises in the PRC. We focus on the design, source, manufacture and sales of our own branded menswear products.

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CORPORATE INFORMATION

BOARD OF DIRECTORS AND COMMITTEES

Executive Directors

Mr. Kwok Kin Sun *(Chairman)*
Mr. Kwok Hon Fung
Ms. Yuan Mei Rong

Independent Non-executive Directors

Mr. Cheung Chiu Tung [(1)]
Mr. Kwauk Teh-Ming Walter (resigned on 16 August 2016)
Mr. Poon Yick Pang Philip (appointed on 16 August 2016)
Mr. Zhang Longgen

Audit Committee

Mr. Kwauk Teh-Ming Walter *(Chairman)*
(resigned on 16 August 2016)
Mr. Poon Yick Pang Philip *(Chairman)*
(appointed on 16 August 2016)
Mr. Cheung Chiu Tung [(1)]
Mr. Zhang Longgen

Remuneration Committee

Mr. Cheung Chiu Tung *(Chairman)* [(1)]
Mr. Kwauk Teh-Ming Walter (resigned on 16 August 2016)
Mr. Poon Yick Pang Philip (appointed on 16 August 2016)
Mr. Zhang Longgen

Nomination Committee

Mr. Kwok Kin Sun *(Chairman)*
Mr. Kwauk Teh-Ming Walter (resigned on 16 August 2016)
Mr. Poon Yick Pang Philip (appointed on 16 August 2016)
Mr. Zhang Longgen

COMPANY SECRETARY

Mr. Chung Ming Kit

AUTHORIZED REPRESENTATIVES

Mr. Kwok Kin Sun
Mr. Chung Ming Kit

AUDITOR

Elite Partners CPA Limited, *Certified Public Accountants*

LEGAL ADVISER AS TO HONG KONG LAW

Luk and Partners

Note:

(1) Cheung Chiu Tung is formerly named Zhang Zhaodong.

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

Fordoo Industrial Zone E12
Xunmei Industrial Zone, Fengze District
Quanzhou City, Fujian Province, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1508, 15th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110, Cayman Islands

HONG KONG SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
31/F, 148 Electric Road
North Point, Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
China CITIC Bank Corporation Limited
China Construction Bank Corporation
China Minsheng Banking Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited

IR CONTACT

Investor relations department, China Fordoo Holdings Limited
Suite 1508, 15th Floor
Central Plaza, 18 Harbour Road
Wanchai, Hong Kong
Tel: (852) 2562 6268
Fax: (852) 2562 6768
E-mail: ir@fordoo.cn

COMPANY WEBSITE

www.fordoo.cn

FINANCIAL HIGHLIGHTS

- Revenue of the Group decreased by 36.7% to RMB1,185.8 million (2015: RMB1,873.7 million).
- Gross profit of the Group decreased by 37.6% to RMB421.6 million (2015: RMB676.1 million).
- EBITDA of the Group decreased by 47.5% to RMB243.8 million (2015: RMB464.4 million).
- Net profit of the Group decreased by 54.4% to RMB131.6 million (2015: RMB288.7 million).
- Basic and diluted earnings per share decreased by 55.0% to RMB27 cents (2015: RMB60 cents).
- No final dividend is proposed (2015: HK22 cents per ordinary share).

	2016	2015	**Change**
Profitability ratios			
Gross profit margin	**35.6%**	36.1%	–0.5 ppt
EBITDA margin	**20.6%**	24.8%	–4.2 ppt
Net profit margin	**11.1%**	15.4%	–4.3 ppt
Return on equity (1)	**9.3%**	20.8%	–11.5 ppt
Liquidity ratios			
Inventory turnover (Days) (2)	**29**	18	
Trade and bills receivables turnover (Days) (3)	**147**	118	
Trade payables turnover (Days) (4)	**44**	37	
Capital ratios			
Interest coverage ratios (5)	**10**	19	
Net Debt to equity ratio (6)	**Net Cash**	Net Cash	
Gearing ratio (7)	**42.7%**	35.6%	7.1 ppt

Notes:

(1) Net profit for the year divided by total equity.

(2) Average of the inventory at the beginning and at the end of the year divided by cost of sales times number of days during the year.

(3) Average of the trade and bills receivables at the beginning and at the end of the year divided by revenue (including value-added tax) times number of days during the year.

(4) Average of the trade payables at the beginning and at the end of the year divided by costs of sales times number of days during the year.

(5) Profit before interest and tax for the year divided by interest expenses of the year.

(6) Net debt divided by total equity as of the end of the year. Net debt includes bank borrowings net of cash and cash equivalents, pledged bank deposits and fixed deposits held at bank. As at 31 December 2015 and 31 December 2016, the Group recorded a net cash position.

(7) Total debts divided by the total equity.

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of China Fordoo Holdings Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group" or "China Fordoo") for the year ended 31 December 2016 (the "Year").

BUSINESS OVERVIEW

In 2016, China's retail consumer market continued to be affected by the macro economic slowdown, overcapacity and low consumption sentiment. As mentioned in our 2015 annual report, we saw greater concerns about the Chinese economy as many international retail companies have slowed down or even suspended their expansion plans in China at the beginning of year 2016. Therefore, we decided to adopt a cautious view and suspended our expansion plan in 2016. Furthermore, we consolidated our retail outlets and closed down under-performing shops. Our retail outlet number was trimmed down from 1,533 as at 31 December 2015 to 1,326 as at 31 December 2016. We also experienced slow payment from some of our distributors in the first half of 2016. Though this was expected in this tough economic environment, we chose to terminate the distribution relationships with those distributors with slow repayment history which have impacted our current year's results. However, we believe this impact will be short term and this action can defend our long term credit policy. In 2016, revenue of the Group decreased by 36.7% to RMB1,185.8 million, and net profit for the Year decreased by 54.4% to RMB131.6 million, compared to the previous year.

In October 2016, founder of Alibaba Group, Mr. Jack Ma, predicted a radical change in the global retail industry over the coming years — when today's cutting-edge e-commerce activities become a "traditional business". He also anticipated the birth of a re-imagined retail industry driven by the integration of online, offline, logistics and data across a single value chain. At the same time, many retail companies also mentioned changes of their traditional business model but no one has proven which one is the best adopted new retail business model. We realized the importance of "change" in order for us to improve our present business model and to survive in the retail market in the next decade. These are the changes we have made in 2016:

Distribution channel expansion

We decided to increase the number of our distributors from the existing 61 to approximately 300 in the long run. This can reduce reliance on a small number of distributors and also ensure we have enough local distributors who have local knowledge to serve the local customers.

Market reaction speed up

We have increased the number of sales fair from two per year to six per year. This reduces the overall development time from R&D to final product, speeding up our reaction to market needs. We also plan to increase the number of our direct retail outlets in 2017 to improve our response to market changes. At the moment, we receive most of the consumer retail feedback through our distributors.

Brands collection retail model

We decided to invite different brands to join us to create a multi-brand collection shop, offering a unique shopping experience to consumers. We expect this can increase the traffic for a single shop and we will be able to collect more data to better serve the customers. In January 2017, our first Brands Collection Flagship Shop (品牌集合店) was opened in Chengdu. We plan to open more such multi-brand collection shops in 2017.

Online/Offline retail platform model

In December 2016, we entered into a joint venture contract with 北京神州集客電子商務有限公司 (Beijing Shenzhou Jike E-Business Company Limited*) ("Shenzhou Jike") and Mr. Li Bing Qi (李炳棋) to form a joint venture company in Beijing (the "JV Company") for the development of online fashion platform. The JV Company entered into a letter of intent in December 2016 with 凡客誠品（北京）科技有限公司 (Vancl (Beijing) Technology Company Limited) ("Vancl Technology") with the intention to acquire from Vancl Technology the online platform, http://magaseek.vjia.com/ (the "V+ Online Platform"), and other related assets or company. We strive to develop our own online/offline retail platform. At the moment, we are in the process of developing an online platform and setting up related offline shops. We will then invite other apparel fashion brands to use the platform. The online/offline retail platform model is intended to provide another channel for products to quickly enter the online and offline markets in China with minimal cost.

Taking into consideration the Company's profitability, debt and capital requirements for its future development, the Board has resolved not to recommend the payment of a final dividend for the Year.

FUTURE PROSPECT

Our sales has stabilized in the fourth quarter of 2016. Although consumer sentiment has not yet significantly recovered at this stage, the situation has not been worse off. We maintain a cautiously optimistic view on next year's retail market in China and we believe 2017 will be a better year for the retail market. In 2017, we will continue to devote our energy and resources to the changes mentioned above, including distribution channel expansion, market reaction speed up, brands collection retail model and online/offline retail platform model.

APPRECIATION

Last but not least, I would like to take this opportunity to extend my sincere gratitude to all fellow directors, management and our staff for their unwavering dedication and contribution to our Group's development. I would also like to thank all of our shareholders, for their trust and continuous support over a challenging but rewarding year of 2016.

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

2016 was again a complicated year for the global economy. After Brexit in the middle of the year, the market worried more about the breakdown of the European Union. There were also concerns about the sustainability of the relative high GDP growth of China. Both Euro and Renminbi continued to depreciate against US dollar in the Year. After Donald Trump became the new President of the United States of America, the market had even more concerns on the trade war between China and the United States. However, after all these years of economic complications, people seem to be more familiar with the uncertainties. The growth of the apparel retail industry in China continued to slow down in the Year. However, with the increasing household income and spending in China, we have adopted a cautiously optimistic view with respect to the apparel retail industry in China.

The Group had adopted a prudent operation strategy, consolidated its retail outlets, closed down under-performing shops and made some strategic changes to get prepared for future growth.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2016, profit of the Group was approximately RMB131.6 million, representing a decrease of 54.4% as compared to RMB288.7 million for the previous year. As of 31 December 2016, the Group had 1,326 retail outlets (including 2 self-operated retail stores), representing a net decrease of 207 retail outlets from 1,533 retail outlets as at 31 December 2015.

The Group is principally engaged in manufacturing and wholesaling of menswear in the People's Republic of China (the "PRC").

The following is an analysis of the Group's revenue and results by segment:

Segment Revenue and Results

	For the year ended 31 December			
	Menswear		Consolidated	
	2016	2015	**2016**	2015
	RMB million	RMB million	**RMB million**	RMB million
Segment revenue:				
Contract revenue from external customers	**1,185.8**	1,873.7	**1,185.8**	1,873.7
Segment results	**421.6**	676.1	**421.6**	676.1
Other revenue and unallocated gains			**6.2**	19.2
Corporate and other unallocated expenses			**(212.3)**	(260.5)
Finance costs			**(22.3)**	(22.7)
Profit before taxation			**193.2**	412.1
Taxation			**(61.6)**	(123.4)
Profit for the year			**131.6**	288.7

The following is an analysis of the Group's assets and liabilities by segments:

Segment Assets and Liabilities

	For the year ended 31 December			
	Menswear		Consolidated	
	2016	2015	**2016**	2015
	RMB million	RMB million	**RMB million**	RMB million
Segment assets	**1,815.5**	1,823.2	**1,815.5**	1,823.2
Unallocated assets			**488.8**	354.6
Total assets			**2,304.3**	2,177.8
Segment liabilities	**689.2**	610.4	**689.2**	610.4
Unallocated liabilities			**194.1**	178.2
Total liabilities			**883.3**	788.6

MANAGEMENT DISCUSSION AND ANALYSIS

The principal place of the Group's operation is in mainland China. For the purpose of segment information disclosures under IFRS 8, the Group regards mainland China as its country of domicile. Over 90% of the Group's external customers and non-current assets are located in the mainland China.

Revenue

For the year ended 31 December 2016, revenue decreased by approximately 36.7% to RMB1,185.8 million from RMB1,873.7 million for the previous year. The decrease in revenue was primarily due to the Group's consolidation strategy on its retail outlet network and the decrease in wholesale orders as a result of the termination of distribution relationships with some of the Group's distributors who had slow repayment history.

Revenue by Product Type

	For the year ended 31 December								
	2016				2015				
	Revenue RMB million	%	Volume Unit	Average wholesale price [1] RMB	Revenue RMB million	%	Volume Unit	Average wholesale price [1] RMB	Change %
Apparel									
Men's trousers	**649.5**	**54.8**	**4,908,286**	**132.3**	1,045.9	55.8	7,534,978	138.8	–37.9
Men's tops	**501.7**	**42.3**	**2,722,867**	**184.3**	791.9	42.3	3,618,044	218.9	–36.7
Accessories	**7.9**	**0.7**	**126,113**	**62.5**	16.6	0.9	279,003	59.3	–52.4
Fabrics	**26.7**	**2.2**	**521,632**	**51.1**	19.3	1.0	309,096	62.4	38.3
Total	**1,185.8**	**100.0**	**8,278,898**	**143.2**	1,873.7	100.0	11,741,121	159.6	–36.7

Trousers remained as the major revenue contributor during the Year and accounted for 54.8% of the Group's revenue (2015: 55.8%).

Notes:

(1) Average wholesale price per unit is calculated by dividing the revenue for the year by the number of units sold. The price per unit may vary depending on the type of apparels and accessories.

Revenue by Product Style

	For the year ended 31 December								
	2016				2015				
	Revenue RMB million	%	Volume Unit	Average wholesale price [1] RMB	Revenue RMB million	%	Volume Unit	Average wholesale price [1] RMB	Change %
Apparel									
Business Casual	**635.9**	**53.6**	**4,004,947**	**158.8**	1,042.6	55.6	6,166,072	169.1	–39.0
Business Formal	**327.4**	**27.6**	**2,056,122**	**159.3**	582.4	31.1	3,588,382	162.3	–43.8
Casual [2]	**187.9**	**15.9**	**1,570,084**	**119.7**	212.8	11.4	1,398,568	152.2	–11.7
Accessories	**7.9**	**0.7**	**126,113**	**62.5**	16.6	0.9	279,003	59.3	–52.4
Fabrics	**26.7**	**2.2**	**521,632**	**51.1**	19.3	1.0	309,096	62.4	38.3
Total	**1,185.8**	**100.0**	**8,278,898**	**143.2**	1,873.7	100.0	11,741,121	159.6	–36.7

Business casual series continued to be our largest revenue contributor during the Year and accounted for 53.6% of the Group's revenue (2015: 55.6%).

Notes:

(1) Average wholesale price per unit is calculated by dividing the revenue for the year by the number of units sold. The price per unit may vary depending on the type of apparels and accessories.

(2) Casual series include jeans and shorts targeting customers aged between 31 and 60 and men's casual fashion series products targeting customers aged between 18 and 30. Men's casual fashion series include T-shirts, casual shirts, jackets, sweaters, casual trousers, jeans and shorts.

Revenue by Region

Region	For the year ended 31 December 2016 Revenue RMB million	2016 %	2015 Revenue RMB million	2015 %	Change %
Apparel and accessories					
Northern China [(1)]	**189.0**	**15.9**	322.1	17.2	–41.3
Northeastern China [(2)]	**21.9**	**1.9**	115.3	6.1	–81.0
Eastern China [(3)]	**398.9**	**33.6**	639.7	34.1	–37.6
Central Southern China [(4)]	**155.8**	**13.2**	313.1	16.7	–50.2
Southwestern China [(5)]	**150.0**	**12.7**	209.0	11.2	–28.2
Northwestern China [(6)]	**147.5**	**12.4**	227.7	12.2	–35.2
Hong Kong	**50.9**	**4.3**	–	–	N/A
Subtotal	**1,114.0**	**94.0**	1,826.9	97.5	–39.0
Online distributor	**37.9**	**3.2**	20.4	1.1	85.8
Self-operated retail outlets	**7.2**	**0.6**	7.1	0.4	1.4
Subtotal	**1,159.1**	**97.8**	1,854.4	99.0	–37.5
Fabrics	**26.7**	**2.2**	19.3	1.0	38.3
Total	**1,185.8**	**100.0**	1,873.7	100.0	–36.7

Notes:

(1) Northern China includes Beijing, Hebei, Shanxi, Tianjin and Inner Mongolia.

(2) Northeastern China includes Heilongjiang, Jilin and Liaoning.

(3) Eastern China includes Jiangsu, Zhejiang, Shanghai, Anhui, Fujian, Shandong and Jiangxi.

(4) Central Southern China includes Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan.

(5) Southwestern China includes Chongqing, Sichuan, Guizhou, Yunnan and Tibet.

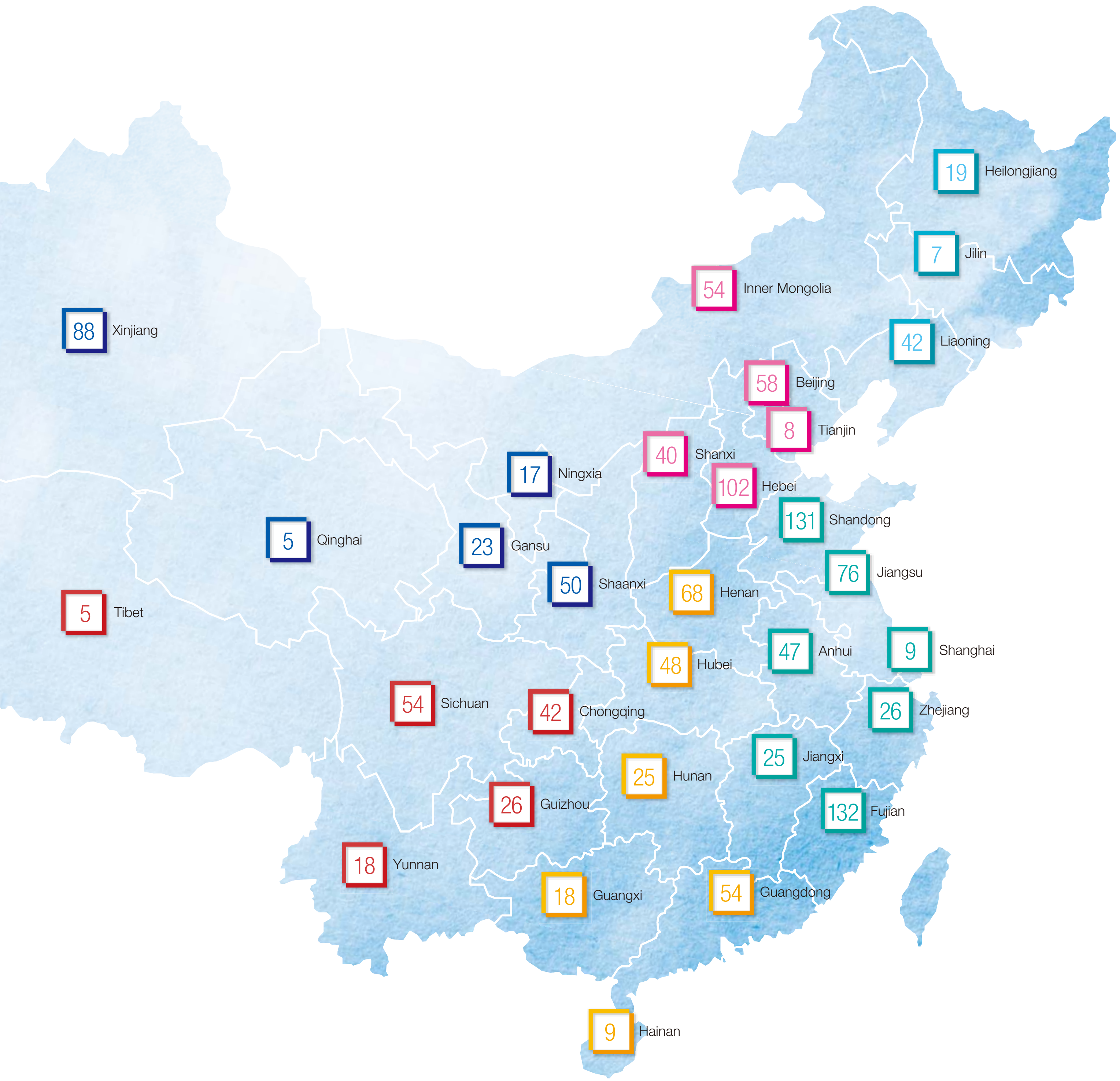
(6) Northwestern China includes Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

MANAGEMENT DISCUSSION AND ANALYSIS

Eastern China, Northern China and Central Southern China regions remained as the major revenue contributors to the Group, and together accounted for 62.7% (2015: 68.0%) of the total revenue and 70.0% (2015: 68.8%) of the total number of stores for the year ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

The following map shows the geographical distribution of the retail outlets of the Group in China as of 31 December 2016.



Cost of Sales

Cost of sales decreased by approximately 36.2% to RMB764.2 million for the Year from approximately RMB1,197.6 million for the previous year. The decrease was in line with the decrease in revenue during the Year.

The Group continued to manufacture its products either by self-production or OEM purchase. We used our in-house manufacturing facilities to manufacture most of our core products and outsourced the production of accessories and certain apparel products as we continued to expand and diversify our product offering. This flexible manufacturing process has allowed us to achieve the best product quality, cost efficiency and flexibility in production arrangement as well as to protect our intellectual property.

During the Year, self-production accounted for approximately 69.9% (2015: 64.2%) of the total cost of sales, increased by 5.7 percentage points. As the revenue decreased during the Year, we utilized more on our production facilities to produce the self-manufactured products we sold.

Gross Profit and Gross Profit Margin

Gross profit for the Year decreased by approximately 37.6% year-on-year to RMB421.6 million. Gross profit margin decreased 0.5 percentage points year-on-year to 35.6%.

The decrease in gross profit margin was mainly due to the decrease in average selling price during the Year.

Other Revenue

Other revenue decreased by approximately RMB13.0 million year-on-year to RMB6.2 million for the Year. The decrease in other revenue was mainly due to: (i) a net foreign exchange loss of RMB1.4 million (2015: exchange gain of RMB7.4 million) which was mainly due to the exchange of US dollar to RMB; (ii) a decrease in government grants of approximately RMB3.2 million, of which the entitlements were unconditional and under the discretion of the relevant authorities; and (iii) a decrease in interest income of approximately RMB1.5 million, which was mainly due to the decrease of fixed deposits held at bank with original maturity over three months.

Selling and Distribution Expenses

Selling and distribution expenses for the Year decreased by approximately RMB44.4 million year-on-year to RMB76.2 million, accounting for approximately 6.4% of total revenue, which was the same percentage as the previous year. The decrease was primarily due to (i) a decrease in decoration expenses, which was in line with the consolidation strategy on the under-performing shops, and (ii) a decrease in packaging material expenses as a result of sales volume decrease.

Included in the amount were advertising and promotional expenses of approximately RMB23.1 million in total, which accounted for approximately 2.0% of the total revenue, up by 0.4 percentage points compared to the previous year. The Group continued to take initiatives to promote its corporate image through multi-channel marketing campaigns.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses for the Year decreased by approximately RMB3.7 million year-on-year to RMB136.2 million, accounting for approximately 11.5% of total revenue, which represented a year-on-year increase of 4.0 percentage points. Included in the amount were net provisions for bad and doubtful debt of approximately RMB64.8 million (2015: RMB54.5 million) in total. As a result of a slower economic growth, the Group had adopted a prudent account receivables provision policy and made provision on long outstanding account receivables based on the aging, payment history and other specific criteria. Excluding the effect of the account receivables provision, the Group's administrative and other operating expenses for the Year had decreased by 16.5% compared to the previous year. This was mainly attributable to our cost control strategy during the Year.

Finance Costs

Finance cost for the Year decreased by 1.7% year-on-year to approximately RMB22.3 million, mainly due to lower average interest rate.

Income Tax

The effective income tax rate for the Year was 31.9%, up by 1.9 percentage points from 30.0% for the previous year. Income tax expenses included RMB7.0 million (2015: RMB15.2 million) withholding tax on dividend which will be declared by our subsidiaries in the PRC. The increase in effective tax rate was due to increase in some offshore expenses incurred which were not tax deductible.

Profit Attributable to Shareholders of the Company

Profit attributable to the shareholders of the Company (the "Shareholders") for the Year was approximately RMB131.6 million, representing a year-on-year decrease of 54.4%. Net profit margin was 11.1%, representing a year-on-year decrease of 4.3 percentage points.

Final Dividend

The Board has resolved not to recommend the payment of a final dividend for the Year.

BUSINESS REVIEW

Distribution Network

The following table shows the changes in the number of stores in different regions during the Year:

Region	As of 1 January 2016	Number of stores Stores opened during the period	Stores closed during the period	As of 31 December 2016
Northern China	**281**	**12**	**31**	**262**
Northeastern China	**93**	**3**	**28**	**68**
Eastern China	**492**	**22**	**70**	**444**
Central Southern China	**283**	**2**	**63**	**222**
Southwestern China	**186**	**10**	**51**	**145**
Northwestern China	**196**	**5**	**18**	**183**
Subtotal	**1,531**	**54**	**261**	**1,324**
Self-operated retail outlets	**2**	**–**	**–**	**2**
Total	**1,533**	**54**	**261**	**1,326**

As of 31 December 2016, our distribution network comprised 61 distributors (including one online distributor) and 182 sub-distributors who operated 1,324 retail outlets, spanning over 250 cities and 31 provinces, autonomous regions and central government-administered municipalities in the PRC. We also sell a small quantity of our products directly to end customers through our two self-operated retail outlets in Quanzhou, Fujian Province.

The Group adopted a cautious view, suspended the expansion plan, consolidated and closed down the under-performing shops in sales network in 2016. The Group primarily sells its products on a wholesale basis to its third-party distributors, who then sell the products to end customers through retail outlets or resell the products to their sub-distributors, who in turn sell the products to end customers through retail outlets operated by those sub-distributors.

We have two self-operated retail outlets in Quanzhou, Fujian Province, which are model stores to showcase our expectation and standards of a store environment to our distributors and their sub-distributors.

As of 31 December 2016, the Group had 1,326 retail outlets (including the 2 self-operated retail stores), representing a net decrease of 207 retail outlets from 1,533 retail outlets as at 31 December 2015.

In 2016, the Group realigned its stores network and closed down certain under-performing retail stores. New stores opened during the financial year were mostly situated in third and fourth-tier cities in the PRC.

As of 31 December 2016, 78.5% of the retail outlets were located in department stores or shopping malls whereas 21.5% of the retail outlets were standalone stores.

We continued the strategy to further penetrate the markets in the lower tier cities in the PRC, where we already had significant presence. We believe there is strong demand for quality branded products and higher potential for growth in the number of retail outlets in the lower tier cities in the PRC due to a higher growth rate of urbanization and faster rising disposable income in these regions as compared to the higher tier cities.

As of 31 December 2016, approximately 29.8% of our stores were located in first-tier cities and second-tier cities and the remaining retail outlets were located in third-tier cities and fourth-tier cities. We believe our footprint has provided us with a strong foundation to capture future growth opportunities arising from different regions in the PRC.

The following table shows the number of retail outlets (including our two self-operated retail outlets in Quanzhou, Fujian Province) in first-tier cities, second-tier cities and lower-tier cities as of 31 December 2016:

	Number of stores			
Region	**As of 31 December 2016**		As of 31 December 2015	
First-tier cities [(1)]	**113**	**8.5%**	147	9.6%
Second-tier cities [(2)]	**282**	**21.3%**	346	22.6%
Third-tier cities [(3)]	**486**	**36.7%**	554	36.1%
Fourth-tier cities [(4)]	**445**	**33.5%**	486	31.7%
	1,326	**100.0%**	1,533	100.0%

Notes:

(1) First-tier cities include Beijing, Shanghai, Shenzhen and Guangzhou.

(2) Second-tier cities include the capitals of provinces in the PRC (excluding Guangzhou), municipalities under the direct administration of the PRC central government (excluding Shanghai and Beijing), and the capital of the autonomous regions in the PRC.

(3) Third-tier cities include prefecture-level cities in the PRC, excluding any first- and second-tier cities.

(4) Fourth-tier cities include country-level and other township-level cities.

In addition, the Group sold a small quantity of its products to an online distributor, who then sold the products to end customers through different third-party online platforms such as Tmall.com and JD.com.

Distribution Channel Management

We decided to increase the number of our distributors from the existing 61 to approximately 300 in the long run. This can reduce reliance on a small number of distributors and also ensure we have enough local distributors who have local knowledge to serve the local customers.

As of 31 December 2016, the Group's distribution network included 61 distributors (2015: 61) and 182 (2015: 197) sub-distributors. Among the 61 distributors, 16 (including their predecessors) had business relationships with us for more than eight years. We believe that we have cultivated strong, stable and long-standing relationships with our distributors, which have been core to our brand building efforts as well as our strong operating track record.

To facilitate our management over our distributors and retail outlets, we divide our distribution network into different regions in the PRC. We have assigned management teams dedicated to each of the regions. Each team is responsible for soliciting and selecting potential distributor candidates, supervising and communicating with our distributors and monitoring and conducting on-site inspections of retail outlets within their respective region. The Group has entered into a form of distribution agreements with its distributors, which contains terms, including, among other things, that the distributors are required to provide the Group with quarterly sales reports which contain information on their number of retail outlets, sales and inventory level of "FORDOO" products and the distributors are required to enter into sub-distribution agreements with their sub-distributors that are on substantially the same terms and conditions of the form of sub-distribution agreement provided by the Group.

In addition, to strengthen its distribution channel management, the Group is developing an enterprise resource planning (the "ERP") system which will eventually cover all our retail outlets. The ERP system will provide real-time information on sales orders, sales and inventory level. We believe that our ERP system will strengthen our supply chain management and allow us to work with our distributors more efficiently and effectively to enhance our customer relationship management.

The Group provides training for its distributors and their management teams. The training programs cover brand image, marketing strategies, operational best practice of other distributors as well as product knowledge. We also provide general training at our sales fairs to our distributors and their sub-distributors regarding market development, customer preferences, our design theme, production techniques and fabrics used and allow them to share operating knowledge and provide feedback from their retail outlets.

Marketing and Promotion

The Group believes that brand awareness is crucial to its long-term business development and a cornerstone of its future success. During the Year, the Group invested moderately in advertising and promotion to enhance its brand awareness, including setting up outdoor LED monitors and large advertising billboards at highway stations located in selected cities in the PRC, including Beijing, Shenzhen, Guangzhou, Chongqing and Chengdu. The Group began to advertise through other various channels, such as advertisements in movie theatres and online advertisements.

The Group continued to upgrade its existing stores to enhance and reinforce its brand image. The Group opened 54 new stores and renovated 118 existing stores during the Year. We endeavor to continue to gradually upgrade some of the stores operated by our distributors and their sub-distributors through store renovation and improvement of in-store design and layout.

Design and Product Development

The Group always puts great emphasis on product design and quality, as we believe our ability and commitment to provide fashionable and comfortable products have been integral to our success. Initiatives include launching of our new men's casual fashion series and developing our own quality fabrics. As of 31 December 2016, our product design and development team consisted of 128 members. The key team members, who plan, implement, supervise and manage the design and development efforts, have an average of 10 years of experience in the fashion industry. We will continue to invest in our product design and research and development capabilities to capture fashion trends and product designs.

Sales Fairs

We generally organize sales fairs at our headquarters in Quanzhou to showcase our upcoming products for the spring/summer and autumn/winter collections to our existing and potential distributors and their sub-distributors. We review our distributors' orders placed at our sales fairs to ensure that they are reasonable and in line with the relevant distributor's capacity and development plans. The sales fairs for 2016 autumn/winter collections and 2017 spring/summer collections were held in March 2016 and September 2016, respectively.

We have increased the number of sales fairs from two per year to six per year. There will be three sales fairs for each of the autumn/winter collections and spring/summer collections. This reduces the overall development time from R&D to final product while speeding up our reaction to the market needs.

Liquidity and Financial Resources

As at 31 December 2016, the Group had total bank borrowings of approximately RMB606.5 million (31 December 2015: RMB494.3 million). The net cash position as at 31 December 2016 with comparative figures for the previous year, were as follows:

	2016	2015
	RMB million	RMB million
Cash and bank balances (including pledged bank deposits)	**953.3**	703.8
Less: Total borrowings	**(606.5)**	(494.3)
Net Cash	**346.8**	209.5

The maturity profile of the total borrowings as at 31 December 2016 were as follows:

	2016		2015	
	RMB million	**%**	RMB million	%
Bank borrowings				
— Within 1 year	**606.5**	**100.0%**	348.0	70.4%
— After 1 but within 2 years	**–**	**–**	146.3	29.6%
Total	**606.5**	**100.0%**	494.3	100.0%

As at 31 December 2016, the bank borrowings with comparative figures for the previous year were as follows:

	2016	2015
	RMB million	RMB million
Bank borrowings		
— Secured	**506.2**	474.3
— Unsecured	**100.3**	20.0
Total	**606.5**	494.3

As at 31 December 2016, the Group had a net cash balance of RMB346.8 million (2015: net cash of RMB209.5 million). The gearing ratio as at 31 December 2016 was 42.7%, an increase of 7.1% as compared to 35.6% for the previous year. The increase was mainly due to the related additional bank borrowings. The interest cover of 2016 was 10 times (2015: 19 times).

Cash inflow from operating activities for the Year amounted to approximately RMB403.2 million (2015: RMB344.0 million). The increase was mainly attributed to increase in working capital balance of approximately RMB221.0 million and a decrease of income tax paid of RMB36.4 million, offset by a decrease of operating profit before changes in working capital of approximately RMB198.2 million.

The cash flow used in investing activities for the Year amounted to approximately RMB68.7 million (2015: RMB3.5 million). The amount mainly included the total payment for the purchase of property, plant and equipment and intangible assets, payment for the deposit for acquisition of intangible asset, and payment of construction in progress of RMB153.6 million and the net decrease of fixed deposits held at banks with original maturity over three months and pledged bank deposit of RMB79.4 million, proceed from disposal of property, plant and equipment of RMB0.9 million, and interest received of RMB4.6 million.

The cash flow used in financing activities for the Year was approximately RMB5.7 million (2015: RMB9.7 million). The amount included dividend paid of RMB88.6 million and interest paid of RMB22.3 million, offset by the net bank borrowing of RMB102.3 million and exercise of share options of RMB2.9 million.

As at 31 December 2016, the Group's total equity increased by approximately RMB31.8 million to approximately RMB1,420.9 million (2015: RMB1,389.1 million).

Trade Working Capital Ratios

The Group's average inventory turnover days was 29 days for the Year, an increase of 11 days from 18 days for the previous year. The closing balance of the inventory decreased by 8.5% compared with the previous year, while the cost of sales decreased by 36.2%. The inventory was prepared for our future sales.

The Group's average trade and bills receivables turnover days for the Year was 147 days, an increase of 29 days from 118 days for the previous year. The trade and receivables turnover days was 112 days based on the closing balance of the trade and bills receivables for the Year, a decrease of 3 days from 115 days for the previous year. Netting the balance of RMB54.5 million for an accounts receivables provision on the book at the beginning of the Year, a provision of RMB64.8 million was made during the Year. As at 31 December 2016, the Group's total trade and bills receivables decreased by approximately 38.6% year-on-year to RMB423.5 million (31 December 2015: RMB690.1 million).

The Group's average trade payables turnover days was 44 days for the Year, an increase of 7 days as compared to 37 days for the previous year. We normally have 30 to 60 days credit period from our suppliers.

The Group recorded a net cash position as at 31 December 2016 and 31 December 2015.

The Group regularly and actively monitors its capital structure to ensure there is sufficient working capital to operate its business and to maintain a balanced capital structure between providing steady returns to the Shareholders and benefits to its other stakeholders and having an adequate level of borrowing and security.

Charges of Assets

As at 31 December 2016, secured bank borrowings were secured by bank deposits, certain buildings, investment properties and lease prepayments with carrying value of RMB58,200,000 (2015: RMB47,100,000), RMB238,608,000 (2015: RMB251,708,000), RMB24,930,000 (2015: RMB26,117,000) and RMB267,347,000 (2015: RMB274,456,000), respectively.

Significant Investment, Material Acquisition and Disposal of Subsidiaries and Associated Companies

During the year ended 31 December 2016, there was no significant investment, material acquisition or disposal of subsidiaries and associated companies by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Plans for Material Investments and Capital Assets

Brands collection retail model

We decided to invite different brands to join us to create a multi-brand collection shop which will give consumers a unique shopping experience. We expect this can increase the traffic for a single shop and we will be able to collect more data to better serve the customers. In January 2017, our first Brands Collection Flagship Shop (品牌集合店) was opened in Chengdu. We plan to open more of such shops in 2017. We expect to fund the project with cash generated from our operations and bank borrowings.

Fordoo commercial center

Our Fordoo commercial center project in Hui'an is under the construction stage. The whole project is principally funded by cash generated from our operations and bank borrowings. The two commercial buildings and underground car park are targeted to be completed in early 2018.

Online/Offline retail platform model

In December 2016, we entered into a joint venture contract with Shenzhou Jike and Mr. Li Bing Qi (李炳棋) to form the JV Company in Beijing. The JV Company was formed in January 2017 for the development of online fashion platform. The JV Company entered into a letter of intent in December 2016 with Vancl Technology with the intention to acquire from Vancl Technology the V+ Online Platform and other related assets or company. We strive to develop our own online/offline retail platform. At the moment, we are in the process of developing the online platform and setting up related offline shops. The online/offline retail platform model intends to provide another channel for fashion brands to quickly enter the online and offline markets in China with minimal cost. We plan to fund the project with cash generated from our operations and contributions from the joint venture partners.

Capital Commitments and Contingencies

As at 31 December 2016, the Group had a total capital commitment of RMB186.7 million, primarily related to the proposed construction of the Fordoo commercial centre in Hui'an, Fujian Province. These capital commitments are expected to be financed by our operations and bank borrowings.

As at 31 December 2016, the Group had no material contingent liabilities.

Foreign Currency Exposure

The functional currency of the Company is Hong Kong dollar and the Company's financial statements are translated into Renminbi for reporting and consolidated purpose. Foreign exchange differences arising from translation of financial statements are directly recognised in equity as a separate reserve. As the Group conducts its business transactions principally in Renminbi, other than the US dollar fixed deposit held in bank, the exchange rate risk at the Group's operational level is not significant. The Group does not employ any financial instruments for hedging purpose.

Employees, Training, and Development

The Group had a total of 2,581 employees as at 31 December 2016 (2015: 3,593). Total staff costs for the Year amounted to approximately RMB137.2 million (2015: RMB184.0 million).

The Group places strong emphasis on recruiting quality personnel from universities and technical schools and provides on-going training and development opportunities to our staff members. Our training programs cover topics such as sales and production, customer service, quality control, sales fairs planning and pre-employment training. We also provide training on workplace ethics, fire protection and other areas relevant to the industry. We believe that staff training plays an important role in recruiting and retaining talent as well as enhancing employees' loyalty.

The Group offers competitive remuneration packages to its employees, including basic salary, allowances, insurance, commission/bonuses and share options, based on factors such as market rates, responsibility, job complexity and the Group's performance.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 25 May 2017 to Wednesday, 31 May 2017 (both days inclusive) for the purpose of determining entitlements of Shareholders to attend and vote at the forthcoming annual general meeting (the "2017 AGM"). In order to qualify for attending and voting at the 2017 AGM, all transfers of shares accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Wednesday, 24 May 2017.

Use of Proceeds

The shares of the Company (the "Shares") were listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 July 2014 with net proceeds (the "Net Proceeds") from the global offering of approximately HK$454.7 million (after deducting underwriting commissions and related expenses). Part of these proceeds were applied during the Year in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 June 2014 (the "Prospectus"). As at 31 December 2016, the Group had utilised HK$311.7 million of the Net Proceeds and unutilised Net Proceeds amounted to HK$143.0 million.

The following table sets forth a breakdown of the use of the Net Proceeds during the Year:

Use of net proceeds	Available for use HK$million	Utilized (as at 31 December 2016) HK$million	Unutilized (as at 31 December 2016) HK$million
Brand promotion and marketing	122.8	(82.5)	40.3
Research, design and product development	90.9	(22.7)	68.2
Repay a portion of our bank borrowings	90.9	(90.9)	–
Expand distribution network and provide storefront decoration	59.1	(59.1)	–
Install ERP system	45.5	(11.0)	34.5
Working capital and other general corporate purposes	45.5	(45.5)	–
	454.7	(311.7)	143.0

The proceeds not utilised were deposited into interest bearing bank accounts with licensed commercial banks in China. The Directors intend to continue to apply the unused proceeds in the manner as set out in the Prospectus.

CORPORATE GOVERNANCE REPORT

The Board is committed to upholding a high standard of corporate governance and business ethics in the firm belief that they are essential for enhancing investors' confidence and maximizing shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders, comply with increasingly stringent regulatory requirements and fulfill its commitment to excellence in corporate governance.

CORPORATE GOVERNANCE CODE

After reviewing the Company's corporate governance practices and the relevant regulations of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Board is satisfied that the Company has complied with the CG Code provisions for the Year, except for a deviation from Code provision A.6.7.

Under Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of the shareholders. Due to other pre-arranged business commitments, Mr. Cheung Chiu Tung and Mr. Zhang Longgen, both independent non-executive Directors, were not able to attend the annual general meeting of the Company held on 5 May 2016 (the "2016 AGM").

BOARD OF DIRECTORS

The Board is responsible for governing the Company and managing assets entrusted by the Shareholders. The Directors recognise their collective and individual responsibility to the Shareholders and perform their duties diligently to achieve positive results for the Company and to maximize returns for the Shareholders.

The Board currently comprises three executive Directors, namely Mr. Kwok Kin Sun, Mr. Kwok Hon Fung and Ms. Yuan Mei Rong and three independent non-executive Directors, namely, Mr. Cheung Chiu Tung, Mr. Poon Yick Pang Philip and Mr. Zhang Longgen.

Mr. Kwauk Teh-Ming Walter tendered his resignation as an independent non-executive Director with effect from 16 August 2016 to devote more time on his other personal matters and commitments.

Mr. Poon Yick Pang Philip was appointed as an independent non-executive Director with effect from 16 August 2016.

Their biographical details and (where applicable) their family relationships are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 32 to 33 in this annual report.

Mr. Kwok Kin Sun, the chairman of the Company and an executive Director, is the father of Mr. Kwok Hon Fung, who is also an executive Director and the chief executive officer of the Company. Save as disclosed, there are no other financial, business, family or other material/relevant relationships among members of the Board.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Group. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, investment policy, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors and members of senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of the Directors and senior management. The Board also reviews the disclosures in the corporate governance report to ensure compliance.

All Board members have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis and when necessary.

All Directors are provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Each newly appointed Director is given necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant laws and regulations.

All Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors to ensure compliance and enhance their awareness of good corporate governance practices.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and Chief Executive Officer are separate and not performed by the same individual as this ensures better checks and balances and hence better corporate governance. Mr. Kwok Kin Sun holds the position of the Chairman, who is primarily responsible for strategic positioning. Mr. Kwok Hon Fung serves as the Chief Executive Officer, who is primarily responsible for the operations and business development of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board and give adequate control and balances for the Group to protect the overall interests of the Shareholders and the Group. They serve actively on the Board and its committees to provide their independent and objective views.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors, Mr. Poon Yick Pang Philip, has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive Director has submitted annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive Directors are independent to the Company.

BOARD COMMITTEES

The Board is supported by three committees, namely the audit committee, nomination committee and remuneration committee. Each Board committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. The terms of reference are available on the Company's website.

All Board committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The audit committee consists of the three independent non-executive Directors, namely Mr. Poon Yick Pang Philip, Mr. Cheung Chiu Tung and Mr. Zhang Longgen. Mr. Poon Yick Pang Philip who has appropriate professional qualification and experience in accounting matters, is the chairman of the audit committee.

The primary functions of the audit committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems, oversee the audit process and perform other duties and responsibilities as assigned by the Board. These include reviewing the interim and annual results and reports of the Group.

The members of the audit committee reviewed and discussed with the external auditors of the Company the consolidated financial statements of the Group for the year ended 31 December 2016, including the accounting principles and practices adopted by the Group and the report prepared by the external auditors covering major findings in the course of the audit. During the Year, the audit committee had held five meetings.

Remuneration Committee

The remuneration committee consists of the three independent non-executive Directors, namely Mr. Cheung Chiu Tung, Mr. Poon Yick Pang Philip and Mr. Zhang Longgen. Mr. Cheung Chiu Tung is the chairman of the remuneration committee.

The primary functions of the remuneration committee are to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objects and make recommendations to the Board on the remuneration package of the individual executive Directors and senior management and on the establishment of a formal and transparent process for developing such remuneration policy. No executive Director takes part in any discussion on his own remuneration. The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each Director's workload, performance, responsibility, job complexity and the Group's performance are taken into account. The remuneration committee had held two meetings during the Year and had reviewed the remuneration policy and structure relating to the Directors and senior management of the Company.

The remuneration of the members of the senior management of the Group by band for the Year is set out below:

Remuneration Bands (HK$)	Number of persons
Nil to HK$1,000,000	2
HK$2,000,000 to HK$3,000,000	1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 9 and 10 to the consolidated financial statements.

Nomination Committee

The nomination committee consists of one executive Director and two independent non-executive Directors, namely Mr. Kwok Kin Sun, Mr. Poon Yick Pang Philip and Mr. Zhang Longgen. Mr. Kwok Kin Sun is the chairman of the nomination committee.

The primary functions of the nomination committee are to review the composition of the Board, including its structure, size and diversity at least annually to ensure it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group. It is also responsible to consider and make recommendations to the Board suitably qualified persons to become a member of the Board, monitor the succession planning for Directors and assess the independence of independent non-executive Directors. The nomination committee will also give consideration to the Board Diversity Policy (as defined below) when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy (as defined below), so as to develop and review measurable objectives for the implementing the Board Diversity Policy (as defined below) and to monitor the progress on achieving these objectives.

The nomination committee had held two meetings during the Year and reviewed the size, diversity and composition of the Board.

CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with Code provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

BOARD PROCEEDINGS

Regular board meetings are held at quarterly intervals with additional meetings convened as and when necessary to discuss the overall strategic directions, the Group's operations, financial performance, and to approve interim and annual results and other significant matters. For regular meetings, Board members are given at least 14 days prior notice and agenda with supporting papers are sent to the Directors not less than 3 days before the relevant meeting is held. The Directors may propose to the chairman or the company secretary of the Company (the "Company Secretary") to include matters in the agenda for regular board meetings.

The table below sets out the attendance of each Director at the 2016 AGM and the meetings of the Board and the Board committees held during the Year:

	Meetings attended/held				
	2016 AGM	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Mr. Kwok Kin Sun	1/1	9/9	N/A	N/A	2/2
Mr. Kwok Hon Fung	1/1	9/9	N/A	N/A	N/A
Ms. Yuan Mei Rong	0/1	9/9	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Cheung Chiu Tung	0/1	9/9	5/5	2/2	N/A
Mr. Kwauk Teh-Ming Walter (resigned on 16 August 2016)	1/1	3/3	1/1	1/1	1/1
Mr. Poon Yick Pang Philip (appointed on 16 August 2016)	N/A	5/5	4/4	N/A	N/A
Mr. Zhang Longgen	0/1	8/9	5/5	1/2	1/2

The Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at board meetings and abstain from voting in favour of the related board resolutions as appropriate.

Minutes of the meetings of the Board and Board Committees are kept by the Company Secretary in sufficient details on the matters considered and decisions reached, including dissenting views expressed, and are open for inspection on reasonable notice by any Director. Draft and final versions of the minutes are sent to all Directors for their comments and records respectively within a reasonable time after the Board meeting is held.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring the Board procedures are followed.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors and independent non-executive Directors, except Mr. Poon Yick Pang Philip, has entered into a service contract with the Company for a term of three years commencing on 16 July 2014 (the "Listing Date") subject to retirement and re- election at annual general meetings in accordance with the Company's articles of association (the "Articles"). Mr. Poon Yick Pang Philip has entered into a letter of appointment with the Company for a term of three years commencing on 16 August 2016.

In accordance with the Articles, a person may be appointed as a Director either by the Shareholders in a general meeting or by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following general meeting, and are eligible for re-election by the Shareholders. In addition, at each annual general meeting one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years at an annual general meeting, and are eligible for re-election by the Shareholders.

BOARD DIVERSITY POLICY

Pursuant to the CG Code relating to board diversity policy which has come into effect since 1 September 2013, the Board adopted a board diversity policy (the "Board Diversity Policy") on 9 June 2014. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct regarding Directors' securities transactions. Upon specific enquiries, all Directors confirmed that they have complied with the relevant provisions of the Model Code throughout the Year.

Senior management who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code.

COMPANY SECRETARY

Mr. Chung Ming Kit, the Company Secretary, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. He is also the chief financial officer of the Company.

During the Year, the Company Secretary has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the Company Secretary is set out in the section headed "Biographical Details of Directors and Senior Management" on pages 32 to 33 in this annual report.

FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROLS

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. 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 is 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 Elite Partners CPA Limited, 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.

Risk Management and Internal Controls

The Board acknowledges its responsibility to ensure the Company maintains sound risk management and internal control systems and to review their effectiveness. The Company has an internal audit team which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems and reports to the Board.

The risk management and internal control systems of the Group are implemented to minimize risks to which the Group is exposed. The systems can only provide reasonable but not absolute assurance against misstatements or losses.

Review of the Group's risk management and internal control systems covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis based on the risk assessments of the operations and controls. No major issue but areas for improvement have been identified during the Year.

The Group's risk management framework includes the following elements:

- Identify significant risks in the Group's operation environment and evaluate the impacts of those risks on the Group's business;
- Develop necessary measures to manage those risks;
- Monitor and review the effectiveness of such measures.

The Group's internal control system is designed to safeguard assets against misappropriation and unauthorised disposition and to manage operational risks. The Board appointed Deloitte Touche Tohmatsu to conduct a review of the effectiveness of the Group's internal control system during the Year. The total fees paid and payable to Deloitte Touche Tohmatsu during the Year for its internal control review services was approximately RMB0.19 million.

The audit committee of the Company reported to the Board on the implementation of the Group's risk management and internal control policies which, among other things, included the determination of risk factors, evaluation of risk level the Group could take and the effectiveness of the risk management measures.

The Board had conducted its annual review of the risk management and internal control systems during the Year and assessed their the effectiveness. The Board considers them effective and adequate.

EXTERNAL AUDITOR

On 11 October 2016, KPMG resigned as auditors of the Company and Eilte Partners CPA Limited was appointed as auditors of the Company on the same date. Elite Partners CPA Limited shall hold office until the conclusion of the next annual general meeting of the Company. During the Year, the fees paid and payable to the auditors in respect of their audit services provided to the Group was RMB1.6 million.

NON-COMPETE UNDERTAKING BY CONTROLLING SHAREHOLDERS

Mr. Kwok Kin Sun and Everkept Limited are the controlling shareholders (within the meaning of the Listing Rules) of the Company (the "Controlling Shareholders"). To protect the Group from any potential competition, the Controlling Shareholders have entered into a deed of non-competition (the "Deed of Non-competition") in favor of the Company on 9 June 2014.

The Company has adopted the following measures to manage any potential or actual conflict of interests between the Group and the Controlling Shareholders in relation to the compliance and enforcement of the non-compete undertaking:

(a) the independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by the Controlling Shareholders under the Deed of Non-competition;

(b) the Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;

(c) the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-compete undertaking of the Controlling Shareholders under the Deed of Non-competition in the annual reports of our Company; and

(d) the Controlling Shareholders will make an annual declaration on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders and their respective associates and the Group and to protect the interests of the Shareholders, in particular, the minority Shareholders. Each of the Controlling Shareholders has confirmed in writing to the Company that he/it has complied with the Deed of Non-competition. Based on such written confirmation from the Controlling Shareholders and other appropriate queries made by the independent non-executive Directors, the independent non-executive Directors considered that the Controlling Shareholders have complied with all the undertakings under the Deed of Non-competition during the Year.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Company aims to, via its corporate governance structure, provide all the Shareholders an equal opportunity to exercise their rights in an informed manner and allow the Shareholders to engage actively with the Company. Under the Articles, the Shareholder communication policy and other relevant internal procedures of the Company, the Shareholders enjoy, among others, the following rights:

(i) Participation at general meeting

The general meetings of the Company provide an opportunity for direct communication between the Board and the Shareholders. The Company encourages the participation of the Shareholders through annual general meetings and other general meetings where the Shareholders meet and exchange views with the Board, and exercise their right to vote at meetings. Prior notices of meetings with appropriate notice period in compliance with the Articles and the Listing Rules and circulars containing details of proposed resolutions are sent to the Shareholders before the meeting. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual Directors.

(ii) Enquiries and proposals to the Board

The Company encourages the Shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board committees at the general meetings or providing written notice of such proposals for the attention of the Company Secretary at the registered office of the Company in Hong Kong currently situated at Suite 1508, 15th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong or via email to ir@fordoo.cn.

(iii) Convening extraordinary general meeting

The Directors may, whenever they think fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary and deposited at the registered office of the Company in Hong Kong currently situated at Suite 1508, 15th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Directors 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 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Articles or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

The notice of annual general meeting together with the accompanying circular setting out the relevant information as required under the Listing Rules are sent to Shareholders at least 20 clear business days prior to the meeting. Poll voting has been adopted for decision-making at Shareholders' meetings to ensure that each Share is entitled to one vote. Details of the poll voting procedures are set out in the circular sent to Shareholders prior to the meeting and explained at the commencement of the meeting. Voting results are posted on the Company's website on the day of the annual general meeting.

(iv) Procedures for proposing a person for election as a Director

Pursuant to article 85 of the Articles, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice (as defined therein) signed by a Member (as defined therein) (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the Year.

The amended and restated memorandum and articles of association of the Company as adopted on 9 June 2014 are available on the websites of the Stock Exchange and the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Our Board is responsible and has general powers for the management and conduct of our business. Our Board currently consists of six Directors, including three executive Directors and three independent non-executive Directors. The following sets forth information regarding members of our Board.

EXECUTIVE DIRECTORS

Mr. Kwok Kin Sun (郭建新), aged 61, is the founder of our Group and an executive Director. He is also the chairman of the Board. He is the father of Mr. Kwok Hon Fung (郭漢鋒), an executive Director. He was appointed as an executive Director on 23 December 2013 and the chairman of the nomination committee of the Company on 9 June, 2014. Mr. Kwok has over 20 years of experience in the menswear industry and is responsible for the formulation of our overall corporate strategies, planning and business development. Mr. Kwok's vision, leadership and dedication to our Group's development since inception have been core to our success to date.

Mr. Kwok Hon Fung (郭漢鋒), aged 27, is the chief executive officer of our Group and an executive Director. He is responsible for the execution of corporate strategies and the overall management of our daily operations. He is the son of Mr. Kwok Kin Sun (郭建新), an executive Director. He joined our Group in January 2009 and was appointed as an executive Director on 12 February 2014. Mr. Kwok obtained a graduation certificate in business administration from East China Normal University (華東師範大學) in Shanghai in 2009.

Ms. Yuan Mei Rong (袁美榮), aged 63, is the vice general manager of our Group and an executive Director. She is primarily responsible for the finance and administrative functions of our Group. She joined our Group in October 1996 and was appointed as an executive Director on 12 February 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Chiu Tung (張照東), aged 42, is an independent non-executive Director. Mr. Cheung joined our Group on 9 June 2014 and was appointed as an independent non-executive Director and the chairman of the remuneration committee of our Company on 9 June 2014. He is currently an associate professor in the law faculty in Huaqiao University (華僑大學) and has been the legislative consultant of Xiamen Municipal Bureau of Legislative Affairs (廈門市法制局) which carries out research on the lawmaking of the Municipal Government of Xiamen, implements and inspects the responsibility mechanism of administration and law execution as well as the appraisal and examination system since July 2011. He was a deputy director of the All China Lawyers Association Labor and Social Security Law Committee (中華全國律師協會勞動與社會保障法專業委員會) since January 2009. Mr. Cheung obtained his bachelor's degree in law from Xiamen University (廈門大學) in the PRC in 1996, his master's degree in economics and law from Huaqiao University (華僑大學) in the PRC in 1999, his doctorate degree in international economics and law from Xiamen University (廈門大學) in September 2003 and his post-doctoral degree in economics from Fujian Normal University (福建師範大學) in 2009 in the PRC.

Mr. Poon Yick Pang Philip (潘翼鵬), aged 47, is an independent non-executive Director. Mr. Poon joined our Group on 16 August 2016 and was appointed as an independent non-executive Director and the chairman of the audit committee of the Company on 16 August 2016.

Mr. Poon is the chief financial officer and company secretary of Real Nutriceutical Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 2010). Mr. Poon has over 20 years of corporate finance and accounting experience. He is also an independent non-executive director of Trigiant Group Limited (stock code: 1300) and Jiangnan Group Limited (stock code: 1366), both of which are listed on the Main Board of the Stock Exchange.

Prior to joining Real Nutriceutical Group Limited in June 2008, Mr. Poon had served senior financial positions in a number of companies listed in Hong Kong and the United States of America. He also served various positions in Advent International Corporation, a global private equity firm, Lenovo Group Limited (stock code: 992) and Sun Hung Kai Properties Limited (stock code: 16), both of which are listed on the Main Board of the Stock Exchange. Mr. Poon obtained a Bachelor of Commerce degree from the University of New South Wales in 1993 and is a holder of a Chartered Financial Analyst charter of the CFA Institute, a Certified Practising Accountant (Australia) and a fellow of the Hong Kong Institute of Certified Public Accountants.

Mr. Zhang Longgen (張龍根), aged 52, is an independent non-executive Director. Mr. Zhang joined our Group on 9 June 2014 and was appointed as an independent non-executive Director on 9 June 2014.

He is currently a director of JinkoSolar Holding Co., Ltd. (晶科能源有限公司) (stock code: JKS), a company listed on the New York Stock Exchange.

From September 2008 to September 2014, he was the chief financial officer and director of JinkoSolar Holding Co., Ltd. and was responsible for the company's financing matters.

He was qualified as a certified public accountant and was granted such certificate by the State Board of Public Accounting of the State of Texas in the United States in August 1995. He obtained the certificate of membership from the American Institute of Certified Public Accountants in July 2002.

SENIOR MANAGEMENT

Mr. Chung Ming Kit (鍾明杰), aged 39, is the chief financial officer of our Group and the Company Secretary. He joined our Group in January 2014 and is primarily responsible for our overall financial management, company secretarial affairs and coordination of investor relations. Mr. Chung has over 12 years of corporate finance and accounting experience. Prior to joining our Group, he had worked in an international accounting firm and other companies listed on the Main Board of the Stock Exchange, NASDAQ and the Singapore Exchange Securities Trading Limited. Mr. Chung obtained his bachelor's degree in business administration in accounting from the Hong Kong University of Science and Technology in Hong Kong in November 2001. He is a holder of a Chartered Financial Analyst of the CFA Institute and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Yan Hua (嚴華), aged 40, is a vice general manager of our Group and is responsible for market development and sales. Mr. Yan joined our Group in January 2009 and has over 12 years of experience in sales, operations and management. Prior to joining our Group, Mr. Yan worked at Fujian Septwolves Industry Co. Ltd. (七匹狼男裝有限公司) which engages in the design, manufacture, and sale of menswear, as a business supervisor responsible for business development from December 2001 to December 2004 and a marketing manager in charge of market development of Diking (China) Company Limited (帝牌(中國)有限公司) which engages in marketing, development and design, manufacturing and retail of apparels products. From March 2005 to May 2008, he was mainly responsible for market development and retail management. Mr. Yan obtained his bachelor's degree in economics from Shanxi University of Finance & Economics (山西財經大學) in the PRC in 2002.

Mr. Chen Jianxin (陳建鑫), aged 43, is the head of the production planning department. He joined our Group in October 1996. He became a supervisor of our Group in 1996 and was responsible for the manufacture of apparel products. Between 2004 and 2008, he served as the factory manager (廠長) for the production of business formal and business casual trousers. He was appointed as the head of the production planning department of Fordoo Clothing in 2009, and was responsible for the management of the department.

This report highlights the Group's management and strategic approach, priorities and commitment in pursuing aspects of environmental and social areas. The report covers the whole Group including China Fordoo Holdings Limited and its subsidiaries and covers the period from 1 January 2016 to 31 December 2016.

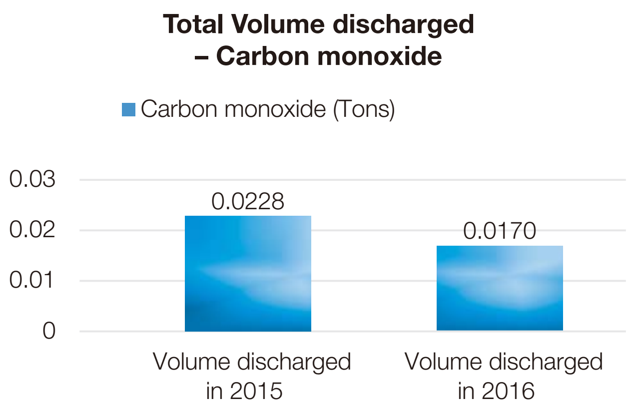
A. ENVIRONMENTAL ASPECTS

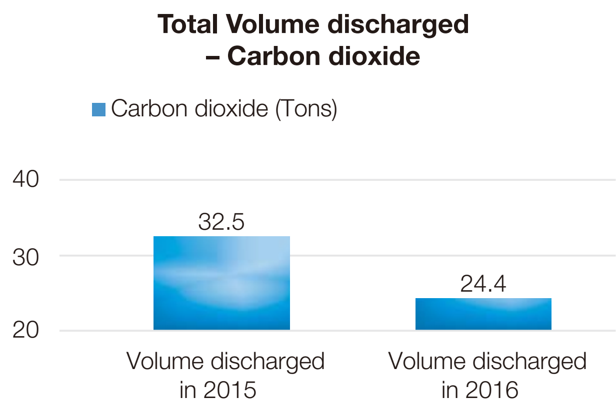
The Group recognizes its responsibility to protect the planet and preserve its beauty and resources to the next generation. We strive to enhance production efficiency and strengthen our environmental protection efforts on conserving resources and managing waste from our business activities.

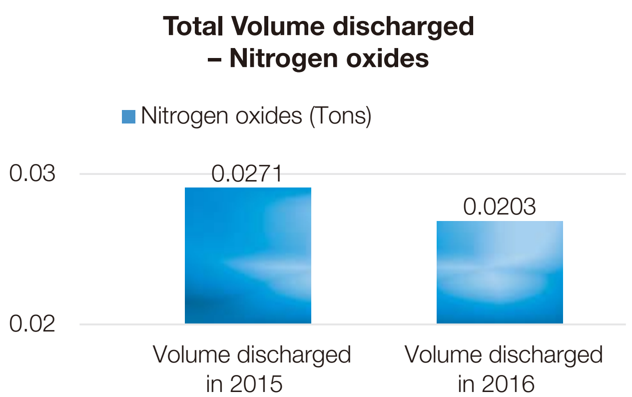
Emissions

The main wastes generated from our production processes are waste gases and waste fabrics. The waste gases are mainly carbon monoxide, carbon dioxide and nitrogen oxides.

Total volume of waste gases emissions







Notes: The above waste gases were discharged in the process of boiler heating fired by natural gas. The volume of gas emissions are estimated by the calculators at http://www.combustionportal.org/bcalc3.cfm. This website provides federal and state compliance information and sustainability content for various combustion processes that are impacted by federal and state regulations. The site includes calculators to estimate emissions from boilers fired by propane, butane, natural gas and oil.

Waste Gas Emission Reduction

With respect to emissions control, the Group is pleased to report that it has complied with the relevant laws and regulations of the PRC governing emissions control.

Since 2011, the Group has been using natural gas to substitute heavy fuel oil in the process of boiler heating. Using natural gas for heating is cleaner and better for the environment. Switching to natural gas can drastically reduce emissions including nitrogen oxides and carbon dioxide when burned in a boiler and eliminate the discharge of sulphur dioxide.

Solid waste separation and recycling program

The Group aims to conserve and recycle solid waste whenever possible. We conduct a separation and treatment process for solid waste. Reusable waste fabrics, waste paper boxes, waste plastics and scrap irons generated during the production processes are sold to third parties for recycling twice a week.

Use of Resources

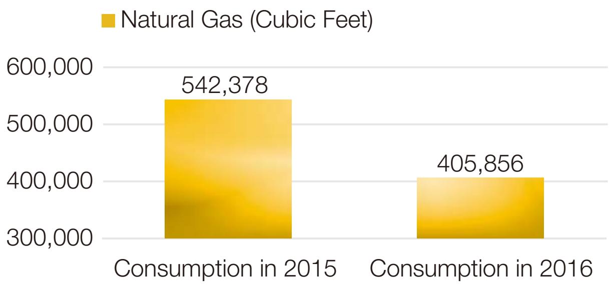
The main resources used in the Group's production processes are electricity, water and natural gas. Our energy consumption is mainly for the production of men's trousers, apparel products and fabrics.

During the Year, the Group's production output decreased by 28.0% to 5,125,046 units compared to the year ended 31 December 2015, with consumption of electricity of 6,989,228 kWh, decreased by 15.5%, and consumption of electricity per unit production increased slightly. Since 2011, the Group has been using environmental friendly natural gas to substitute heavy fuel oil in the process of boiler heating, drastically reducing emissions and effectively reducing adverse impacts on environment.

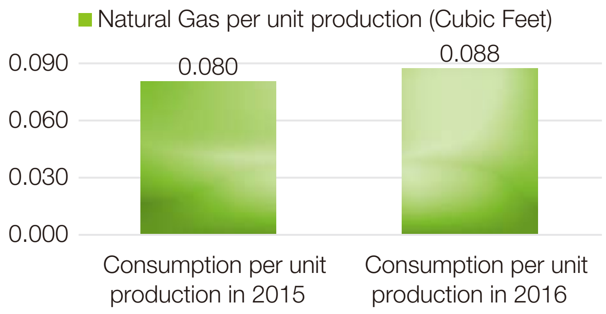
Our total energy consumption and consumption per unit production in the last two years were as follows:

The data include the Group's total energy consumption in production of men's trousers, apparel products and fabrics.

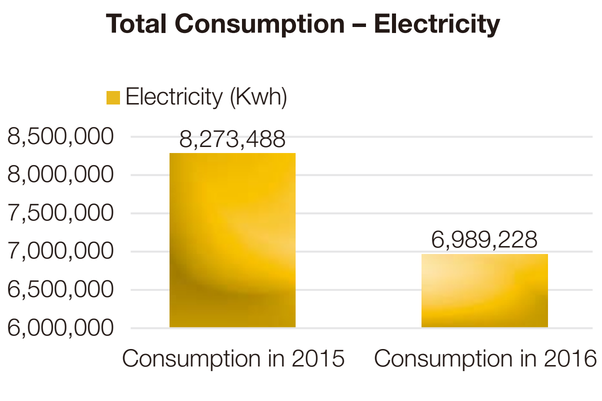
Total Consumption – Natural Gas

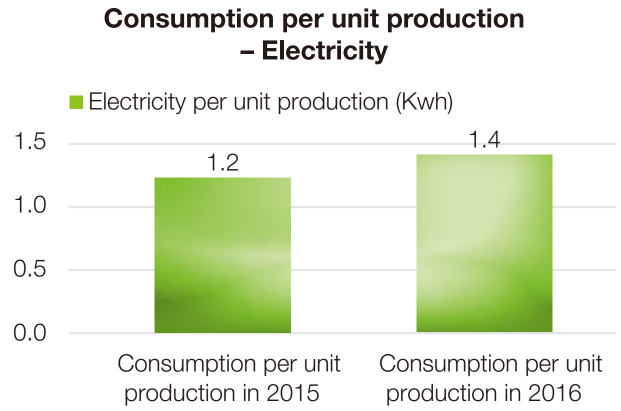


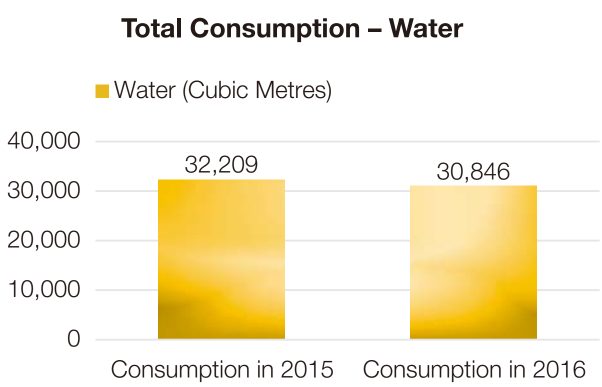
Consumption per unit production – Natural Gas

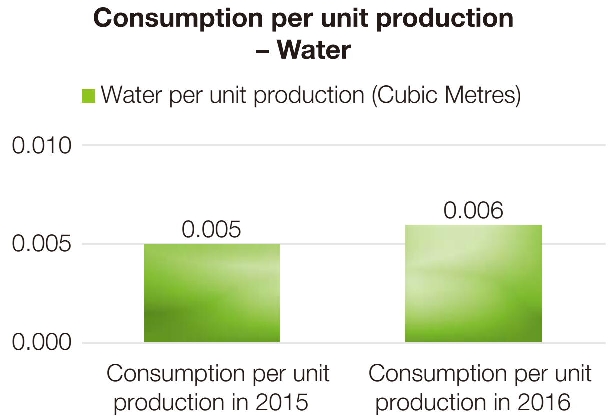


Notes: Natural gas was used for boiler heating









Electricity management

We implement green lighting in the workplace to reduce usage of electricity. This involves installing energy-saving lights and using energy-saving light bulbs in our office and manufacturing facilities. We also encourage our employees to switch off the lights in the areas of the workplace that are not being used and to use natural light whenever possible as well as switching off their office equipment such as computers and printers at the end of the workday.

The Environment and Natural Resources

We pursue a high degree of automation in our manufacturing processes to enhance production efficiency significantly, which enables us to make better use of natural resources and reduce the pressure to the environment caused by production emissions. Almost all of our production equipment are purchased from highly recognized international equipment providers. For example, our sewing machines are from a leading German brand, which we use to sew zippers, fly fronts and side seams and attach pockets of trousers; our plate cutting machines are from a leading U.S. equipment manufacturer, which replace manual cutting; and our seaming machines are from a reputable U.S. equipment manufacturer.

We advocate the use of electronic means to replace paper for communication. The Group has also promoted the reuse of paper for printing informal documents and returned the used toner cartridges to a third party for recycling regularly.

The Group emphasizes sustainable development and incorporates the environmental protection concept throughout the daily production and administration activities. We believe that our effort on environmental protection will become a part of our competitiveness, leading the Group to greater success in the future.

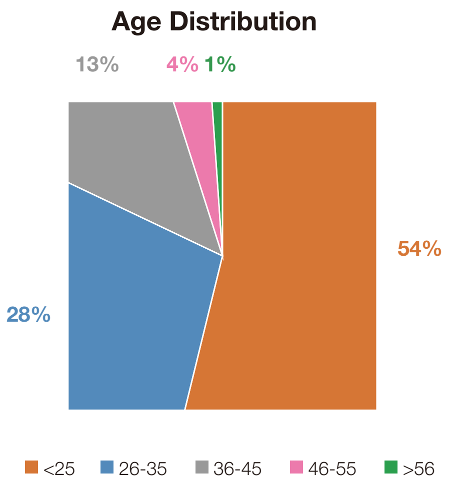
B. SOCIAL ASPECTS

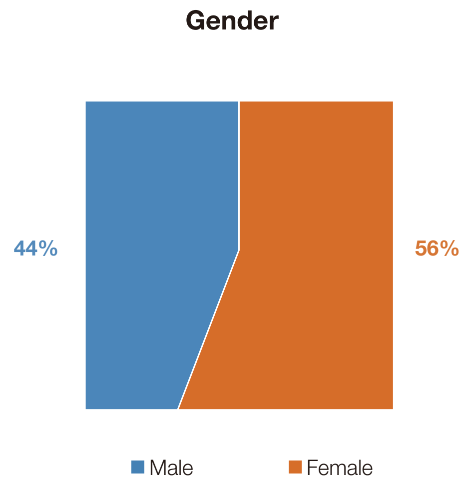
EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group believes that a motivated and balanced workforce is crucial for developing a sustainable business model and driving long-term returns.

As at 31 December 2016, the Group had a total of 2,581 employees (2015: 3,593), of which almost all are based in Quanzhou, Fujian Province. The charts below show the demographics of the Group's workforce as at 31 December 2016.





The Group has a diverse workforce in terms of gender and age, providing a variety of ideas and levels of competencies which contribute to the Group's success.

The Group employs workers in strict compliance with the Group's policies and the requirements of the Labour Law of the PRC including the following:

1. Working hours, holidays and statutory paid leaves are compliant with the requirements of the PRC.

2. Workers' wages and related benefits are made in accordance with the local minimum wage (or above). Wages are paid in full amount and on time each month.

3. Contributions to social insurance funds are made for regular employees.

4. The Group has established an anti-discrimination policy and complied with the requirements of relevant laws. There has been no occurrence of discrimination in the Group against race, region, nationality, age, pregnancy or disability in respect to employee recruitment, training, salary and promotion for the Year.

The Group's monthly average staff turnover rate in 2016 was 4.6 % (2015: 1.3%). To improve the level of employee satisfaction and engagement with the Group, we provide the following effective measures and benefits:

- We offer free quality accommodation to 1,921 employees at our dormitory residence located at Quanzhou, Fujian Province, with a total gross floor area of approximately 27,269.9 sq.m. Designed with utmost comfort and recreation in mind, the dormitory residence features 34" LCD TVs, WiFi access, centralized air conditioning, separated bathrooms and water heaters, laundry and cooking facilities and extensive recreation facilities including basketball courts, a large ice skating rink, internet cafes, billiards room and gym rooms. We also have four restaurants offering a variety of dining options to our employees.

- Realizing that child care emerged as an important issue for employees in recent decades, the Group established a child care centre, "Love House" ("愛心屋"), in 2008 to provide support to our employees and their families with caregiving responsibilities. With full time daycare specialists, "Love House" ("愛心屋") provides six-days-a-week intensive care, supervision and a range of learning activities such as singing, dancing lessons to children of our employees aged between two years and six years.

- In the past five years, we offered an average contribution above RMB1.0 million each year as round-trip travel subsidies for staff to go home and return to work during and after the Chinese New Year holidays.

- We cultivate a harmonious corporate culture which engenders high levels of staff commitment and motivation. In 2016, we organized various regular staff development programs, recreational activities and competitions to encourage staff integration and boost team spirit, such as corporate team outings held during the Labour Day holidays, "Basketball Competition", "Return in Triumph" annual dinner held before Lunar New Year, "Happy Children's Party" held on International Children's Day.

We offer free quality accommodation to 1,921 employees at our dormitory.

Our staff had fun with their kids at the "Happy Children's Party" held on 1 June 2016, International Children's Day.

The Group held various corporate team outings in 2016, such as Nanjing outing held during the Labour Day holidays.

We had basketball competition with other companies, which was held at our basketball court.

Health and Safety

The Group values the safety and well-being of staff. We established and strictly implemented internal safety guidelines and operation procedures and achieved OHSAS 18001 certification against the internationally applied standard for occupational health and safety management system. Our employees are provided with occupational safety education and training to enhance their safety awareness. We have also employed qualified assessors to carry out equipment maintenance and assess occupational hazards at the workplace on a regular basis.

There were no fatalities or work related injuries in the last three years and we have complied with all applicable labor and safety laws and regulations since the commencement of our business.

Development and Training

The Group supports its staff to develop and enhance their knowledge, skills and work capability. Various training courses are regularly conducted to promote loyalty, occupational safety, sales fairs planning, quality control, customer servicing skills and product knowledge. In 2016, 982 hours have been recorded in staff training.

The Group has 5 different employee training programs:

(a) Training Program for Directors and Senior Management — Training on corporate governance and updates on the latest development regarding the Listing Rules and other applicable legal and regulatory requirements are provided to directors and senior management personnel.

(b) Training Program for New Employees — Training for new employees includes introduction of our corporate culture and policies, workplace safety and security, product knowledge, industry trend and other areas relevant to the industry.

(c) Training Program for Middle Level Management — Training for Middle managerial level employees encompasses enhancement of management and leadership skills, emotional intelligence and problem-solving skills.

(d) Training Program for Production Workers and Quality Control Employees — Training for production workers includes technical skill and knowledge of the production techniques, safety guidelines and production procedures as well as product quality control assurances.

(e) Staff Development Program for All Employees — Staff development programs aim at helping our employees to develop their soft skills such as self-motivation, resilience and interpersonal skills.

Labour Standards

The Group adopts a series of comprehensive policies and procedures regarding recruitment and labor use to prevent child or forced labour. Since 2011, we have actively interacted with Quanzhou Public Security Bureau and installed an identity cards identification system in our Human Resources department. During the recruitment process, the applicant must provide his/her identity card for interviewers' inspection and the identity card will be scanned to the identity cards identification system for verification of its authenticity. The Group has complied with the relevant laws and regulations in the PRC on prevention of child and forced labour.

During 2016, the Group joined the Business Social Compliance Initiative ("BSCI"), which is an initiative purely for the private sector to improve and monitor compliance with workers' rights in the global supply chain. The BSCI sets out 11 core labour rights including Fair Remuneration, Occupational Health and Safety, Ethical Business Behaviour and Protection of the Environment. Joining the BSCI indicates our great attention to workers' rights and social responsibilities, thereby enhancing the corporate image of the Group.

OPERATING PRACTICES

Supply Chain Management

The Group has established a set of stringent criteria to ensure that our purchased materials are up to the Group's standards and adhere to certain certifications so as to ensure a smooth production process. The following criteria are considered in the selection of suppliers:

- Raw materials quality — The quality of raw materials is in compliance with GB18401, a national standard for all textile products, as well as other industry standards.

- On-time delivery and transportation — The products we ordered are delivered to our warehouses or our designated places on time.

- Others — Other considerations include qualifications, business scale, production capacity, product quality, environmental measures, ethical standards and industry reputation of the suppliers.

In addition, all of our suppliers are subject to annual evaluation, which includes an assessment of product quality, production costs and product delivery time.

Product Responsibility

The Group have adopted the ISO 14001, ISO 9001 and OHSAS 18001 management systems to strengthen the health and safety, environmental protection and product quality management.

Below are the Group's ISO 14001, ISO 9001 and OHSAS certificates.

We are strongly committed to product quality and established a quality control system, which is one of the principal factors contributing to our success. We adopt internal product quality control procedures to ensure that our products meet national, industry and our internal standards. Our quality control measures cover various stages of our operations, including raw materials procurement, sample creation and self-production and outsourced production. We have applied and maintained the GB/T 19001-2008/ISO 9001:2008, GB/T 28001-2011/OHSAS 18001:2007, GB/T 24001-2004/ISO 14001:2004 certifications for our design and production of men's suits, trousers, slacks, jackets and T-shirts since 2004.

Achieving certification against the International Standard proves our level of competence in our quality control system, and at the same time, demonstrates our commitment to consumer safety and stakeholder relations. We have also set up a laboratory under our quality control department to conduct internal quality inspection in accordance with ISO/IEC17025 standard. We consider that our internal quality standards are more stringent than the national standards and all of our products are required to pass the relevant national and internal quality tests before reaching our customers.

As of 31 December 2016, we had a team of 28 staff members in our quality control department. Our quality control system includes the following processes:

- Raw materials — Raw materials suppliers must pass our internal quality checks, external third party quality inspections, as well as certain national health, safety and environmental standards. Raw materials that fail to meet these standards may be returned to the suppliers for rectifications or replacement.

- Sample products — Our quality control team carries out tests on all sample products before we show them at our sales fair for design defects and suitability of materials.

- Production — We carry out inspections at all important stages of our production process to ensure that our standards are met, including spot checks of semi-finished products and final inspections on finished products to ensure that the products comply with our specifications and are free of major defects.

The Group has complied with the applicable laws and regulations relating to our products.

In addition, the Group is devoted to product development in order to address our end customers' evolving needs and preferences. Our strong innovation track record is evidenced by our patented products, such as trousers with anti-theft pockets (防盜褲), trousers promoting health and wellness (健康型西褲), trousers using new zipper sewing technology (一種新型褲子), top using new chest liners sewing technology (一種新型胸襯), comfort and fit trousers (舒便型西褲), comfort and fit blazer (舒挺型上衣) and trousers with buttons concealed (具有隱形鈕扣褲子). In 2014, the Group was awarded "Quality Award" by China National Garment Association, which is a testament to our commitment to quality.

Anti-Corruption

To combat corruption, the Group has established its "Self-Discipline Regulations" and communicated with its employees its stance against corruption. We also conducted seminars to senior management and directors in respect of the rules and regulations relating to anti-corruption as set out by the government of Hong Kong and the PRC.

To demonstrate our commitment to the highest standards of openness, accountability and probity, the Group has established a written whistle-blowing policy and reporting procedures under which any suspected misconduct or malpractice can be directly reported to our independent directors. These reporting procedures are designed to ensure a fair and independent investigation for each case. The Group has complied with the applicable laws and regulations relating to anti-corruption.

COMMUNITY

Community Investment

Urban greenery is one of our core community concern initiatives. In the past few years, the Group strived to greening and beautifying the urban living environment through various urban greenery activities. These included planting street trees around the community we operate, enhancing existing greened areas, fertilization, soil remediation and regular maintenance and preservation of trees and shrubs.

We are dedicated to nurture and protect the "green space" in the city we serve which contributes to its sustainability and livability by enhancing sense of place and urban ecosystems.

REPORT OF THE DIRECTORS

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

BUSINESS REVIEW

A review of the business of the Group during the Year and a discussion on the Group's future business development are set out in the Chairman's Statement on pages 4 to 5 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.

(i) Fashion risk

Fashion trends, consumer demands and preferences in the markets where we operate frequently change and depend upon various factors, including, among other things, global fashion and lifestyle trends, consumption patterns, disposable income and other factors that are beyond our control. We believe that our ability to anticipate, identify and respond to those trends in a timely manner is critical to our success. We may fail to accurately anticipate the shifts in customer preference, or fail to timely offer products that meet those changing trends. We cannot assure you that our design and product development will accurately reflect the prevailing fashion trends or customer preferences at any given time, or that the new products we launch will be well received by the market or achieve the expected sales level. If our new products fail to gain market acceptance, our brand image, business, financial condition, results of operations and prospects will be adversely affected.

(ii) Intense competition

We compete not only with local Chinese menswear brands, but also with other international brands. Areas of competition include product designs, product quality, production costs, marketing programs and customer acceptance. If we do not respond timely to our competitors, we may lose our customers and affect our revenue and profits.

(iii) Macroeconomic environment

Macroeconomic changes may affect consumers' behavior. Menswear products are considered as discretionary items for customers. Slower consumer spending momentum may reduce the demand for our products, leading to lower revenue and margins. It is therefore important that the Group is aware of any such changes in the economic environment and adjusts its store opening plan, buying volume and business plan under different market conditions.

(iv) Supply chain

We engage independent third-party manufacturers to produce our fabrics and raw materials, all accessory products and certain apparel products for us. 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 times. For the Year, 24% (2015: 23%) of our products were produced by our top five suppliers.

(v) Credit risk of our distributors

We offer our distributors credit terms ranging from 90 days to 180 days, taking into account their capital, order size, credit history, financial capability, operating scale and relationship with us. We make provisions for bad and doubtful debts based on the aging, payment history and other specific criteria. However, there is no assurance that we will be able to fully recover our receivables from our distributors, or that they will be settled on a timely basis. In the event that settlements from our distributors are not made in full or on timely basis, our business, financial position, results of operations and prospects may be materially and adversely affected.

(vi) Reputational risk

Brand image is a key factor for customers when making decisions to purchase menswear products. We sell all of our products under our "FORDOO" brand. We seek to maintain and strengthen our brand identity through multichannel marketing campaign in the PRC. However, our marketing and promotional efforts may not be successful. If we are unable to successfully maintain and promote our brand, our business, financial condition, results of operations and prospects may be materially and adversely affected. In addition, any negative publicity on us could adversely affect our operations and financial results or reduce our market share.

(vii) Weather

Extreme weather conditions in the areas in which our retail stores, suppliers and customers are located could adversely affect our operating results and financial condition.

KEY RELATIONSHIPS

(i) 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 pre-employment 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 schemes to recognize and reward the contribution of its employees to the growth and development of the Group.

(ii) Suppliers

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

(iii) Distributors

We sell our products to end customers through third-party distributors. We work with our distributors as business partners and ensure we share the view for upholding our brand value and customer services, specifically focusing on providing quality products to our customers. We and our distributors reach an agreement on sales target and store expansion plans before they place their orders. We also monitor the financial condition and repayment history of our distributors.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycling of office supplies and other materials.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands and is domiciled in Hong Kong and has its registered office at Suite 1508, 15/F, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong. The Group's principal place of business is in the PRC.

PRINCIPAL ACTIVITIES

The principal activities of the Group are manufacturing and wholesaling of menswear in the mainland China. The principal activities and other particulars of the subsidiaries are set out in note 31 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, aggregate sales to the Group's largest and five largest customers accounted for approximately 8% (2015: 14%) and 26% (2015: 31%), respectively, of the Group's total revenue for the Year.

Aggregate purchases from the Group's largest and five largest raw materials suppliers accounted for approximately 6% (2015: 5%) and 26% (2015: 23%), respectively, of the Group's total purchases of raw materials for the Year.

Aggregate purchases from the Group's largest and five largest suppliers of OEM products accounted for approximately 17% (2015: 10%) and 57% (2015: 26%), respectively, of the Group's total purchases from OEM contractors for the Year.

At no time during the Year had the Directors, their associates or any Shareholder (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

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 116 of this annual report. This summary does not form part of the audited consolidated financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the Year 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 60 to 115 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 12 to the consolidated financial statements. An independent property valuer has valued the property interests of construction in progress which related to the Fordoo commercial centre in Hui'an and was of the opinion that the market value of the Fordoo commercial centre under construction was in an aggregated amount of RMB541 million as of 31 December 2016.

REPORT OF THE DIRECTORS

RESERVES

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

As at 31 December 2016, the Company's reserves available for distribution amounted to approximately HK$117.0 million.

DIVIDEND

No interim dividend was paid during the Year. The Directors did not recommend the payment of a final dividend for the Year.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2016 are set out in note 22 to the consolidated financial statements.

CHARITABLE DONATIONS

There was no charitable donations made by the Group during the Year (2015: Nil).

NON-CURRENT ASSETS

Details of acquisitions and other movements of non-current assets (including property, plant and equipment, construction in progress, investment properties, lease prepayments and intangible assets) are set out in notes 12 to 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 26 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules up to the date of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands where the Company is incorporated.

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

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the Year.

DIRECTORS

The Directors during the Year were:

Executive Directors

Mr. Kwok Kin Sun *(Chairman)*
Mr. Kwok Hon Fung *(Chief Executive Officer)*
Ms. Yuan Mei Rong

Independent Non-Executive Directors

Mr. Cheung Chiu Tung
Mr. Kwauk Teh-Ming, Walter (resigned on 16 August 2016)
Mr. Poon Yick Pang Philip (appointed on 16 August 2016)
Mr. Zhang Longgen

Each of the executive Directors and independent non-executive Directors, except Mr. Poon Yick Pang Philip, has entered into a service contract with the Company for a term of three years commencing from the Listing Date subject to his retirement and re-election at annual general meetings in accordance with the Articles. Mr. Poon Yick Pang Philip has entered into a letter of appointment with the Company for a term of three years commencing on 16 August 2016. The details of the remuneration of each of the Directors are revealed in note 9 to the consolidated financial statements.

Details of the Directors' biographies have been set out on pages 32 to 33 of this annual report. In accordance with article 84 of the Articles, Ms. Yuan Mei Rong and Mr. Cheung Chiu Tung will retire from the Board by rotation at the 2017 AGM and, being eligible, offer themselves for re-election. In addition, pursuant to article 83(3) of the Articles, Mr. Poon Yick Pang Philip shall hold office until the next general meeting of the Company and be subject to re-election. As such, Mr. Poon Yick Pang Philip shall retire at the 2017 AGM and being eligible, will offer himself for re-election at the 2017 AGM.

No Director proposed for re-election at the 2017 AGM has an unexpired service contract with the Group which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

REMUNERATION POLICY

The remuneration policy and remuneration packages of the executive Directors and senior management are reviewed by the remuneration committee of the Company which are detailed in the paragraph headed "Remuneration Committee" under the corporate governance report on page 25 of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Year.

CONFIRMATION OF INDEPENDENCE

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

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

As at 31 December 2016, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests and short positions in the Shares, underlying Shares and debentures and associated corporations:

Name	Position	Nature of interest	Number of issued ordinary Shares held	Number of underlying Shares under the share options held [(3)]	Total	Approximate percentage of shareholding
Mr. Kwok Kin Sun[(1)]	Long	Interest in a controlled corporation	244,800,000	–	244,800,000	50.90%
Mr. Kwok Hon Fung[(2)]	Long	Interest in a controlled corporation	50,400,000	–	50,400,000	10.48%
Ms. Yuan Mei Rong	Long	Beneficial owner	–	400,000	400,000	0.0832%
Mr. Cheung Chiu Tung	Long	Beneficial owner	–	300,000	300,000	0.0624%
Mr. Zhang Longgen	Long	Beneficial owner	–	200,000	200,000	0.0416%

Notes:

(1) Mr. Kwok Kin Sun, the chairman of the Board and an executive Director, is deemed to be interested in all the Shares held by Everkept Limited ("Everkept") by reason of his 70% interest in the share capital of Everkept.

(2) Mr. Kwok Hon Fung, an executive Director and the chief executive officer of the Group, is deemed to be interested in all the Shares held by Equal Plus Limited ("Equal Plus") by reason of his 100% interest in the share capital of Equal Plus.

(3) These are Shares subject to the exercise of the share options granted by the Company under the Share Option Scheme on 7 October 2015. Details of the Share Option Scheme are set out in the section headed "Share Option Scheme" below.

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executive of the Company and their associates had registered an interest or a short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARE OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" below, during the Year, no rights to acquire benefits by means of acquisition of Shares in or debenture of the Company were granted to any Directors or their respective spouse or minor children, or were any such rights excised by them; nor was the Company, or any of its subsidiaries a party to any arrangement which enabled the Directors to acquire such rights in and other body corporate.

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

As at 31 December 2016, so far as the Directors are aware, having made all reasonable enquiries, the following table sets out interests of 5% or more of the issued share capital of the Company (other than the interests of the Directors as disclosed above) as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Position	Nature of interest	Number of Shares	Approximate percentage of shareholding
Zhongtai Securities Company Limited	Long	Security interest in Shares	290,412,000	60.39%
Ms. Wong Tung Yam (1)	Long	Interest of spouse	244,800,000	50.90%
Everkept	Long	Beneficial owner	244,800,000	50.90%
Equal Plus	Long	Beneficial owner	50,400,000	10.48%
Mr. Kwok Hon Pan (2)	Long	Interest in a controlled corporation	45,612,000	9.49%
Key Tide	Long	Beneficial owner	45,612,000	9.49%

Notes:

(1) Ms. Wong Tung Yam, the spouse of Mr. Kwok Kin Sun, the chairman of the Board and an executive Director, is deemed to be interested in all the Shares in which Mr. Kwok Kin Sun is interested.

(2) Mr. Kwok Hon Pan, the son of Mr. Kwok Kin Sun and the brother of Mr. Kwok Hon Fung, is deemed to be interested in all the Shares held by Key Tide Limited ("Key Tide") by reason of his 100% interest in the share capital of Key Tide.

Save as disclosed above, as at 31 December 2016, the Company was not aware of any person or corporation having an interest or a short position in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

CHANGE OF DIRECTORS

Details in relation to the change of Directors during the Year are set out in the section headed "Corporate Governance Report".

CONNECTED TRANSACTIONS

Material related party transactions entered into by the Group during the Year, which did not constitute connected transactions (as defined under the Listing Rules) are disclosed in note 29 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 29 to the consolidated financial statements, there was no contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted for the Year.

TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

During the financial Year, save as disclosed in note 29 to the consolidated financial statements, there had been no transaction, arrangement or contract of significance in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly.

COMPETING BUSINESS

None of the Directors had any interest in any competing business with the Company or any of its subsidiaries during the Year. Each of Mr. Kwok Kin Sun and Everkept Limited (the Controlling Shareholders) has confirmed to the Company that he/it has complied with the non-compete undertaking given by them to the Company on 9 June 2014. The independent non-executive Directors have reviewed the status of compliance and enforcement of the Deed of Non-competition and confirmed that all the undertakings thereunder have been complied with throughout the Year.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 9 June 2014 (the "Share Option Scheme") for the purpose of rewarding certain Eligible Persons (as defined below) for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with, such Eligible Persons (as defined below) who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to the earlier termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on 9 June 2014. As at 31 December 2016, the remaining life of the Share Option Scheme was approximately 7 years and 5 months.

Eligible participants of the Share Option Scheme include, (i) any proposed, full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any director or proposed director (including an independent non-executive director) of the Company or any of its subsidiaries; (iii) any direct or indirect shareholder of the Company or any of its subsidiaries; (iv) any supplier, customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Company or any of its subsidiaries; (v) any person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Company or any of its subsidiaries and (vi) any associate of any of the persons referred to in paragraphs (i) to (v) above (the person referred above are the "Eligible Persons").

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, i.e. 48,000,000 Shares. Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to eligible participants specifically identified by the Board.

Notwithstanding the foregoing, the maximum number of Shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

The maximum number of Shares issued and to be issued upon the exercise of options granted under the Share Option Scheme (including exercised or outstanding options) to each grantee within any 12-month period, is limited to 1% of the Shares in issue at any time. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial Shareholder or an independent non-executive Director, or to any of their associates, in excess of 0.1% of the Shares in issue at any time and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The Board shall not offer the grant of any option to any Eligible Person after inside information has come to its knowledge until it has announced the information pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements provided that no option may be granted during any period of delay in publishing a results announcement.

The exercise period of the share options granted is determinable by the Directors, which period may commence from the date of the offer of the share options, and end on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant within 30 days after the offer date.

The exercise price of the share options is determinable by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as quoted on the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share.

On 7 October 2015 (the "Date of Offer"), the Company granted options to subscribe for an aggregate of 3,300,000 ordinary Shares of HK$0.01 each in the share capital of the Company to Eligible Persons of the Group under the Share Option Scheme at an exercise price of HK$3.56 per Share. The closing prices of the Shares immediately before the Date of Offer and on the Date of Offer were HK$3.54 and HK$3.56 respectively. The offers were accepted by the grantees within 30 days after the Date of Offer.

Details of movements of the share options during the Year are set out below:

Category	Date of grant	Exercise price (HK$)	Exercisable period	Number of Share Options As at 1 January 2016	Granted	Exercised	Cancelled	Lapsed	As at 31 December 2016
Directors									
Yuan Mei Rong	7 October 2015	3.56	7 October 2016 to 6 October 2021	200,000	–	(200,000) [2]	–	–	–
	7 October 2015	3.56	7 October 2017 to 6 October 2022	200,000	–	–	–	–	200,000
	7 October 2015	3.56	7 October 2018 to 6 October 2023	200,000	–	–	–	–	200,000
Kwauk Teh-Ming Walter [1]	7 October 2015	3.56	7 October 2016 to 6 October 2021	100,000	–	–	–	(100,000)	–
	7 October 2015	3.56	7 October 2017 to 6 October 2022	100,000	–	–	–	(100,000)	–
	7 October 2015	3.56	7 October 2018 to 6 October 2023	100,000	–	–	–	(100,000)	–
Zhang Longgen	7 October 2015	3.56	7 October 2016 to 6 October 2021	100,000	–	(100,000) [3]	–	–	–
	7 October 2015	3.56	7 October 2017 to 6 October 2022	100,000	–	–	–	–	100,000
	7 October 2015	3.56	7 October 2018 to 6 October 2023	100,000	–	–	–	–	100,000
Cheung Chiu Tung	7 October 2015	3.56	7 October 2016 to 6 October 2021	100,000	–	–	–	–	100,000
	7 October 2015	3.56	7 October 2017 to 6 October 2022	100,000	–	–	–	–	100,000
	7 October 2015	3.56	7 October 2018 to 6 October 2023	100,000	–	–	–	–	100,000
Employee									
In aggregate	7 October 2015	3.56	7 October 2016 to 6 October 2021	600,000	–	(600,000) [4]	–	–	–
	7 October 2015	3.56	7 October 2017 to 6 October 2022	600,000	–	–	–	–	600,000
	7 October 2015	3.56	7 October 2018 to 6 October 2023	600,000	–	–	–	–	600,000
Total				3,300,000	–	(900,000)	–	(300,000)	2,100,000

Notes:

(1) Following his resignation as an independent non-executive Director on 16 August 2016, the share options held by Kwauk Teh-Ming Walter lapsed on the same date.

(2) The weighted average closing price of these shares immediately before the dates on which the relevant share options were exercised is HK$7.44.

(3) The weighted average closing price of these shares immediately before the dates on which the relevant share options were exercised is HK$5.05.

(4) The weighted average closing price of these shares immediately before the dates on which the relevant share options were exercised is HK$7.26.

The total number of Shares available for issue under the Share Option Scheme is 100,000, representing 0.02% of the Company's issued share capital as at the date of this report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules during the Year, except for a deviation from Code provision A.6.7.

Under Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of the shareholders. Due to other pre-arranged business commitments, Mr. Cheung Chiu Tung and Mr. Zhang Longgen, both independent non-executive Directors, were not able to attend the 2016 AGM held on 5 May 2016.

The Board currently comprises three executive Directors and three independent non-executive Directors, with independent non-executive Directors representing 50% of the Board, which is higher than the requirement of the Listing Rules. Such a high percentage of independent non-executive Directors on the Board can ensure their views carrying significant weight and reflecting independence of the Board. On the above basis, the Board considers that the current board structure will not impair the balance of power and the authority of the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

RETIREMENT SCHEMES

The Group participates in defined contribution retirement benefit schemes organized by the PRC municipal and provincial government authorities for the Group's eligible employees in the PRC, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 24 to the consolidated financial statements.

UPDATES ON COMPLIANCE AND REGULATORY MATTERS

As disclosed in the Prospectus, the Company has agreed with Human Resources and Social Welfare Bureau of Fengze District, Quanzhou (the "Bureau") on a five-year social insurance fund contribution scheme (the "Five-year Scheme"). According to the Five-year Scheme, the Company expects to make future social insurance fund contributions for all of its eligible employees gradually in accordance with the relevant PRC laws and regulations in the five years from 2014 to 2018. The Bureau has also agreed not to impose any fine on the Company if the Company can fully make the social contributions in accordance with the Five-year Scheme.

The Company will, on a regular basis, update the Bureau and the Shareholders on the progress of the Five-year Scheme, and settle the unsubscribed social insurance contribution with any employees as required by them or by any relevant government authority. Our Directors have reviewed and considered that the Company has fully made the necessary social contributions for the Year in accordance with the Five-year Scheme.

The Group's operations are mainly carried out by the Company's subsidiaries in the mainland China while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in the mainland China and Hong Kong. During the Year and up to the date of this report, we have complied with all the relevant laws and regulations in the mainland China and Hong Kong, including those governing labor and safety and emissions control. Our Directors are not aware of any legal, arbitration or administrative proceedings against the Company that will have a material adverse effect on our business, financial condition or results of operations.

EVENTS AFTER THE REPORT PERIOD

There were no significant events after the reporting period of the Group.

AUDITOR

The consolidated financial statements for the Year have been audited by Elite Partners CPA Limited, who shall retire and, being eligible, offer themselves for re-appointment at the 2017 AGM. A resolution for the re-appointment of Elite Partners CPA Limited as auditors of the Company is to be proposed at the 2017 AGM.

On behalf of the Board

Kwok Kin Sun
Chairman

Hong Kong
28 March 2017

INDEPENDENT AUDITOR'S REPORT

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

To the members of China Fordoo Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Fordoo Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 60 to 115, which comprise the consolidated statement of financial position as at 31 December 2016, and 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Revenue	
The Group's revenue was mainly from the manufacturing and wholesaling of menswear in the mainland China, set out in note 5. Substantially, all of the Group's customers are distributors in the mainland China ("Distributors") that re-sell the goods to retail customers in their own retail stores located in difference provinces in the mainland China. We have identified the revenue recognition as a key audit matter because significant management judgment was required taking into specific facts and circumstances.	Our major audit procedures in relation to the revenue recognition included the following: — We performed tests of control on revenue recognition on a sample basis. — We read the agreements with the Distributors on a sample basis to understand if there is any sale return policy and checked to ledgers on a sample basis to identify any significant sales return during the year. — We have interviewed with some Distributors on a sample basis to understand their relationship with the Group, location of their retail stores, retail pricing policy and market condition for selling the Group's Menswear. — We performed substantive testing on a sample basis to trace the sales transaction recorded by the Group to the source documents. — We performed analytical procedures to understand from the sales team and management of the Company the reason for fluctuation in sales.

Key audit matter	How the matter was addressed in our audit
Impairment assessment of trade receivables	
The Group generally provided credit term of 90–180 days to its customers for the sales of goods. As at 31 December 2016, the Group had trade receivables (before impairment) of RMB542,752,000. For the year ended 31 December 2016, the Group recognised impairment losses on trade receivables of approximately RMB64.8 million which had been outstanding for over 180 days, representing approximately 11% of the total trade receivables as at 31 December 2016. Details of the Group's trade receivables were as set out in note 19 to the consolidated financial statement. We have identified the impairment assessment of trade receivables as a key audit matter because significant management judgment was required to estimate the amount of impairment of trade receivables, including the credit history of customers, subsequent settlements and aging analysis of trade receivables.	Our major audit procedures in relation to the management's impairment assessment on trade receivables included the following: — We discussed with management of the Company the impairment policy, basis and assumptions used in estimation of the recoverable amount of the trade receivables. — We obtained from the management of the Company the aging analysis of the trade receivables and assessed the reasonableness of recoverability of trade receivables and sufficiency of impairment losses with reference to the credit working of the customers and subsequent settlements etc. We tested the aging analysis of the trade receivables on a sample basis to source documents, for instance, sales invoice.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The audit committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Yip Kai Yin with Practising Certificate number P05131.

Elite Partners CPA Limited
Certified Public Accountants

10/F., 8 Observatory Road,
Tsim Sha Tsui, Kowloon,
Hong Kong
28 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	Note	2016 RMB'000	2015 RMB'000
Revenue	5	**1,185,830**	1,873,709
Cost of sales		**(764,189)**	(1,197,626)
Gross profit		**421,641**	676,083
Other income	6	**6,216**	19,209
Selling and distribution expenses		**(76,162)**	(120,514)
Administrative and other operating expenses		**(136,209)**	(139,954)
Profit from operations		**215,486**	434,824
Finance costs	7(a)	**(22,271)**	(22,667)
Profit before taxation	7	**193,215**	412,157
Income tax	8	**(61,626)**	(123,490)
Profit for the year		**131,589**	288,667
Other comprehensive income for the year			
Items 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")		**(15,038)**	(8,029)
Total comprehensive income for the year		**116,551**	280,638
Earnings per share (RMB cents)			
— Basic and diluted	11	**27**	60

The notes on pages 65 to 115 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 26(a)(i).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	12	**264,929**	284,110
Construction in progress	13	**255,727**	112,016
Investment properties	14	**24,930**	26,117
Lease prepayments	15	**267,347**	274,456
Intangible assets	16	**2,978**	3,312
Deposit for acquisition of intangible asset		**9,045**	–
Pledged bank deposits	17	**–**	47,100
Deferred tax assets	23(a)	**29,820**	13,620
		854,776	760,731
Current assets			
Inventories	18	**58,169**	63,569
Trade and other receivables	19	**438,068**	696,750
Pledged bank deposits	17	**58,200**	–
Fixed deposits held at bank with original maturity over three months	20(a)	**52,200**	142,682
Cash and cash equivalents	20	**842,872**	514,051
		1,449,509	1,417,052
Current liabilities			
Trade, bills and other payables	21	**217,782**	233,133
Bank borrowings	22	**606,499**	348,000
Current taxation		**22,624**	31,794
		846,905	612,927
Net current assets		**602,604**	804,125
Total assets less current liabilities		**1,457,380**	1,564,856
Non-current liabilities			
Bank borrowings	22	**–**	146,276
Deferred tax liabilities	23(a)	**36,440**	29,440
		36,440	175,716
Net assets		**1,420,940**	1,389,140

The notes on pages 65 to 115 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Capital and reserves			
Share capital	*26(b)*	**3,819**	3,811
Reserves	*26(c)*	**1,417,121**	1,385,329
Total equity		**1,420,940**	1,389,140

Approved and authorised for issue by the board of directors on 28 March 2017.

Kwok Kin Sun
Chairman

Kwok Hon Fung
Director

The notes on pages 65 to 115 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Note	Share capital RMB'000 Note 26(b)	Share premium RMB'000 Note 26(c)(i)	Statutory reserve RMB'000 Note 26(c)(ii)	Capital reserve RMB'000 Note 26(c)(iii)	Exchange reserve RMB'000 Note 26(c)(iv)	Share-based payment reserve RMB'000 Note 26(c)(v)	Retained profits RMB'000	Total equity RMB'000
At 1 January 2015		3,811	358,457	58,170	39,023	(1,610)	–	786,747	1,244,598
Changes in equity for 2015:									
Profit for the year		–	–	–	–	–	–	288,667	288,667
Other comprehensive income for the year	26(c)(iv)	–	–	–	–	(8,029)	–	–	(8,029)
Total comprehensive income		–	–	–	–	(8,029)	–	288,667	280,638
Appropriation to statutory reserve	26(c)(ii)	–	–	35,638	–	–	–	(35,638)	–
Dividends paid in respect of previous year	26(a)(ii)	–	(136,360)	–	–	–	–	–	(136,360)
Equity-settled share-based payments for employees	26(c)(v)	–	–	–	–	–	264	–	264
At 31 December 2015 and 1 January 2016		3,811	222,097	93,808	39,023	(9,639)	264	1,039,776	1,389,140
Changes in equity for 2016:									
Profit for the year		–	–	–	–	–	–	131,589	131,589
Other comprehensive income for the year	26(c)(iv)	–	–	–	–	(15,038)	–	–	(15,038)
Total comprehensive income		–	–	–	–	(15,038)	–	131,589	116,551
Appropriation to statutory reserve	26(c)(ii)	–	–	21,677	–	–	–	(21,677)	–
Dividends paid in respect of previous year	26(a)(ii)	–	(88,604)	–	–	–	–	–	(88,604)
Equity-settled share-based payments for employees	26(c)(v)	–	–	–	–	–	985	–	985
Lapse of share options	26(c)(v)	–	–	–	–	–	(82)	82	–
Issue of shares under share option scheme	26(c)(v)	8	3,378	–	–	–	(518)	–	2,868
At 31 December 2016		3,819	136,871	115,485	39,023	(24,677)	649	1,149,770	1,420,940

The notes on pages 65 to 115 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

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

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Cash generated from operations	*20(b)*	**483,199**	460,407
Income tax paid		**(79,996)**	(116,457)
Net cash generated from operating activities		**403,203**	343,950
Investing activities			
Payment for the purchase of property, plant and equipment and intangible assets		**(855)**	(19,577)
Payment for the deposit for acquisition of intangible assets		**(9,045)**	–
Payments of construction-in-progress		**(143,711)**	–
Proceeds from disposal of property, plant and equipment		**901**	117
Decrease in fixed deposit held at banks with original maturity over three months		**90,482**	60,683
Increase in pledged bank deposits		**(11,100)**	(47,100)
Interest received		**4,636**	2,380
Net cash used in investing activities		**(68,692)**	(3,497)
Financing activities			
Proceeds from bank borrowings		**450,317**	524,276
Repayment of bank borrowings		**(348,000)**	(375,000)
Interest paid		**(22,271)**	(22,572)
Exercise of share option		**2,868**	–
Dividends paid		**(88,604)**	(136,360)
Net cash used in financing activities		**(5,690)**	(9,656)
Net increase in cash and cash equivalents		**328,821**	330,797
Cash and cash equivalents at 1 January		**514,051**	183,254
Cash and cash equivalents at 31 December	*20(a)*	**842,872**	514,051

The notes on pages 65 to 115 form part of these financial statements.

1 GENERAL INFORMATION

China Fordoo Holdings Limited (the "Company") was incorporated in the Cayman Islands on 23 December 2013 as an exempted company with limited liability under the Company 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 principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacturing and wholesaling of menswear in mainland China.

At 31 December 2016, the directors consider the immediate parent of the Company to be Everkept Limited, which is incorporated in the BVI, and the ultimate controlling party of the Company to be Mr. Kwok Kin Sun.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2016. These amendments have been applied by the Group for the first time in the current year unless otherwise specified. The impact of these amendments are described below.

a) Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments mainly clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The Company is not an investment entity. Also, given that the Company is a listed entity, the consolidation exception set out in the amendments will not be applicable to the Company and hence the application of these amendments has had no impact on the Group's consolidated financial statements.

b) Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The amendments also require that a joint operator to disclose the relevant information required by IFRS 3 and other standards for business combinations. The amendments require prospective application; prospectively in annual periods beginning on or after 1 January 2016. The Group did not have any such transactions in the current year and hence the application of these amendments has had no impact on the Group's consolidated financial statements.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

2.1 Amendments to IFRSs that are mandatorily effective for the current year (Continued)

c) Amendments to IAS 1 Disclosure Initiative

The amendments clarify that an entity need not provide a specific disclosure required by a IFRS if the information resulting from that disclosure is not material (even if the IFRS contains a list of specific requirements or describes them as minimum requirements). The amendments also give guidance on the bases of aggregating and disaggregating information for disclosure purposes. The amendments emphasize that an entity should consider whether to provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Furthermore, the amendments require that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As required by the amendments, the share of other comprehensive income of associates and joint ventures had been separately presented and had been separated into (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met. The application of these amendments has not resulted in any impact on the financial performance or financial position of the Group.

d) Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue-based amortisation is not an appropriate basis for amortisation of an intangible asset. The amendments states that such a presumption can only be rebutted in the following two limited circumstances:

- when the intangible asset is expressed as a measure of revenue; or
- when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

With regard to the Group's property, plant and equipment and intangible assets, the Group did not use revenue-based depreciation method and hence the amendments have not have any impact on the Group's financial position and financial performance. Rather, the Group has been using the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

2.1 Amendments to IFRSs that are mandatorily effective for the current year (Continued)

e) Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments define a bearer plant that is a living plant that:

a) is used in the production or supply of agricultural produce;

b) is expected to bear produce for more than one period; and

c) has a remote likelihood of being sold as agricultural produce except for incidental scrap sales.

The amendments require that biological assets that meet the definition of a bearer plant should be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

f) Annual Improvements to IFRSs 2012–2014 Cycle

The Annual Improvements to IFRSs 2012–2014 Cycle include a number of amendments to various IFRSs, which are summarized below.

Firstly, the amendments to IFRS 5 introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply.

Secondly, the amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

Thirdly, the amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead. The Group did not have any defined benefit scheme.

The application of these amendments has had no effect on the Group's consolidated financial statements.

(Expressed in Renminbi unless otherwise indicated)

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

2.2 New and revised IFRSs that are not mandatorily effective for the current year

The Group has not applied any of the following new and revised IFRSs that have been issued but are not yet mandatorily effective:

IFRS 9	Financial Instruments[1]
IFRS 15 and amendments to IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses [4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017

IFRS 9 Financial Instruments

IFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

Specifically, with regard to the classification and measurement of financial assets, IFRS 9 requires all recognised financial assets that are within the scope of IFRS 9 to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. Further, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and that cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

2.2 New and revised IFRSs that are not mandatorily effective for the current year (Continued)

IFRS 9 Financial Instruments (Continued)

With regard to impairment of financial assets, IFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under IAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk.

With regard to the general hedge accounting requirements, IFRS 9 retains the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group is still in the process of assessing the impact of IFRS 9. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

IFRS 15 Revenue from Contracts with Customers and the clarifications to IFRS 15

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, IFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Group is still in the process of assessing the impact of IFRS 15. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

2.2 New and revised IFRSs that are not mandatorily effective for the current year (Continued)

IFRS 16 Leases

IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

With regard to lessee accounting, the distinction of operating leases and finance leases, as required by IAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets. Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas, under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regard to lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, IFRS 16 requires extensive disclosures in the financial statements.

The Group is in the process of assessing the impact of IFRS 16. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Group did not enter into these transactions in the current year. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with applicable IFRSs, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of preparation of the financial statements

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

These consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand, except when otherwise indicated. The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of the 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.

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 consolidated financial statements and major sources of estimation uncertainty are discussed in note 32.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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 flow and any unrealised profits arising from intra-group transactions are eliminated in full in preparing these 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.

In the Company's statement of financial position (see note 30), an investment in a subsidiary is stated at cost less impairment losses.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

No depreciation is provided in respect of construction in progress.

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

- Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives, being no more than 30 years after the date of completion.

- Plant and machinery 10 years

- Motor vehicles 5 years

- Furniture and fixtures 5 years

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Constructions in progress

Constructions in progress represents a project under construction, which is stated at cost less any impairment losses, and is not depreciated cost comprise the direct cost of construction and capitalized borrowing cost on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(f) Investment properties

Investment properties are property owned or held under a leasehold interest to earn rental income and/or for capital appreciation. Investment properties are measured at cost less accumulated depreciation and impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the shorter of the unexpired term of lease and its estimated useful life, being no more than 30 years after the date of completion.

(g) Lease prepayments

Lease prepayments represent cost of acquiring land use rights paid to the mainland China's government authorities. Land use rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights which are 37–40 years.

(h) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The computer software is amortised from the date it is available for use and its estimated useful life is 10 years.

Both the useful life and method of amortisation are reviewed annually.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are stated at cost or amortised cost are reviewed at the end of report 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; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised.

For 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 ageing and 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.

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of the 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;
- construction in progress;
- investment properties;
- lease prepayments; and
- intangible assets.

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 cost of disposal 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 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 whenever 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 other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) 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 when 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.

(k) Trade and other receivables

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

Bills receivable are derecognised if substantially all the risks and rewards of ownership of the bills receivable are transferred. If substantially all the risks and rewards of ownership of bills receivable are retained, the bills receivable are continued to recognise in the consolidated statement of financial position.

(l) 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.

(m) Trade and other payables

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

(n) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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 for employees

The fair value of share options granted to employees of the Group is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using binomial model, taking into account 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 the 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 transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(p) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax (Continued)

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

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

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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.

(r) 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

Revenue is recognised when the customer has accepted the related risks and rewards of ownership. Revenue represented the sales value of goods sold less discounts and value added tax.

(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 year in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful lives of the asset by way of reduced depreciation expense.

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

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Translation of foreign currencies

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

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

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

The results of operations outside mainland China are translated into RMB at the average exchange rates for the year which approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items 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.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare that asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(u) Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred. Expenditure on development activities is capitalised if the product or process under development is technically and commercially feasible and the Group has sufficient resources and the intention to complete the development. The expenditure capitalised includes the costs of materials, direct labor, and an appropriate proportion of overheads. Other development expenditure is recognised as an expense in the year in which it is incurred.

(v) Dividends

Dividends are recognised as a liability in the period in which they are declared.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Related parties

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

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

(ii) has significant influence over the Group; or

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

(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.

4 SEGMENT INFORMATION

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the consolidated financial statements 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 main operation of the Group is manufacturing and wholesaling of menswear in the PRC.

The following is an analysis of the Group's revenue and results by segment:

Segment revenue and results

	Menswear		Consolidated	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Segment revenue:				
Contract revenue from external customers	**1,185,830**	1,873,709	**1,185,830**	1,873,709
Segment results	**421,641**	676,083	**421,641**	676,083
Other revenue and unallocated gains			**6,216**	19,209
Corporate and other unallocated expenses			**(212,371)**	(260,468)
Finance costs			**(22,271)**	(22,667)
Profit before taxation			**193,215**	412,157
Taxation			**(61,626)**	(123,490)
Profit for the year			**131,589**	288,667

4 SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's assets and liabilities by segments:

Segment assets and liabilities

	Menswear		Consolidated	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Segment assets	**1,815,523**	1,823,178	**1,815,523**	1,823,178
Unallocated assets *(note)*			**488,762**	354,605
Total assets			**2,304,285**	2,177,783
Segment liabilities	**689,196**	610,410	**689,196**	610,410
Unallocated liabilities *(note)*			**194,149**	178,233
Total liabilities			**883,345**	788,643

Note: Unallocated assets and liabilities represent those relating to a commercial center project located in Huian, the PRC, which is under the construction stage.

The principal place of the Group's operation is in mainland China. For the purpose of segment information disclosures under IFRS 8, the Group regards mainland China as its country of domicile. Over 90% of the Group's external customers and non-current assets are located in the mainland China.

5 REVENUE

The principal activities of the Group are manufacturing and wholesaling of menswear in the mainland China. Revenue represents the sales value of goods sold less discounts and Value Added Tax ("VAT").

Revenue by product type is as follows:

	2016	2015
	RMB'000	RMB'000
Men's trousers	**649,508**	1,045,942
Men's tops	**501,785**	791,918
Accessories	**7,882**	16,549
Fabrics	**26,655**	19,300
	1,185,830	1,873,709

No customer with whom transaction has exceeded 10% of the Group's revenue for the year ended 31 December 2016 (one customer with its sales amounts of approximately RMB266.3 million for the year ended 31 December 2015). Details of concentrations of credit risk arising from customers are set out in note 27(a).

6 OTHER INCOME

	2016	2015
	RMB'000	RMB'000
Interest income	**4,636**	6,176
Rental income from investment properties less direct outgoings	**1,537**	1,574
Government grants	**751**	3,993
Net foreign exchange (loss)/gain	**(1,392)**	7,404
Gain/(loss) on disposal of property, plant and equipment and lease prepayments	**524**	(43)
Others	**160**	105
	6,216	19,209

Government grants were received from several local government authorities, of which the entitlements were under the discretion of the relevant authorities.

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		2016 RMB'000	2015 RMB'000
(a)	Finance costs:		
	Interest on bank borrowings	**22,271**	22,667
(b)	Staff costs (including directors' remuneration):		
	Contributions to defined contribution retirement plans *(note 24)*	**2,351**	2,471
	Salaries, wages and other benefits	**133,911**	181,222
	Equity-settled share-based payment expenses for employees *(note 25)*	**985**	264
		137,247	183,957
(c)	Other items:		
	Amortisation of lease prepayments	**7,109**	7,109
	Amortisation of intangible assets	**334**	28
	Depreciation of property, plant and equipment	**19,666**	21,227
	Depreciation of investment properties	**1,187**	1,187
	Auditors' remuneration	**1,629**	2,821
	Research and developments expenses *(note (i))*	**16,585**	19,791
	Cost of inventories *(note (ii))*	**764,189**	1,197,626
	Allowance for doubtful debts	**105,955**	54,481
	Operating lease payment	**716**	690
	Reversal of allowance for doubtful debts	**(41,157)**	–

Notes:

(i) Research and development costs include staff costs working in Group's design and product development department. The staff costs disclosed in note 7(b) included such an amount.

(ii) Included in cost of sales are RMB104,983,000 of staff costs, depreciation and amortisation charges for the year ended 31 December 2016 (2015: RMB156,167,000), which are also included in the respective amounts disclosed in note 7(b).

(Expressed in Renminbi unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2016 RMB'000	2015 RMB'000
Current tax		
Provision for PRC enterprises income tax for the year	**70,826**	121,910
Deferred tax (credit)/charge *(note 23)*	**(9,200)**	1,580
	61,626	123,490

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), none of the members of the Group are subject to any income tax in the Cayman Islands or BVI.

(ii) No provision has been made for Hong Kong Profits Tax as none of the members of the Group earned any income that was subject to Hong Kong Profits Tax for the years ended 31 December 2016 and 31 December 2015.

(iii) Pursuant to the income tax rules and regulations of the PRC, provision for PRC enterprises income tax is calculated based on the statutory rate of 25% of the assessable profits of subsidiaries incorporated in the PRC.

(iv) According to the Corporate Income Tax law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

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

	2016 RMB'000	2015 RMB'000
Profit before taxation	**193,215**	412,157
Notional tax on profit before taxation, calculated at 25% (2015: 25%)	**51,449**	105,035
PRC dividend withholding tax *(note 23(a))*	**7,000**	15,200
Effect of non-deductible expenses	**311**	243
Effect of tax losses not recognised	**2,825**	2,999
Effect of temporary differences not recognised	**41**	13
Actual tax expense	**61,626**	123,490

9 DIRECTORS' REMUNERATION

Directors' remuneration 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 are as follows:

Year ended 31 December 2016

	Directors' fees RMB'000	Salaries, allowances and benefit in kind *(note i)* RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Sub-Total RMB'000	Share-based payments for employees *(note ii)* RMB'000	2016 Total RMB'000
Executive Directors							
Mr. Kwok Kin Sun	–	1,800	15	–	1,815	–	1,815
Mr. Kwok Hon Fung	–	800	15	–	815	–	815
Ms. Yuan Mei Rong	–	500	–	–	500	177	677
Sub-total	–	3,100	30	–	3,130	177	3,307
Independent Non-executive Directors							
Mr. Kwauk Teh-Ming Walter *(note (iii))*	107	–	–	–	107	59	166
Mr. Zhang Longgen	171	–	–	–	171	89	260
Mr. Cheung Chiu Tung *(note (iv))*	100	–	–	–	100	89	189
Mr. Poon Yick Pang Philip *(note (v))*	65	–	3	–	68	–	68
Sub-total	443	–	3	–	446	237	683
Total	443	3,100	33	–	3,576	414	3,990

9 DIRECTORS' REMUNERATION (Continued)

Year ended 31 December 2015

	Directors' fees RMB'000	Salaries, allowances and benefit in kind *(note i)* RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Sub-Total RMB'000	Share-based payments for employees *(note ii)* RMB'000	2015 Total RMB'000
Executive Directors							
Mr. Kwok Kin Sun	–	1,800	14	–	1,814	–	1,814
Mr. Kwok Hon Fung	–	700	14	105	819	–	819
Ms. Yuan Mei Rong	–	500	–	25	525	46	571
Sub-total	–	3,000	28	130	3,158	46	3,204
Independent Non-executive Directors							
Mr. Kwauk Teh-Ming Walter	161	–	–	–	161	23	184
Mr. Zhang Longgen	161	–	–	–	161	23	184
Mr. Cheung Chiu Tung	100	–	–	–	100	23	123
Sub-total	422	–	–	–	422	69	491
Total	422	3,000	28	130	3,580	115	3,695

Notes:

(i) Salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

(ii) These amounts relate share options granted to the directors under the Company's share option scheme. The amounts disclose above are measured according to the Group's accounting policies for share-based payment transactions as set out in note 3(o)(ii).

(iii) Mr. Kwauk Teh-Ming Walter resigned as the independent non-executive director of the Company on 16 August 2016.

(iv) Mr. Cheung Chiu Tung is formerly named Zhang Zhaodong.

(v) Mr. Poon Yick Pang Philip was appointed as the non-executive director of the Company on 16 August 2016.

During both years, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year (2015: Nil).

10 INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2015: three) are directors whose remuneration is disclosed in note 9 above. The aggregate of the emoluments in respect of the remaining two individuals for 2016 (2015: two) are as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other emoluments	**1,684**	1,629
Discretionary bonuses	**1,530**	310
Retirement scheme contributions	**20**	19
Share-based payments for employees	**571**	149
	3,805	2,107

The emoluments of the two individuals (2015: two) with the highest emoluments fall within the following bands:

	2016 Number of individuals	2015 Number of individuals
Nil to HK$1,000,000	**1**	1
HK$1,000,000 to HK$2,000,000	**–**	1
HK$2,000,000 to HK$3,000,000	**1**	–

During both years, no emolument was paid by the Group to the above-mentioned individual as an inducement to join or upon joining the Group or as compensation for loss of office.

(Expressed in Renminbi unless otherwise indicated)

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share are based on the profit for the year of RMB131,589,000 (2015: RMB288,667,000) and the weighted average number of issued ordinary shares of 480,027,689 (2015: 480,000,000 shares) during the year ended 31 December 2016, calculated as follows:

	Weighted average number of ordinary shares	
	2016	2015
Weighted average number of ordinary shares at 1 January	**480,000,000**	480,000,000
Effect of share options	**27,689**	–
Weighted average number of ordinary shares at 31 December	**480,027,689**	480,000,000

(b) Diluted earnings per share

The computation of diluted earnings per share for the year did not assume the exercise of outstanding share options of the Company since the exercise price of the share options was higher than the average market price during the year of 2016 and 2015.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
Cost:					
At 1 January 2015	336,817	102,768	6,736	30,174	476,495
Additions	1,514	11,748	793	2,008	16,063
Disposals	–	(1,468)	(49)	(325)	(1,842)
Exchange adjustment	17	–	–	10	27
At 31 December 2015 and 1 January 2016	338,348	113,048	7,480	31,867	490,743
Additions	–	572	82	201	855
Disposals	–	(2,972)	(1,769)	(616)	(5,357)
Exchange adjustment	21	–	–	12	33
At 31 December 2016	338,369	110,648	5,793	31,464	486,274
Accumulated depreciation:					
At 1 January 2015	73,677	79,402	5,636	28,365	187,080
Charge for the year	12,929	6,838	687	773	21,227
Written back on disposals	–	(1,326)	(43)	(313)	(1,682)
Exchange adjustment	6	–	–	2	8
At 31 December 2015 and 1 January 2016	86,612	84,914	6,280	28,827	206,633
Charge for the year	13,130	5,426	232	878	19,666
Written back on disposals	–	(2,787)	(1,590)	(603)	(4,980)
Exchange adjustment	19	–	–	7	26
At 31 December 2016	99,761	87,553	4,922	29,109	221,345
Net book value:					
At 31 December 2016	238,608	23,095	871	2,355	264,929
At 31 December 2015	251,736	28,134	1,200	3,040	284,110

(a) The buildings held for own use are located and erected on land held in the mainland China under medium-term leases.

(b) Certain buildings with carrying value of RMB238,608,000 (2015: RMB251,708,000) have been pledged to a bank as security for bank borrowings as at 31 December 2016 (see note 22).

13 CONSTRUCTION IN PROGRESS

	2016 RMB'000	2015 RMB'000
Cost:		
At 1 January	**112,016**	107,398
Additions	**143,711**	4,618
At 31 December	**255,727**	112,016
Net book value:		
At 31 December	**255,727**	112,016

(a) Construction in progress comprises costs incurred on property, plant and equipment not yet completed at the end of the reporting period.

(b) Construction in progress represents commercial center located in Hui'an, Fujian Province. The Group proposed to build two commercial buildings and underground car park which targeted to be completed in early 2018. The directors of the Company have not finalized how the commercial center will be used.

14 INVESTMENT PROPERTIES

	2016 RMB'000	2015 RMB'000
Cost:		
At 1 January and 31 December	**35,613**	35,613
Accumulated depreciation:		
At 1 January	**9,496**	8,309
Charge for the year	**1,187**	1,187
At 31 December	**10,683**	9,496
Net book value:		
At 31 December	**24,930**	26,117

(a) Investment properties are located in the PRC under a medium-term lease.

(b) The fair value of the Group's investment properties at 31 December 2016 was RMB32,500,000 (2015: RMB32,900,000). The fair value has been arrived at based on a valuation carried out by Ascent Partners Valuation Service Limited, independent valuers not connected with the Group.

(c) At 31 December 2016, investment properties were pledged as security for bank borrowings (see note 22).

(Expressed in Renminbi unless otherwise indicated)

14 INVESTMENT PROPERTIES (Continued)

(d) The Group leases out investment properties under operating leases on terms ranging from two to five years and with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payment receivable under non-cancellable operating leases are as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	**1,475**	1,564
After 1 year but within 5 years	**510**	1,032
	1,985	2,596

15 LEASE PREPAYMENTS

	2016 RMB'000	2015 RMB'000
Cost:		
At 1 January and 31 December	**291,497**	291,497
Accumulated amortisation:		
At 1 January	**17,041**	9,932
Charge for the year	**7,109**	7,109
At 31 December	**24,150**	17,041
Net book value:		
At 31 December	**267,347**	274,456

(a) Lease prepayments represented the Group's land use rights on leasehold land located in the mainland China. As at 31 December 2016, the remaining period of the land use rights ranges from 37 to 40 years.

(b) At 31 December 2016, the land use rights with carrying value of RMB267,347,000 (2015: RMB274,456,000) were pledged as security for bank borrowings (see note 22).

16 INTANGIBLE ASSETS

	ERP System	
	2016	2015
	RMB'000	RMB'000
Cost:		
At 1 January	**4,429**	1,089
Additions	**–**	3,340
At 31 December	**4,429**	4,429
Accumulated amortisation:		
At 1 January	**1,117**	1,089
Charge for the year	**334**	28
At 31 December	**1,451**	1,117
Net book value:		
At 31 December	**2,978**	3,312

17 PLEDGED BANK DEPOSITS

As at 31 December 2016, bank deposits have been pledged as security for bank borrowings, which were repayable within 1 year from the end of the reporting period (see note 22). The pledged bank deposits will be released upon the settlement of relevant bank borrowings and were reclassified as current assets.

As at 31 December 2015, bank deposits have been pledged as security for bank borrowing, which were repayable after 1 year and but within 2 years. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

18 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2016	2015
	RMB'000	RMB'000
Raw materials	**21,347**	22,526
Work in progress	**6,687**	7,390
Finished goods	**30,135**	33,653
	58,169	63,569

19 TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**542,752**	744,599
Less: Provision for doubtful debts *(note (b))*	**(119,279)**	(54,481)
Trade and bills receivables *(note (a) and (c))*	**423,473**	690,118
Prepayments to suppliers	**3,318**	588
Other deposits, prepayments and receivables	**11,277**	6,044
	438,068	696,750

(a) Ageing analysis

At the end of the reporting period, the ageing analysis of trade and bills receivables with net of allowance for doubtful debts, based on invoice date, is as follows:

	2016 RMB'000	2015 RMB'000
Within 3 months	**323,620**	451,833
More than 3 months but within 6 months	**99,853**	238,285
	423,473	690,118

Trade receivables are normally due for settlement within 90–180 days from the invoice date. Further details on the Group' credit policy are set out in note 27(a).

19 TRADE AND OTHER RECEIVABLES (Continued)

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the recovery of the receivable is remote, in which case the receivable is written off directly (see note 3(i)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	**54,481**	–
Reversal of allowance for doubtful debts recognised in prior years	**(41,157)**	–
Impairment loss recognised	**105,955**	54,481
At 31 December	**119,279**	54,481

As at 31 December 2016, the Group's trade receivables with net of allowance for doubtful debts of RMB105,955,000 (2015: RMB54,481,000) were individually determined to be impaired. These individually impaired receivables related to customers that were in financial difficulties and hence the management fully impaired the trade receivables during the year. Reversal of allowance for doubtful debts recognised in prior years were fully received by cash during the year.

(c) Trade receivables that are not impaired

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

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**423,473**	690,118

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

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.

(Expressed in Renminbi unless otherwise indicated)

20 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS HELD AT BANKS

(a) Cash and cash equivalents and fixed deposits held at banks comprise:

	2016 RMB'000	2015 RMB'000
Fixed deposit held at bank with original maturity within three months	**6,000**	5,356
Cash at bank and in hand	**836,872**	508,695
Cash and cash equivalents in the consolidated statements of financial position and consolidated cash flow statement	**842,872**	514,051
Fixed deposits held at bank with original maturity over three months	**52,200**	142,682
	895,072	656,733

At 31 December 2016, cash and cash equivalents in the mainland China amounted to RMB891,035,000 (2015: RMB507,057,000). Remittance of funds out of the mainland China is subject to exchange restrictions imposed by the PRC government.

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

	Note	2016 RMB'000	2015 RMB'000
Profit before taxation		**193,215**	412,157
Adjustments for:			
— Depreciation of property, plant and equipment	*7(c)*	**19,666**	21,227
— Depreciation of investment properties	*7(c)*	**1,187**	1,187
— Amortisation of intangible assets	*7(c)*	**334**	28
— Amortisation of lease prepayments	*7(c)*	**7,109**	7,109
— Interest expense	*7(a)*	**22,271**	22,667
— Interest income	*6*	**(4,636)**	(6,176)
– (Gain)/Loss on disposal of property, plant and equipment and lease prepayments	*6*	**(524)**	43
— Equity-settled share-based payments for employees	*7(b)*	**985**	264
— Foreign exchange gain, net		**(5,199)**	(15,540)
— Allowance for doubtful debts	*7(c)*	**105,955**	54,481
— Reversal of allowance for doubtful debts	*7(c)*	**(41,157)**	–
Changes in working capital:			
— Decrease/(Increase) in inventories		**5,400**	(6,294)
— Decrease/(Increase) in trade and other receivables		**194,024**	(19,107)
— Decrease in trade and other payables		**(15,431)**	(11,639)
Cash generated from operations		**483,199**	460,407

(Expressed in Renminbi unless otherwise indicated)

21 TRADE, BILLS AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payable	**73,235**	110,111
Bills payable	**32,000**	–
Receipts in advance	**3,420**	3,684
Others payables	**35,990**	36,039
Accruals	**73,137**	83,299
	217,782	233,133

The below is an aging analysis of the trade and bills payables at the end of the reporting period based on relevant invoice dates:

	2016 RMB'000	2015 RMB'000
Within 1 month or on demand	**42,776**	52,340
After than 1 month but within 3 months	**62,459**	57,771
	105,235	110,111

22 BANK BORROWINGS

(a) As at 31 December 2016, the bank borrowings were repayable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year or on demand	**606,499**	348,000
After 1 year but within 2 years	**–**	146,276
	606,499	494,276

(b) Analysed as follows:

	2016 RMB'000	2015 RMB'000
Bank borrowings		
— secured	**506,182**	474,276
— unsecured	**100,317**	20,000
	606,499	494,276

22 BANK BORROWINGS (Continued)

(c) Certain bank borrowings were secured by the following assets of the Group as follows:

	2016 RMB'000	2015 RMB'000
Property, plant and equipment *(note 12(b))*	**238,608**	251,708
Investment properties *(note 14(c))*	**24,930**	26,117
Lease prepayments *(note 15(b))*	**267,347**	274,456
Pledge bank deposits *(note 17)*	**58,200**	47,100
	589,085	599,381

As at 31 December 2016 and 31 December 2015 certain bank borrowings were guaranteed by Mr. Kwok Kin Sun, who is the ultimate controlling party of the Group.

(d) The amounts of banking facilities and the utilisation at the end of the reporting period are set out as follows:

	2016 RMB'000	2015 RMB'000
Facility amount	**759,857**	660,000
Utilised facilities amount in respect of bank borrowings	**606,499**	494,276

Certain of the Group's banking borrowings amounted to RMB350,000,000 (2015: RMB278,000,000) are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position 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 payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2016 and 31 December 2015, none of the covenants relating to drawn down facilities had been breached.

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

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

Deferred tax arising from:	Withholding tax on dividends RMB'000	Impairment on trade receivable RMB'000	Total RMB'000
At 1 January 2015	(14,240)	–	(14,240)
(Charged)/credited to consolidated statement of profit or loss and other comprehensive income	(15,200)	13,620	(1,580)
At 31 December 2015 and 1 January 2016	(29,440)	13,620	(15,820)
(Charged)/credited to consolidated statement of profit or loss and other comprehensive income	(7,000)	16,200	9,200
At 31 December 2016	(36,440)	29,820	(6,620)

(ii) Reconciliation to the consolidated statement of financial position

	2016 RMB'000	2015 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**29,820**	13,620
Deferred tax liabilities recognised in the consolidated statement of financial position	**(36,440)**	(29,440)

(b) Deferred tax assets not recognised

At 31 December 2016, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB41,269,000 (2015: RMB27,849,000), of which RMB19,413,000 (2015: RMB12,621,000) will expire within 5 years under the current tax legislation. The cumulative tax losses have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities.

(c) Deferred tax liabilities not recognised

Pursuant to the PRC Corporate Income Tax Law and its related regulations, the Group is subject to withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from its PRC subsidiaries in respect of their profits generated since 1 January 2008. As at 31 December 2016, deferred tax liabilities relating to the undistributed profits of the Company's PRC subsidiaries of RMB1,198,070,000 (2015: RMB810,750,000) were not recognised as the Company controls the dividend policy of these subsidiaries and it has determined that those profits will not be distributed in the foreseeable future.

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24 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions at the rate of 18% 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 Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

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

25 EQUITY-SETTLED SHARE-BASED PAYMENTS FOR EMPLOYEES

The Company has adopted a share option scheme on 7 October 2015 whereby the directors of the Company are authorised, at their discretion, to invite certain employees of the Group, including certain directors of the Group, to take up share options at consideration of HK$1 for each option holder (equivalent to RMB0.821 at the date of grant). Each option gives the holder the right to subscribe for one ordinary share in the Company and will be settled gross in shares.

(a) Details of share options granted are as follows:

Date of grant		Exercise price	Number of options granted	Vesting period	Exercisable period
Options granted to directors of the Company:					
7 October 2015	Batch 1	HK$3.56	500,000	one year from the date of grant	5 years
7 October 2015	Batch 2	HK$3.56	500,000	two year from the date of grant	5 years
7 October 2015	Batch 3	HK$3.56	500,000	three year from the date of grant	5 years
Options granted to employees of the Company:					
7 October 2015	Batch 1	HK$3.56	600,000	one year from the date of grant	5 years
7 October 2015	Batch 2	HK$3.56	600,000	two year from the date of grant	5 years
7 October 2015	Batch 3	HK$3.56	600,000	three year from the date of grant	5 years
		HK$3.56	3,300,000		

(Expressed in Renminbi unless otherwise indicated)

25 EQUITY-SETTLED SHARE-BASED PAYMENTS FOR EMPLOYEES (Continued)

(b) The number and weighted average exercise prices of share options

	2016 Weighted average exercise price	**2016** Number of options	2015 Weighted average exercise price	2015 Number of options
Outstanding at the beginning of the year	**HK$3.56**	**3,300,000**	–	–
Granted during the year	**–**	**–**	HK$3.56	3,300,000
Lapsed during the year	**HK$3.56**	**(300,000)**	–	–
Exercised during the year	**HK$3.56**	**(900,000)**	–	–
Outstanding at the end of the year	**HK$3.56**	**2,100,000**	HK$3.56	3,300,000
Exercisable at the end of the year	**HK$3.56**	**100,000**	–	–

During the year ended 31 December 2016, Nil share options were granted and 100,000 of share options became exercisable as at 31 December 2016.

During the year ended 31 December 2015, 3,300,000 share options with exercise price of HK$3.56 were granted and none of the share option became exercisable as at 31 December 2015.

The share options outstanding as at 31 December 2016 had an exercise price of HK$3.56 and a weighted average remaining contractual life of 3.8 years.

(c) Fair value of share options and assumptions

The fair value of the share options determined at date of grant is measured by an independent valuer engaged by the Group, namely Asset Appraisals Limited, based on binomial model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

Fair value of share options at the date of grant and assumptions

Fair value at measurement date (HK$)	0.67–0.68
Share price (HK$)	3.56
Exercise price (HK$)	3.56
Expected volatility (expressed as average volatility used in the modelling under binomial model)	43%
Option life	6–8 years
Expected dividends	10.11%
Risk-free interest rate (based on Hong Kong Government Bond yield)	1.03%–1.30%

(Expressed in Renminbi unless otherwise indicated)

25 EQUITY-SETTLED SHARE-BASED PAYMENTS FOR EMPLOYEES (Continued)

(c) Fair value of share options and assumptions (Continued)

The expected volatility is based on the historical volatilities of the share prices of the comparable companies. Expected dividends were estimated by the Company based on its expected dividend policy over the expected terms of the options. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted with a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the grants of the share options.

26 CAPITAL, RESERVE AND DIVIDENDS

(a) Dividends

(i) Dividends payable to shareholders of the Company attributable to the year:

	2016 RMB'000	2015 RMB'000
No final dividend proposed after the ended of the reporting period (2015: HK22 cents (equivalent to approximately RMB18 cents per ordinary shares)	–	88,470

The final dividend proposed after the end of the reporting date has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to shareholders of the Company attributable to the previous financial year approved and paid during the year:

	2016 RMB'000	2015 RMB'000
Final dividend in respect of the year ended 31 December 2015, approved and paid during the period, of HK22 cents (equivalent to approximately RMB18 cents) per ordinary share (2014: HK36 cents, equivalent to approximately RMB28 cents)	**88,604**	136,360

26 CAPITAL, RESERVE AND DIVIDENDS (Continued)

(b) Share capital

Authorised and issued share capital

	2016		2015	
	Number of shares	Amount HK$'000	Number of shares	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 at 1 January	**1,000,000,000**	**10,000**	1,000,000,000	10,000
31 December	**1,000,000,000**	**10,000**	1,000,000,000	10,000

	Number	Amount		Number	Amount	
	of shares	HK$'000	RMB'000	of shares	RMB'000	HK$'000
Issued and fully paid:						
At 1 January	**480,000,000**	**4,800**	**3,811**	480,000,000	4,800	3,811
Issue of shares under share option scheme *(note 25)*	**900,000**	**9**	**8**	–	–	–
	480,900,000	**4,809**	**3,819**	480,000,000	4,800	3,811

(c) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve

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

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

26 CAPITAL, RESERVE AND DIVIDENDS (Continued)

(c) Nature and purpose of reserves (Continued)

(iii) Capital reserve

On 30 April 2014, an amount payable of RMB39,023,000 had been waived by the ultimate controlling party, Mr. Kwok Kin Sun, and capitalised in capital reserve.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statement of foreign operations outside the mainland China.

(v) Share-based payment reserve

Share-based payment reserve comprises the following:

— The fair value of services provided by parties other than employees to the Group in connection with the listing of the Company and the services were settled by equity instrument of the Company. The relevant services are recognised in accordance with IFRS 2, *Share-based payment*. Share-based payment was vested pursuant to the listing of the Company on 16 July 2014. RMB518,000 has been transferred from the share-based reserve to the share premium account during the year of 2016.

— The portion of the grant date fair value of share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for the share-based payments in note 3(o)(ii).

(d) Distributable reserve

At 31 December 2016, the aggregate amount of reserves (including share premium and accumulated losses) available for distribution to the shareholders of the Company was HK$116,983,000 (2015: HK$229,502,000).

(e) 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 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 (excluding deferred tax liabilities) over its total assets (excluding deferred tax assets), at 31 December 2016 were 37% (2015: 35%).

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

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

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

(i) Trade and other receivables

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2016, 11% of the total trade receivables were due from the Group's largest customer (2015: 19%), and 26% of the total trade receivables were due from the Group's five largest customers (2015: 41%).

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 financial guarantee 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 19.

(ii) Deposits with banks

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

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

(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 term.

The following tables show the remaining scheduled maturities at the end of the reporting period of the Group's financial liabilities, which are 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:

	Contractual undiscounted cash flows			
	Within 1 year or on demand RMB'000	More than 1 year RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
As at 31 December 2016				
Current liabilities				
Bank borrowings	**632,046**	**–**	**632,046**	**606,499**
Trade, bills and other payables	**217,732**	**–**	**217,732**	**217,732**
	849,778	**–**	**849,778**	**824,231**
As at 31 December 2015				
Current liabilities				
Bank borrowings	359,283	–	359,283	348,000
Trade and other payables	233,133	–	233,133	233,133
Non-current liabilities				
Bank borrowings	3,110	147,359	150,469	146,276
	595,526	147,359	742,885	727,409

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

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profiles as monitored by management are set out below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2016		2015	
	Effective interest rate	**Amount RMB'000**	Effective interest rate	Amount RMB'000
Fixed rate borrowings:				
Bank borrowings	**4.61%**	**414,000**	5.12%	348,000
Variable rate borrowings:				
Bank borrowings	**2.16%**	**192,499**	2.13%	146,276
Total bank borrowings		**606,499**		494,276
Net fixed rate borrowings as a percentage of total borrowings		**68%**		70%

(ii) Sensitivity analysis

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis point in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB1,925,000 (2015: RMB1,463,000). Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the group which expose the group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the group at the end of the reporting period, the impact on the group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2015.

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

(d) Currency risk

The currencies giving rise to the Group's currency risk are primarily United States dollars.

(i) Exposure to currency risk

The following table details the Group's major exposure at the end of the reporting period to currency risk arising from recognised assets denominated in a currency other than the functional currency of the Group to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the end of the reporting period.

	Exposure to foreign currency (expressed in Renminbi)	
	2016	2015
	United States Dollars	United States Dollars
	RMB'000	RMB'000
Fixed deposits held at bank with original maturity over three months	**–**	129,872

(ii) Sensitivity analysis

At 31 December 2016, it is estimated that there is no significant effect in foreign exchange rate of USD against RMB, with all other variables held constant.

Results of the analysis above represent an aggregation of the instantaneous effects on the Group's profit after tax and retained profits measures in the respective functional currencies, translated into Renminbi at the exchange rate ruling as at the end of the reporting period for presentation purposes.

The sensitivity analysis above 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. The analysis has been performed on the same basis in 2015.

(e) Fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2016 and 31 December 2015.

28 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of construction in progress as at 31 December 2016 that were not provided for in the consolidated financial statements were as follows:

	2016 RMB'000	2015 RMB'000
Contracted for	**186,711**	227,645

(b) Operating leases

The total future minimum lease payments under a non-cancellable operating lease are payable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	**692**	112
After 1 year but within 2 years	**115**	–
	807	112

None of the leases include contingent rentals.

29 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) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2016 RMB'000	2015 RMB'000
Short-term employee benefits	**7,059**	6,370
Retirement scheme contributions	**60**	59
Share-based payments for employees	**985**	264
	8,104	6,693

The above remuneration is included in "staff costs" (note 7(b)).

(Expressed in Renminbi unless otherwise indicated)

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Investment in a subsidiary		**–**	–
Current assets			
Other receivables		**143**	142
Amounts due from subsidiaries		**216,316**	207,071
Cash and cash equivalents		**125**	11
		216,584	207,224
Current liabilities			
Short-term borrowing		**36,317**	–
Accrual and other payables		**1,682**	225
Amounts due to subsidiaries		**67,271**	10,017
		105,270	10,242
Net current assets		**111,314**	196,982
Total assets less current liabilities		**111,314**	196,982
Net assets		**111,314**	196,982
Capital and reserves			
Share capital	*26(b)*	**3,819**	3,811
Reserves	*26(c)*	**107,495**	193,171
Total equity		**111,314**	196,982

Approved and authorised for issue by the board of directors on 28 March 2017.

Kwok Kin Sun
Chairman

Kwok Hon Fung
Director

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

(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:

	Note	Share capital RMB'000 Note 26(b)	Share premium RMB'000 Note 26(c)(i)	Exchange reserve RMB'000 Note 26(c)(iv)	Share-based payment reserve RMB'000 Note 26(c)(v)	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2015		3,811	358,457	(2,233)	–	(33,531)	326,504
Total comprehensive income for the year		–	–	12,208	–	(5,634)	6,574
Dividends approved respect of the previous year	26(a)(ii)	–	(136,360)	–	–	–	(136,360)
Equity-settled share-based payments for employees	26(c)(v)	–	–	–	264	–	264
At 31 December 2015 and 1 January 2016		3,811	222,097	9,975	264	(39,165)	196,982
Changes in equity for 2016							
Total comprehensive income for the year		**-**	**-**	**8,364**	**-**	**(9,281)**	**(917)**
Dividends approved respect of the previous year	26(a)(ii)	**-**	**(88,604)**	**-**	**-**	**-**	**(88,604)**
Share-based payments for employees	26(c)(v)	**-**	**-**	**-**	**985**	**-**	**985**
Lapse of share options	26(c)(v)	**-**	**-**	**-**	**(82)**	**82**	**-**
Issue of shares under share option scheme	26(c)(v)	**8**	**3,378**	**-**	**(518)**	**-**	**2,868**
At 31 December 2016		**3,819**	**136,871**	**18,339**	**649**	**(48,364)**	**111,314**

(Expressed in Renminbi unless otherwise indicated)

31 PARTICULARS OF INVESTMENTS IN SUBSIDIARIES

Details of the Group's subsidiaries are as follows. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment and business	Issued and fully paid up capital	Proportion of equity interest attributable to the Company				Principal activities
			2016		2015		
			Direct	Indirect	Direct	Indirect	
Bigtime Global Limited ("Bigtime Global")	BVI	US$10	**100%**	**–**	100%	–	Investment holding
Tiger Capital Fashion (Holdings) Company Limited ("Tiger Capital HK")	Hong Kong	HK$100,000	**–**	**100%**	–	100%	Investment holding
Tiger Capital (China) Fashion Co., Ltd. *(note (i) and (ii))* ("Tiger Capital Fashion") (虎都(中國)服飾有限公司)	PRC	HK$100,000,000	**–**	**100%**	–	100%	Wholesale of menswear
Fordoo (China) Industrial Ltd., Co *(note (i) and (ii))* ("Fordoo Industrial") (虎都(中國)實業有限公司)	PRC	HK$353,436,677	**–**	**100%**	–	100%	Manufacture and wholesale of menswear
Huian Tiger Capital Technology Company Limited *(note (i) and (ii))* ("Tiger Capital Technology") (惠安虎都科技有限公司)	PRC	RMB30,000,000	**–**	**100%**	–	100%	Research and development
Quanzhou Fordoo Commercial and Trading Company Limited *(note (i) and (ii))* (泉州虎都商貿有限公司)	PRC	–	**–** *(note iv)*	**100%**	–	–	Trading of menswear
Genshan (Pingtan) Commercial and Trading Co., Ltd. *(note (i) and (ii))* (艮山(平潭)商貿有限公司)	PRC	–	**–** *(note iv)*	**100%**	–	–	Trading of menswear
Beigi (Pingtan) Commercial and Trading Co., Ltd. (note (i) and (ii)) (北祺(平潭)商貿有限公司)	PRC	–	**–** *(note iv)*	**100%**	–	–	Trading of menswear

Notes:

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

(ii) All of the subsidiaries established in the PRC are wholly foreign owned enterprises.

(iii) The Directors are of the opinion that a complete list of the particulars of all subsidiaries of the company is of exercise length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or finance position of the Group.

(iv) These subsidiaries were established in 2016, the capital have not been paid up as at 31 December 2016.

32 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on 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 3. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the consolidated financial statements.

(a) Depreciation

Property, plant and equipment and investment properties are depreciated on a straight-line basis over the estimated useful lives. The Group reviews at the end of the reporting period the useful life of an asset and its residual value, if any, based on the Group's experience with similar assets and taking into account anticipated technology changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimation.

(b) Impairments

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(c) 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 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.

(d) 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.

33 EVENT AFTER THE REPORTING PERIOD

On 20 December 2016, Fordoo Industrial, a wholly-owned subsidiary of the Company, entered into a joint venture contract (the "JV Contract") with 北京神州集客電子商務有限公司 (Beijing Shenzhou Jike E-Business Company Limited) ("Shenzhou Jike") and Mr. Li Bing Qi (李炳棋) ("Mr. Li"), in the People's Republic of China in relation to the formation of a joint venture company (the "JV Company"). The JV Company would focus on the development of online fashion platform. The registered capital of the JV Company will be RMB20 million. Fordoo Industrial shall contribute RMB10 million in cash, representing 50% of the registered capital of the JV Company; Shenzhou Jike shall contribute RMB6 million in cash, representing 30% of the registered capital of the JV Company; and Mr. Li shall contribute RMB4 million in cash, representing 20% of the registered capital of the JV Company. The Directors consider that the formation of the JV Company will be beneficial to the future growth and business development of the Group and that the JV Contract is in the interests of the Company and its shareholders as a whole.

On 20 December 2016, the shareholders of the JV Company on behalf of the JV Company have entered into a letter of intent with 凡客誠品(北京)科技有限公司 (Vancl (Beijing) Technology Company Limited*) ("Vancl Technology") pursuant to which the JV Company intends to acquire from Vancl Technology the online platform http://magaseek.vjia.com/ (the "V+ Online platform") and other related assets or company. The Directors believe that the acquisition of the V+ Online Platform will have great benefits to the JV Company.

* For identification purposes only

34 COMPARATIVE FIGURES

Certain comparative figures have been reclassified and represented to confirm with the current year's presentation.

35 APPROVAL OF THE FINANCIAL STATEMENT

The consolidation financial statements were approved and authorised for issue by the board of directors on 28 March 2017.

FIVE YEARS SUMMARY

	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
Revenue	1,108,977	1,452,811	1,672,410	1,873,709	**1,185,830**
Profit from operations	232,703	345,335	411,299	434,824	**215,486**
Finance costs	(26,055)	(24,749)	(24,214)	(22,667)	**(22,271)**
Profit before taxation	206,648	320,586	387,085	412,157	**193,215**
Income tax	(53,728)	(82,042)	(116,451)	(123,490)	**(61,626)**
Profit for the year	152,920	238,544	270,634	288,667	**131,589**
Earnings per share (RMB cents)					
Basic	42	66	65	60	**27**
Diluted	42	66	65	60	**27**
Assets and liabilities					
Non-current assets	721,839	579,492	710,126	760,731	**854,776**
Current assets	467,591	759,505	1,164,730	1,417,052	**1,449,509**
Current liabilities	718,778	627,422	616,018	612,927	**846,905**
Net current (liabilities)/assets	(251,187)	132,083	548,712	804,125	**602,604**
Total assets less current liabilities	470,652	711,575	1,258,838	1,564,856	**1,457,380**
Non-current liabilities	129,784	129,175	14,240	175,716	**36,440**
NET ASSETS	340,868	582,400	1,244,598	1,389,140	**1,420,940**
Capital and reserves					
Share Capital	11	11	3,811	3,811	**3,819**
Reserves	340,857	582,389	1,240,787	1,385,329	**1,417,121**
Total equity	340,868	582,400	1,244,598	1,389,140	**1,420,940**