FORDOO 虎都

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

2017 ANNUAL REPORT

ABOUT FORDOO

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS AND COMMITTEES

Executive Directors

Mr. Kwok Kin Sun *(Chairman)*
Mr. Kwok Hon Fung
Ms. Yuan Mei Rong
Ms. Mo Wei (appointed on 1 March 2018)

Independent Non-executive Directors

Mr. Cheung Chiu Tung
Mr. Poon Yick Pang Philip
Mr. Zhang Longgen (resigned on 29 September 2017)
Mr. Shen Li (appointed on 29 September 2017 and resigned on 1 February 2018)
Ms. Huang Yumin (appointed on 1 February 2018)

Audit Committee

Mr. Poon Yick Pang Philip *(Chairman)*
Mr. Cheung Chiu Tung
Mr. Zhang Longgen (resigned on 29 September 2017)
Mr. Shen Li (appointed on 29 September 2017 and resigned on 1 February 2018)
Ms. Huang Yumin (appointed on 1 February 2018)

Remuneration Committee

Mr. Cheung Chiu Tung *(Chairman)*
Mr. Poon Yick Pang Philip
Mr. Zhang Longgen (resigned on 29 September 2017)
Mr. Shen Li (appointed on 29 September 2017 and resigned on 1 February 2018)
Ms. Huang Yumin (appointed on 1 February 2018)

Nomination Committee

Mr. Kwok Kin Sun *(Chairman)*
Mr. Poon Yick Pang Philip
Mr. Zhang Longgen (resigned on 29 September 2017)
Mr. Shen Li (appointed on 29 September 2017 and resigned on 1 February 2018)
Ms. Huang Yumin (appointed on 1 February 2018)

COMPANY SECRETARY

Mr. Chung Ming Kit (resigned on 7 July 2017)
Mr. Lai Tsz Yin (appointed on 7 July 2017)

AUTHORIZED REPRESENTATIVES

Mr. Kwok Kin Sun (resigned on 1 February 2018)
Mr. Lai Tsz Yin (appointed on 1 February 2018)
Mr. Chung Ming Kit (resigned on 7 July 2017)
Mr. Kwok Hon Fung (appointed on 7 July 2017)

AUDITOR

Elite Partners CPA Limited, *Certified Public Accountants*

LEGAL ADVISER AS TO HONG KONG LAW

Luk and Partners
In Association with
Morgan, Lewis & Bockius

REGISTERED OFFICE

Cricket Square, Hutchins Drive
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Grand Cayman, KY1-1111
Cayman Islands

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

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office 812, Unit 1908, 19/F,
9 Queen's Road Central,
Central, Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR

SMP Partners (Cayman) Limited
Royal Bank House — 3rd Floor,
24 Shedden Road, P.O. Box 1586,
Grand Cayman KY1-1110, Cayman Islands

HONG KONG SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
2103B, 21/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

IR CONTACT

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COMPANY WEBSITE

www.fordoo.cn

FINANCIAL HIGHLIGHTS

- Revenue of the Group decreased by 4.8% to RMB1,129.4 million (2016: RMB1,185.8 million).
- Gross profit of the Group decreased by 10.2% to RMB378.6 million (2016: RMB421.6 million).
- EBITDA of the Group decreased by 55.5% to RMB108.4 million (2016: RMB243.8 million).
- Net profit of the Group decreased by 83.2% to RMB22.1 million (2016: RMB131.6 million).
- Basic and diluted earnings per share decreased by 81.5% to RMB5 cents (2016: RMB27 cents).
- No final dividend is proposed (2016: Nil).

	2017	2016	**Change**
Profitability ratios			
Gross profit margin	**33.5%**	35.6%	–2.1 ppt
EBITDA margin	**9.6%**	20.6%	–11.0 ppt
Net profit margin	**2.0%**	11.1%	–9.1 ppt
Return on equity (1)	**1.5%**	9.3%	–7.8 ppt
Liquidity ratios			
Inventory turnover (Days) (2)	**27**	29	
Trade receivables turnover (Days) (3)	**94**	147	
Trade and bills payables turnover (Days) (4)	**25**	44	
Capital ratios			
Interest coverage ratios (5)	**3**	10	
Net Debt to equity ratio (%) (6)	**Net Cash**	Net Cash	
Gearing ratio (7)	**33.1%**	42.7%	–9.6 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 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 and bills 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 2016 and 31 December 2017, the Group recorded a net cash position.

(7) Total debts divided by the total equity.

CHAIRMAN'S STATEMENT

Dear Shareholders

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 2017 (the "Year").

BUSINESS OVERVIEW

In 2017, according to the annual consumption data released by the National Bureau of Statistics of China, the per capita consumption expenditure of the whole country increased by 7.1% over the previous year, and the real growth rate was 5.4% after deducting the price factor. In contrast, the per capita expenditure on apparel consumption increased by only 2.9%, a 40 basis points decrease from 3.3% in 2016. Among them, the nominal growth of urban residents' expenditure on apparel was as low as 1.1%, while the nominal growth of rural residents' expenditure on apparel was 6.3%. The overall retail sales in China remained robust, however some categories were not performing satisfactorily. The growth in apparel spending by customers remained plummeting. The downturn in apparel sales mainly reflected the changes in consumer spending patterns in China that shifted from material consumption to service consumption. This phenomenon was relatively apparent in urban consumers. As a result, the results of the Group were inevitably affected to a certain extent. In 2017, the revenue of the Group decreased by 4.8% to RMB1,129.4 million compared with last year while net profit for the current year decreased by 83.2% to RMB22.1 million compared with last year.

In view of the various challenges and uncertainties faced by the apparel industry under the current macroeconomic environment of China, we consolidated our distribution network by closing some of our underperforming retail outlets. Also, we strengthened our control over our distributors and sub-distributors while further enhancing our design and product development capabilities. In addition, the Group continued to optimize retail platforms, strengthened our brand building strategy, organised marketing activities to enhance customer loyalty and consolidated self-operated retail network. The Board had been exploring different investment opportunities to broaden the Group's income source. On 31 July 2017, the Group completed the acquisition of the equity interests in Chameleon Ventures Limited, which indirectly holds 北京浩垠服飾有限公司 (Beijing Haoyin Clothing Co., Ltd.), and enabled the Group to increase the number of our direct retail stores and strengthen our foothold in Beijing, the capital and a strategic city for the Company in China. The acquisition brought a well-established retail platform with an experienced operation team to the Group.

FUTURE PROSPECTS

As the traditional pillar industry of our country's national economy, the apparel industry has greatly promoted the development of the national economy. However, the development of the industry is also navigating between the traditional management concept of production and the changing market conditions. Although the apparel industry is at an unprecedented bottleneck, we will continue to adjust our strategies in response to the changes in the market in order to enhance the demand from customers. Looking forward, diversification, segmentation, seamless convergence of online and offline channels, are the major trends in the apparel industry. We will take active measures to review the refined consumer groups and market demands, add in new and high-quality elements and implement innovative concepts to fulfill customer's personality and diversified needs.

Apart from menswear business, the Group will explore opportunity to expand and diversify our business and activities starting from 2018, including but not limited to food trading activities, with a view to create a new source of income. The Group will continue to explore other possible investment opportunities with a view to enhance its value to the shareholders of the Company.

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 like to thank all of our shareholders, clients, suppliers and business partners for their continuous support and trust. Going forward, we shall strive to explore further opportunities and overcome challenges for attaining better results for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is one of the leading menswear enterprises in the PRC focusing on the design, sourcing, manufacture and sales of its branded menswear products.

In 2017, China's garment industry trembled during the year. The garment industry remained highly competitive. In addition to the shift in consumer spending patterns, the rapid development of e-commerce in China had led consumers to shift their shopping habits from the traditional shopping at retail outlets to online channels. All of the above had casted adverse effects on the Group's performance. Faced with challenging economic and market conditions, the Group continued to adjust its strategies to respond to market changes so as to enhance our customers' demand for the Group's products. The Group will continue to optimize in our distribution channel and accelerating response to the market; strengthening brand building efforts by organising different marketing activities to enhance customer loyalty; consolidating our retail networks and closing down underperforming retail stores; and capitalising on the newly acquired Beijing direct operation platform in July 2017 to enhance our market position.

FINANCIAL REVIEW

For the year ended 31 December 2017, net profit of the Group was approximately RMB22.1 million, representing a decrease of 83.2% as compared to RMB131.6 million for the previous year. The significant decline of net profit primarily due to (i) the decrease in the Group's gross profit as the Group utilized some of its production facilities to fulfill certain lower value purchase orders with lower gross profit margin; (ii) the amortization of intangible assets, the increase in the selling and distribution expenses for launching more advertisements and promotional activities to strengthen the brand image of the Group in response to the decrease in the Group's sales to its distributors; and (iii) the increase in bank charges and other general operating expenses. As of 31 December 2017, the Group had 1,071 retail outlets (including 2 self-operated retail stores in Quanzhou and 43 self-operated retail outlets in Beijing), representing a net decrease of 255 retail outlets from 1,326 retail outlets as at 31 December 2016.

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

	Menswear		Consolidated	
	For the year ended 31 December			
	2017	2016	**2017**	2016
	RMB million	RMB million	**RMB million**	RMB million
Segment revenue:				
Contract revenue from external customers	**1,129.4**	1,185.8	**1,129.4**	1,185.8
Segment results	**378.6**	421.6	**378.6**	421.6
Other revenue and unallocated gains			**(4.6)**	6.2
Corporate and other unallocated expenses			**(310.1)**	(212.3)
Finance costs			**(21.4)**	(22.3)
Profit before taxation			**42.5**	193.2
Share loss of an associate			**(2)**	–
Taxation			**(18.4)**	(61.6)
Profit for the year			**22.1**	131.6

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

Segment assets and liabilities

	Menswear		Consolidated	
	For the year ended 31 December			
	2017	2016	**2017**	2016
	RMB million	RMB million	**RMB million**	RMB million
Segment assets	**1,564.5**	1,815.5	**1,564.5**	1,815.5
Unallocated assets[1]			**715.1**	488.8
Total assets			**2,279.6**	2,304.3
Segment liabilities	**695.9**	689.2	**695.9**	689.2
Unallocated liabilities[1]			**131.5**	194.1
Total liabilities			**827.4**	883.3

Note:

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

Non-current assets

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 2017, revenue decreased by approximately 4.8% to RMB1,129.4 million from RMB1,185.8 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								
	2017				2016				
	Revenue RMB million	% of revenue	Volume Unit	Average wholesale price (1) RMB	Revenue RMB million	% of revenue	Volume Unit	Average wholesale price (1) RMB	Change %
Apparel									
Men's trousers	**603.2**	**53.4**	**6,548,326**	**92.1**	649.5	54.8	4,908,286	132.3	–7.1
Men's tops	**495.6**	**43.9**	**3,872,637**	**128.0**	501.7	42.3	2,722,867	184.3	–1.2
Accessories	**4.7**	**0.4**	**101,450**	**46.3**	7.9	0.7	126,113	62.5	–40.5
Fabrics	**25.9**	**2.3**	**772,046**	**33.6**	26.7	2.2	521,632	51.1	–3.0
Total	**1,129.4**	**100.0**	**11,294,459**	**100.0**	1,185.8	100.0	8,278,898	143.2	–4.8

Men's trousers remained the major revenue contributor during the Year and accounted for 53.4% of the Group's revenue (2016: 54.8%).

Note:

(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								
	2017				2016				
	Revenue RMB million	% of revenue	Volume Unit	Average wholesale price (1) RMB	Revenue RMB million	% of revenue	Volume Unit	Average wholesale price (1) RMB	Change %
Apparel									
Business Casual	**514.1**	**45.5**	**3,520,218**	**146.0**	635.9	53.6	4,004,947	158.8	–19.2
Business Formal	**204.2**	**18.1**	**1,129,337**	**180.8**	327.4	27.6	2,056,122	159.3	–37.6
Casual (2)	**380.5**	**33.7**	**5,771,408**	**65.9**	187.9	15.9	1,570,084	119.7	102.5
Accessories	**4.7**	**0.4**	**101,450**	**46.3**	7.9	0.7	126,113	62.5	–40.5
Fabrics	**25.9**	**2.3**	**772,046**	**33.6**	26.7	2.2	521,632	51.1	–3.0
Total	**1,129.4**	**100.0**	**11,294,459**	**100.0**	1,185.8	100.0	8,278,898	143.2	–4.8

Business casual series continued to be our largest revenue contributor during the Year and accounted for 45.5% of the Group's revenue (2016: 53.6%).

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

	For the year ended 31 December				
	2017		2016		
	Revenue		Revenue		Change
Region	RMB million	% of Revenue	RMB million	% of Revenue	(%)
Apparel and accessories					
Northern China [1]	**119.9**	**10.6**	189.0	15.9	–36.6
Northeastern China [2]	**28.5**	**2.5**	21.9	1.9	30.1
Eastern China [3]	**396.7**	**35.2**	398.9	33.6	–0.6
Central Southern China [4]	**101.8**	**9.0**	155.8	13.2	–34.7
Southwestern China [5]	**70.8**	**6.3**	150.0	12.7	–52.8
Northwestern China [6]	**73.7**	**6.5**	147.5	12.4	–50.0
US	**3.3**	**0.3**	–	–	N/A
Hong Kong	**215.9**	**19.1**	50.9	4.3	324.2
Subtotal	**1,010.6**	**89.5**	1,114.0	94.0	–9.3
Online distributor	**10.2**	**0.9**	37.9	3.2	–73.1
Self-operated retail outlets	**82.7**	**7.3**	7.2	0.6	1,048.6
Subtotal	**1,103.5**	**97.7**	1,159.1	97.8	–4.8
Fabrics	**25.9**	**2.3**	26.7	2.2	–3.0
Total	**1,129.4**	**100.0**	1,185.8	100.0	–4.8

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.

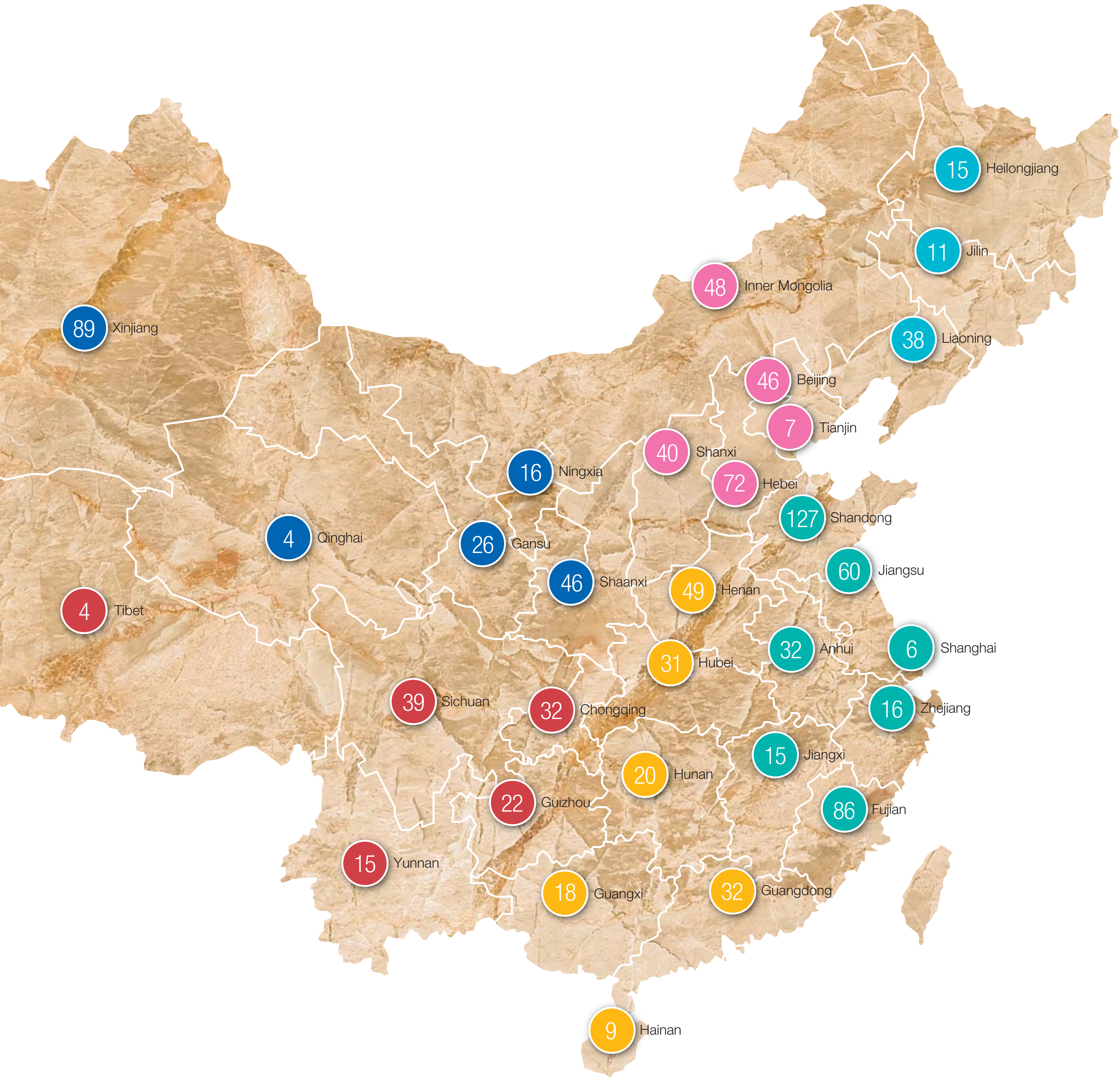
(4) Central Southern China includes Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan.

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

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

Eastern China, Northern China and Hong Kong (2016: Eastern China, Northern China and Central Southern China) regions became the major revenue contributors to the Group, and together accounted for 64.9% (2016: 62.7%) of the total revenue.

The following map shows the geographical distribution of the retail outlets of the Group in China as of 31 December 2017.



Cost of Sales

Cost of sales decreased by approximately 1.8% to RMB750.8 million for the Year from approximately RMB764.2 million for the previous year. The level of decrease in cost of sales was less than the level of decrease in revenue during the Year because we utilized some of our production facilities to fulfill certain lower-value purchase orders with lower gross profit margin.

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 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 67.8% (2016: 69.9%) of the total cost of sales, decreased by 2.1 percentage points. The decrease was mainly due to the fact that we purchase more high-value products from OEMs and utilized some of our production facilities to fulfill certain lower-value overseas bulk purchase order. Although the proportion of self-production in the total cost of sales decreased by 2.1 percentage points, the capacity utilization increased by 8.0 percentage points compared to the same period last year.

Gross Profit and Gross Profit Margin

Gross profit for the Year decreased by approximately 10.2% year-on-year to RMB378.6 million (2016: RMB421.6 million). Gross profit margin decreased 2.1 percentage points year-on-year to 33.5%.

Although the sale volume increased, there was a decrease in gross profit margin. It was mainly due to the Group utilized some of its production facilities to fulfill certain lower value purchase orders with lower gross profit margin during the Year.

Other Incomes and other gains or losses

For the year ended 31 December 2017, other incomes and other gains or losses decreased by approximately RMB10.8 million to a loss of RMB4.6 million from a gain of RMB6.2 million for the previous year. The decrease in other incomes was mainly due to: (i) a net loss on disposal of fixed assets of RMB6.5 million (2016: net gain of RMB0.5 million), which was mainly due to disposal of certain knitting equipment; (ii) a decrease in interest income of approximately RMB0.6 million, which was mainly due to the decrease of fixed deposits held at bank with original maturity over three months; and (iii) a net increase in foreign exchange loss of RMB2.7 million.

Selling and Distribution Expenses

Selling and distribution expenses for the Year increased by approximately RMB28.2 million year-on-year to RMB104.4 million, accounting for approximately 9.2% of total revenue, which represented a year-on-year increase of 2.8 percentage points. The increase was primarily due to the Group launching more advertisements and promotional activities to strengthen the brand image of the Group in response to the decrease in the Group's sales to its distributors.

Included in the amount were advertising and promotional expenses of approximately RMB50.1 million in total, which accounted for approximately 4.4% of the total revenue, increased by 2.4 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 increased by approximately RMB69.4 million year-on-year to RMB205.6 million, accounting for approximately 18.2% of total revenue, which represented a year-on-year increase of 6.7 percentage points. Included in the amount were provisions for bad and doubtful debt of approximately RMB88.9 million (2016: RMB64.8 million) in total. As a result of a slower economic growth, the Group has adopted a more 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 ended 31 December 2017 had increased by 63.4% compared to the previous year. This was mainly attributable to the amortization of intangible assets, increase in bank charges and other general operating expenses.

Finance Costs

Finance cost for the Year decreased by 4.0% year-on-year to approximately RMB21.4 million, mainly due to decrease in bank borrowings.

Income Tax

The effective income tax rate for the year ended 31 December 2017 was 45.4%, up by 13.5 percentage points from 31.9% for the previous year. Income tax expenses included RMB1.3 million (2016: RMB7.0 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 RMB22.1 million, representing a year-on-year decrease of 83.2%. Net profit margin was 2.0%, representing a year-on-year decrease of 9.1 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:

	Number of stores				
Region	As of 1 January 2017	Stores reclassification during the period[1]	Stores opened during the period	Stores closed during the period	As of 31 December 2017
Northern China	262	(55)	3	(40)	170
Northeastern China	68	–	5	(9)	64
Eastern China	444	–	15	(119)	340
Central Southern China	222	–	3	(66)	159
Southwestern China	145	–	7	(40)	112
Northwestern China	183	–	8	(10)	181
Subtotal	1,324	(55)	41	(284)	1,026
Self-operated retail outlets	2	55	2	(14)	45
Total	1,326	–	43	(298)	1,071

Note:

(1) Stores located in Northern China reclassified to Self-operated retail outlets since the Group acquired 北京浩垠服飾有限公司 (Beijing Haoyin Clothing Co., Ltd) ("Haoyin") during the Year.

As of 31 December 2017, our distribution network comprised 65 distributors (including one online distributor) and 149 sub-distributors who operated 1,026 retail outlets, spanning over 254 cities and 31 provinces, autonomous regions and central government-administered municipalities in the PRC. We also sell our products directly to end customers through our 2 self-operated retail outlets in Quanzhou, Fujian Province and 43 self-operated retail outlet in Beijing.

The Group adopted a cautious view, suspended our expansion plan, and consolidated and closed down certain under-performing outlets in sales network in 2017. 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 2 self-operated retail outlets in Quanzhou, Fujian Province, which are flagship stores to showcase our expectation and standards of a store environment to our distributors and their sub-distributors. We also have 43 self-operated retail outlets in Beijing since we acquired Haoyin, which engages in menswear retail business in the PRC, during the Year.

As of 31 December 2017, the Group had 1,071 retail outlets (including the 2 self-operated retail stores in Quanzhou and self-operated 43 retail outlets in Beijing), representing a net decrease of 255 retail outlets from 1,326 retail outlets as at 31 December 2016. The Group realigned its stores network and closed down certain under-performing retail outlets.

As of 31 December 2017, 79.9% of the retail outlets were located in department stores or shopping malls whereas 20.1% 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 2017, approximately 29.9% of our retail outlets 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 2 self-operated retail stores in Quanzhou and 43 self-operated retail outlets in Beijing) in first-tier cities, second-tier cities and lower-tier cities as of 31 December 2017:

	Number of stores			
Region	**As of 31 December 2017**		As of 31 December 2016	
First-tier cities (1)	**79**	**7.4%**	113	8.5%
Second-tier cities (2)	**241**	**22.5%**	282	21.3%
Third-tier cities (3)	**412**	**38.5%**	486	36.7%
Fourth-tier cities (4)	**339**	**31.6%**	445	33.5%
	1,071	**100.0%**	1,326	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

As of 31 December 2017, the Group's distribution network included 65 distributors (2016: 61) and 149 (2016: 182) sub-distributors. Among the 65 distributors, 13 (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 additional 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 provides 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 organising presentation events for new products, sponsoring the following program: 'Running Together', a marathon held in Xia'men; the movie 'Revenge for Love', which premiered on Valentine's Day 2017 in mainland China; '2017 Xiamen International Fashion Walk'; certain TV shows, e.g. "China Crossover". The posters, advertising materials and the credit list for these events and movie all bore the Group's logo. The Group is also engaged in online advertisement through internet products and software value-added services to promote our brand name.

The Group continued to upgrade its existing retail outlets to enhance and reinforce its brand image. The Group decorated 42 new stores and renovated 99 existing stores during the year of 2017. 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 2017, our product design and development team consisted of 112 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 2017 autumn/winter collections and 2018 spring/summer collections were held in March 2017 and August 2017, respectively.

Liquidity and Financial Resources

As at 31 December 2017, the Group had total bank borrowings of approximately RMB483.0 million (31 December 2016: RMB606.5 million). The net cash position as at 31 December 2017 with comparative figures for the previous year, were as follows:

	2017	2016
	RMB million	RMB million
Cash and bank balances (including pledged bank deposits)	**577.7**	953.3
Less: Total borrowings	**(483.0)**	(606.5)
Net Cash	**94.7**	346.8

The maturity profile of the total borrowings as 31 December 2017 was as follows:

	2017		2016	
	RMB million	**%**	RMB million	%
Bank borrowings				
— Within 1 year	**483.0**	**100.0**	606.5	100.0
— After 1 but within 2 years	**–**	**–**	–	–
Total	**483.0**	**100.0**	606.5	100.0

As at 31 December 2017, the bank borrowings with comparative figures for the previous year were as follows:

	2017	2016
	RMB million	RMB million
Bank borrowings		
— Secured	**439.0**	506.2
— Unsecured	**44.0**	100.3
Total	**483.0**	606.5

As at 31 December 2017, the Group had a net cash balance of RMB94.7 million (2016: RMB346.8 million). The gearing ratio as at 31 December 2017 was 33.1%, a decrease of 9.6 percentage point as compared to 42.7% for the previous year. It was mainly due to the decrease of bank borrowings. The interest cover of 2017 was 3 times (2016: 10 times).

Cash inflow from operating activities for the year ended 31 December 2017 amounted to approximately RMB278.2 million (2016: RMB403.2 million). The decrease was mainly attributed to a decrease of operating profit before changes in working capital of approximately RMB89.9 million and decrease in working capital balance of approximately RMB52.2 million, offset by a decrease of income tax paid of RMB17.1 million.

The cash flow used in investment activities for the year ended 31 December 2017 amounted to approximately RMB475.7 million (2016: RMB68.7 million). The amount mainly included the net payment for the purchase of property, plant and equipment, intangible assets, construction in progress and the Acquisition of RMB512.5 million and a capital injection in an associate of RMB2.0 million, offset by the net decrease of fixed deposits held at banks with original maturity over three months and pledged bank deposit of RMB34.8 million and interest received of RMB4.0 million.

The cash flow used in financing activities for the Year was approximately RMB143.3 million (2016: RMB5.7 million). The amount included interest paid of RMB21.4million and net repayment of bank borrowings of RMB121.9 million.

As at 31 December 2017, the Group's total equity increased by approximately RMB31.4 million to approximately RMB1,452.3 million (2016: RMB1,420.9 million).

Trade Working Capital Ratios

The Group's average inventory turnover days was 27 days for the Year, a decrease of 2 day from 29 days for the previous year.

The Group's average trade receivables turnover days for the Year was 94 days, a decrease of 53 days from 147 days for the previous year. The turnover days was 71 days based on the closing balance of the trade receivables for the year ended 31 December 2017, a decrease of 41 days from 112 days for the previous year. Netting the balance of RMB119.3 million provision on the book at the beginning of the year, a provision of RMB88.9 million was made during the year. As at 31 December 2017, the Group's total trade receivables decreased by approximately 39.4% year-on-year to RMB256.6 million (31 December 2016: RMB423.5 million).

The Group's average trade and bills payables turnover days was 25 days for the Year, a decrease of 19 days as compared to 44 days for the previous year. The closing balance of the inventory decreased by 10.2% compared with the previous year, while the cost of sales decreased by 1.8%. The lower inventory was due to a conservative projection for our future sales.

The Group recorded a net cash position as at 31 December 2017 and 31 December 2016.

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 2017, secured bank borrowings were secured by bank deposits, certain buildings, investment properties and land use rights with carrying value of RMB67,886,000 (2016: RMB58,200,000), RMB233,402,000 (2016: RMB238,608,000), RMB23,743,000 (2016: RMB24,930,000) and RMB260,238,000 (2016: RMB267,347,000), respectively.

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

In June 2017, an indirect wholly-owned subsidiary of the Company, entered into a Share Transfer Agreement with Mr. Huang Weijin (黃偉進) to acquire 100% of the issued share capital of Chameleon Ventures Limited and its subsidiaries for cash consideration of HK$340,000,000 (the "Acquisition"). The Acquisition was funded principally with cash generated from our operations and bank borrowings. The Acquisition was completed on 31 July 2017.

Except for the above Acquisition, during the Year, there was no other significant investment, material acquisition or disposal of subsidiaries and associated companies by the Company.

Future Plans for Material Investments and Capital Assets

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. To cooperate with the facilitates of the government, we expect the whole constructions will be completed by 2021.

Capital Commitments and Contingencies

As at 31 December 2017, the Group had a total capital commitment of RMB199.3 million. It was primarily related to the proposed construction of Fordoo commercial centre in Hui'an, Fujian Province. All the capital commitments are expected to be financed by our operations and bank borrowings.

As at 31 December 2017, 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 consolidation 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 2,169 employees as at 31 December 2017 (2016: 2,581). Total staff costs for the year amounted to approximately RMB139.1 million (2016: RMB137.2 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 Friday, 11 May 2018 to Thursday, 17 May 2018 (both days inclusive) for the purpose of determining entitlements of Shareholders to attend and vote at the forthcoming annual general meeting (the "2018 AGM"). In order to qualify for attending and voting at the 2018 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, 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Thursday, 10 May 2018.

Use of Proceeds

The Shares were listed on the main board of 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 financial 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 2017, the Group had utilised HK$366.8 million of the Net Proceeds and unutilised Net Proceeds amounted to HK$87.9 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$million	Utilized (as at 31 December 2017) HK$million	Unutilized (as at 31 December 2017) HK$million
Brand promotion and marketing,	**122.8**	**(122.8)**	**–**
Research, design and product development	**90.9**	**(32.1)**	**58.8**
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**	**(16.4)**	**29.1**
Working capital and other general corporate purposes	**45.5**	**(45.5)**	**–**
	454.7	**(366.8)**	**87.9**

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, and Ms. Yuan Mei Rong, an executive Director, were not able to attend the annual general meeting of the Company held on 31 May 2017 (the "2017 AGM").

BOARD OF DIRECTORS

The Board is responsible for governing the Company and managing assets entrusted by the Shareholders. The Directors recognise and acknowledge 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 four executive Directors, namely Mr. Kwok Kin Sun, Mr. Kwok Hon Fung, Ms. Yuan Mei Rong and Ms. Mo Wei, and three independent non-executive Directors, namely, Mr. Cheung Chiu Tung, Mr. Poon Yick Pang Philip and Ms. Huang Yumin.

Mr. Zhang Longgen tendered his resignation as an independent non-executive Director with effect from 29 September 2017 to devote more time on his other personal matters and commitments.

Mr. Shen Li was appointed as an independent non-executive Director with effect from 29 September 2017 and tendered his resignation as an independent non-executive Director with effect from 1 February 2018 to devote more time on his other personal matters and commitments.

Ms. Huang Yumin was appointed as an independent non-executive Director with effect from 1 February 2018.

Ms. Mo Wei was appointed as an executive Director with effect from 1 March 2018.

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 31 to 32 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 Ms. Huang Yumin. 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 2017, 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 held two 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 Ms. Huang Yumin. 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 held three meeting during the Year and has 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	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 Ms. Huang Yumin. 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 held three 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 2017 AGM and the meetings of the Board and the Board committees held during the Year:

	Meetings attended/held				
	2017 AGM	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Mr. Kwok Kin Sun	1/1	6/6	N/A	N/A	3/3
Mr. Kwok Hon Fung	1/1	6/6	N/A	N/A	N/A
Ms. Yuan Mei Rong	0/1	6/6	N/A	N/A	N/A
Ms. Mo Wei (appointed on 1 March 2018)	N/A	N/A	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Cheung Chiu Tung	0/1	6/6	2/2	3/3	N/A
Mr. Poon Yick Pang Philip	1/1	6/6	2/2	3/3	3/3
Mr. Zhang Longgen (resigned on 29 September 2017)	0/1	6/6	2/2	2/2	2/2
Mr. Shen Li (appointed on 29 September 2017 and resigned on 1 February 2018)	N/A	N/A	N/A	N/A	N/A
Ms. Huang Yumin (appointed on 1 February 2018)	N/A	N/A	N/A	N/A	N/A

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 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 has entered into a service contract or letter of appointment with the Company for a term of three years commencing from 16 July 2014 (the "Listing Date") or their respective date of appointment subject to retirement and re-election at annual general meetings in accordance with the Company's articles of association (the "Articles"). Ms. Mo Wei has entered into a service contract with the Company for a term of three years commencing on 1 March 2018. Ms. Huang Yumin has entered into a letter of appointment with the Company for a term of three years commencing on 1 February 2018.

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. Lai Tsz Yin, the Company Secretary, is a certified public accountant with over 25 years of accounting and auditing experience.

During the financial year, the Company Secretary has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

FINANCIAL REPORTING 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 main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage it risks across business operations.

The Board acknowledges its responsibility to ensure the Company maintains sound risk management and internal control systems and to review their effectiveness. The Group has established a risk management framework. The Board of Directors determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted Risk Management Policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, Senior Managements identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to assist the Board of Directors and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board of Directors on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board of Directors at least once a year. The Board of Directors had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board of Directors in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board of Directors considers the Group's risk management and internal control systems are effective and adequate.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board appointed Deloitte Advisory (Hong Kong) Limited to conduct a review of the effectiveness of the Group's internal control and risk management system and to provide services for Enterprise Risk Management during the Year.

Procedures and internal controls for the handling and dissemination of inside information

The Group complies with requirements of Securities & Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

EXTERNAL AUDITOR

Elite Partners CPA Limited has been appointed as the external auditor of the Company. The independence of the external auditor is recognized and annually reviewed by the Board and the audit committee of the Company. During the financial year, the fees paid and payable to Elite Partners CPA Limited in respect of its audit services (including interim review) provided to the Group was RMB2.1 million. Fee payable to Elite Partners CPA Limited in respect of completion audit for the Acquisition amounted to RMB0.2 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 Office 812, Unit 1908, 19/F, Queen's Road Central, Central, 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 Office 812, Unit 1908, 19/F, Queen's Road Central, Central, 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 seven Directors, including four 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 62, 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 28, 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 and the chief executive director on August 2015. 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 64, 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. Ms. Yuan has over 25 years' experience in accounting, human resources and management aspect.

Ms. Mo Wei (莫薇), aged 34, is the executive Director of the Group. She has over 10 years' experience in accounting, human resources and management industry. She is currently director of several subsidiaries of the Group. Before joining the Group, she worked as the director and chief financial officer of a private biotechnology company and had served in Zhongxing Telecommunication Equipment Corporation (中興通訊股份有限公司) and Xinjiang Uygur Autonomous Region people's Government in Xi'an Office (新疆人民政府駐西安辦事處). Ms. Mo obtained her bachelor's degree in Chinese linguistics & Literature at Northwest University (西北大學).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Chiu Tung (張照東), aged 43, 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 Government (廈門市人民政府) 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 economic law from Huaqiao University (華僑大學) in the PRC in 1999, his doctorate degree in international 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 48, 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. He 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.

Ms. Huang Yumin (黃宇敏), aged 41, is an independent non-executive Director and joined our Group on 1 February 2018. Ms. Huang had worked as vice president in Kunwu JiuDing Capital Co., Ltd (昆吾九鼎投資管理有限公司) from 2011 to 2012, and also served various positions in Bank of China International Capital Limited (中銀國際投資有限公司) from 2009 to 2011 and Fortis HaiTong Investment Management Co., Ltd (海富通基金管理有限公司) from 2007 to 2008. Ms. Huang obtained her bachelor's degree in Economics from Fudan University (復旦大學) in 2000, and obtained Master of Accounting from Macquarie University in 2004. She is a Certified Practising Accountant (Australia).

SENIOR MANAGEMENT

Mr. Chen Jianxin (陳建鑫), aged 44, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report highlights the Group's management and strategic approach, priorities and commitment in environmental and social aspects. The report covers the whole Group including China Fordoo Holdings Limited and its subsidiaries and covers the period from 1 January 2017 to 31 December 2017. It has been prepared in compliance with the Environmental, Social and Governance ("ESG") Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

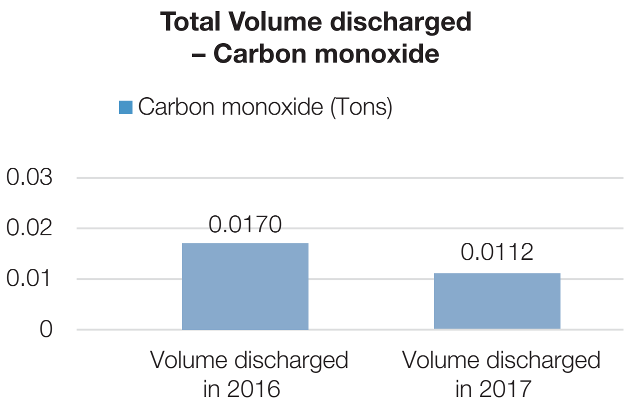
A. ENVIRONMENTAL ASPECTS

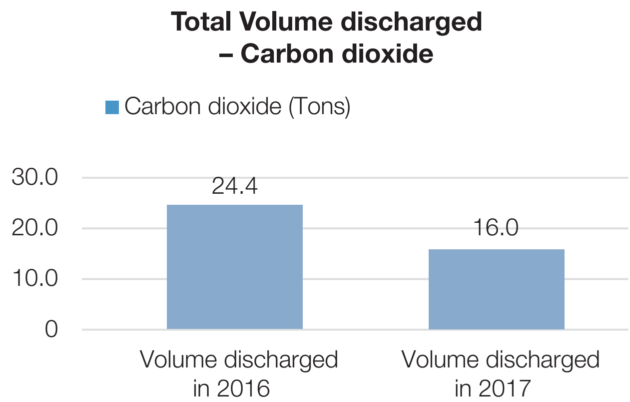
The Group recognizes its responsibility to protect the planet and preserve its beauty and resources to the next generation. We strive to enhance production efficiency and strengthen our environmental protection efforts on conserving resources and managing waste from our business activities.

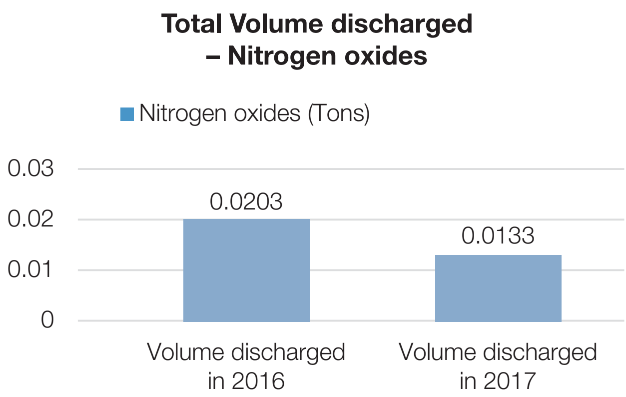
1) Emissions

The major wastes generated from our production processes are waste gases and waste fabrics. The waste gases are mainly carbon monoxide, carbon dioxide and nitrogen oxides and the total volume of waste gases emissions in the last two years were as follows:

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.

2) Use of Resources

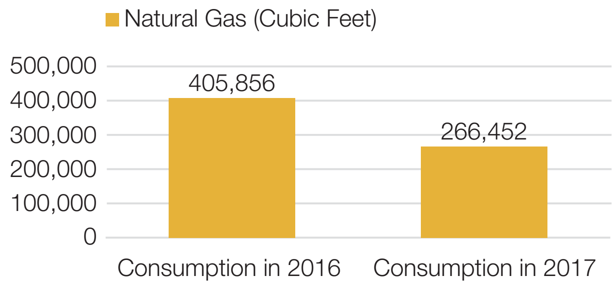
The main resources used in the Group's production processes are electricity, water and natural gas. Our energy consumption is mainly for the production of men's trousers, apparel products and fabrics.

During the Year, the Group's production output increased by 12.5% to 5,767,826 units (2016: 5,125,046 units) compared to the year ended 31 December 2016, with consumption of electricity of 4,426,418 kWh, decreased by 36.7%, and consumption of electricity per unit production decreased by 43.7%. 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.

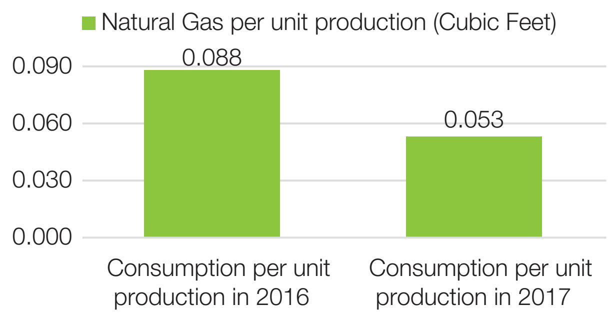
Our total energy consumption and consumption per unit production in the last two years were as follows:

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

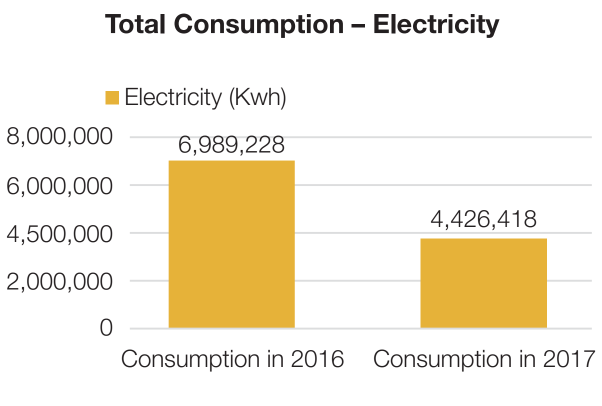
Total Consumption – Natural Gas

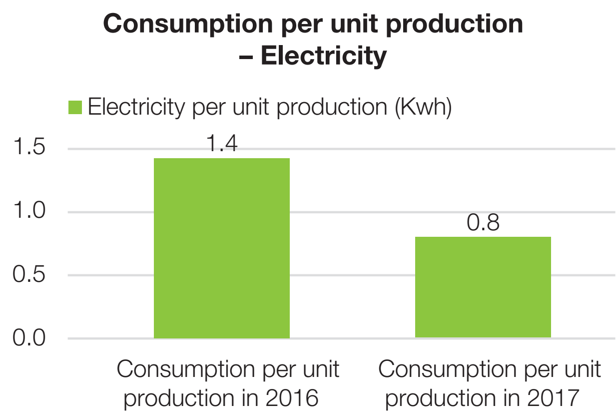


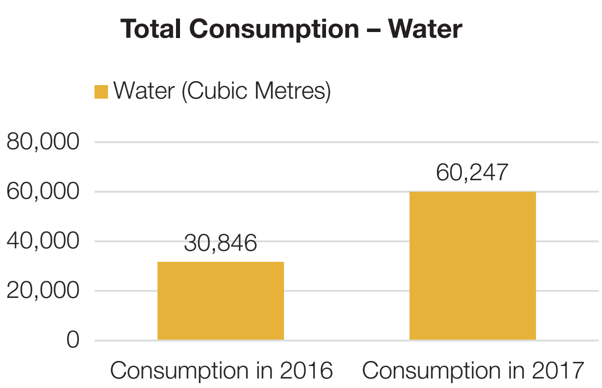
Consumption per unit production – Natural Gas

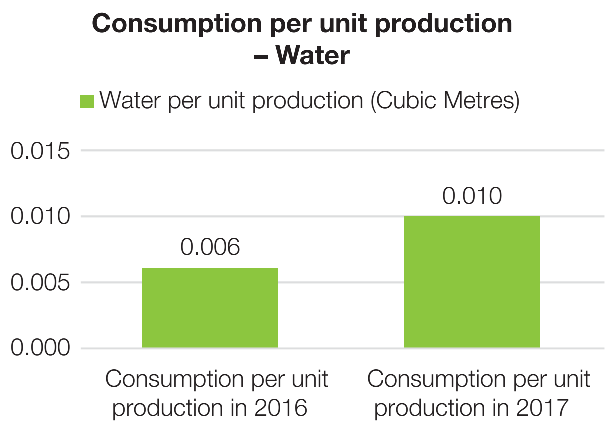


Notes: Natural gas was used for boiler heating









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.

3) The Environment and Natural Resources

The Group pursues 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 equipments 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. Purchased from highly recognized international brand and manufacturer, our optimized production equipment help to avoid wastes due to equipment failure.

We highly encourage the use of electronic means to replace paper for communication. The Group has also promoted double-sided printing and the recycling of used toner cartridges by a third party in order to minimize the effects of printing and paper usage on the environment.

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.

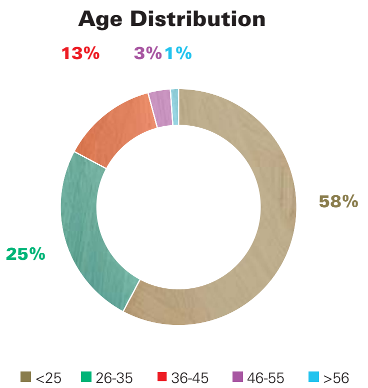
B. SOCIAL ASPECTS

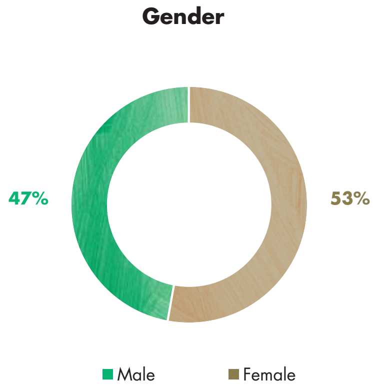
Employment and Labour Practices

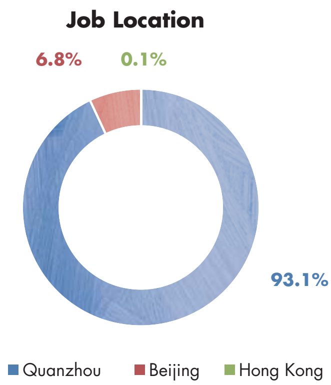
1) Employment

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 2017, the Group had a total of 2,169 employees (2016: 2,581). The charts below show the demographics of the Group's workforce as at 31 December 2017.







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; and

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 2017 was 2.8% (2016: 4.6%). The Group maintained a relatively low staff turnover rate, reflecting a high level of employee satisfaction and engagement with the Group, attributable to the following effective measures and benefits:

- We offer free quality accommodation to 1,539 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 old and six years old.

- In the past six years, we offered an average contribution of approximately RMB 1.0 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 2017, 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 holidays, "Fun Sports Day"held in New Year's Day and "Win 2017" annual dinner held before Lunar New Year.

We offer free quality accommodation to 1,539 employees at our dormitory.

The Group held various corporate team outings in 2017, such as Changchou outing held during holidays.

We had "Fun Sports Day" held at our basketball court during the 2017 New Year's day.

2) Health and Safety

Heavy emphasis is placed on the safety and well-being of staff. The Group established and strictly implemented internal safety guidelines and operation procedures and achieved OHSAS 18001 certification, which is an international 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 four years and we have complied with all applicable labor and safety laws and regulations since the commencement of our business.

3) Development and Training

The Group strongly believes that experienced and skilled staff play an important role to success. We supports our employees 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 2017, 1,003 hours have been recorded in staff training.

There are 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.

4) Labour Standards

The Group is committed to supporting its corporate value by complying with laws and regulations. We adopt a series of comprehensive policies and procedures regarding recruitment and labor use. We strictly prohibit child labour and forced labour from our employment. Since 2011, we have actively interacted with Quanzhou Public Security Bureau and installed an identity card identification system in our Human Resources department. During the recruitment process, the applicant must provide his/her identity card for inspection and authentication by the identity card identification system. The Group has complied with the relevant laws and regulations in the PRC on prevention of child and forced labour.

Operating Practices

5) 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 and to minimize the environmental and social risks of the Group's supply chain. 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, the Group evaluates its suppliers' performance annually, which includes an assessment of product quality, production costs and product delivery time. The regular evaluation of their performance helps to maximize the value-for-money of our products. In turn it enable the competitiveness of its products and brand will be improved.

6) Product Responsibility

The Group actively fulfill its responsibilities to the public through its products. We 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 international standard certifications proves our competency 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 2017, we had a team of 20 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), tops using new chest liners sewing technology (一種新型胸襯), comfort and fit trousers (舒便型西褲), comfort and fit blazers (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 the China National Garment Association, which is a testament to our commitment to quality.

During the Year, the Group has not received any complaints from consumers and regulatory body nor recalled our products regarding safety or health issues.

7) Anti-Corruption

The Group has established its "Self-Discipline Regulations" to combat corruption and provide clear guidelines for its employees to prevent corruption. We also communicated with our employees and ensure that they are aware of our strong stance against corruption.

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, bribery, extortion, fraud and money laundering.

COMMUNITY

8) Community Investment

The Group considers urban greenery as 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.

It is crucial that we continue to contribute to the sustainability and livability of our city. We are dedicated to nurture and protect the "green space" in the city by enhancing sense of place and urban ecosystems.

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 2017.

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 page 4 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, 30.2% (2016: 24%) 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.

(viii) 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.

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 Office 812, Unit 1908, 19/F, 9 Queen's Road Central, Central, 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 34 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 19% (2016: 8%) and 32% (2016: 26%), 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 12% (2016: 6%) and 30% (2016: 26%), respectively, of the Group's total purchases of raw materials for the year ended 31 December 2017.

Aggregate purchases from the Group's largest and five largest suppliers of OEM products accounted for approximately 31% (2016: 17%) and 69% (2016: 57%), respectively, of the Group's total purchases from OEM contractors for the year ended 31 December 2016.

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 120 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 119 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.

RESERVES

Details of movements in reserves of the Company and the Group are set out in note 29 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

As at 31 December 2017, the Company's reserves available for distribution amounted to approximately HK$108.7 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 2017 are set out in note 24 to the consolidated financial statements.

NON-CURRENT ASSETS

Details of acquisitions and other movements of non-current assets (including property, plant and equipment, investment properties and lease prepayments) are set out in notes 12 to 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the financial year are set out in note 29 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.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the financial year were:

Executive Directors

Mr. Kwok Kin Sun *(Chairman)*
Mr. Kwok Hon Fung *(Chief Executive Officer)*
Ms. Yuan Mei Rong
Ms. Mo Wei (appointed on 1 March 2018)

Independent Non-Executive Directors

Mr. Cheung Chiu Tung
Mr. Poon Yick Pang Philip
Mr. Zhang Longgen (resigned on 29 September 2017)
Mr. Shen Li (appointed on 29 September 2017 and resigned on 1 February 2018)
Ms. Huang Yumin (appointed on 1 February 2018)

Each of the executive Directors and independent non-executive Directors, except Ms. Mo Wei and Ms. Huang Yumin, has entered into a service contract or letter of appointment with the Company for a term of three years commencing from the Listing Date or their respective date of appointment, subject to his retirement and re-election at annual general meetings in accordance with the Articles. Ms. Mo Wei and Huang Yumin has entered into a service contract or letter of appointment with the Company for a term of three years commencing on 1 March 2018 and 1 February 2018 respectively. 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 31 to 32 of this annual report. In accordance with article 84 of the Articles, Mr. Kwok Kin Sun and Mr. Kwok Hon Fung will retire from the Board by rotation at the 2018 AGM and, being eligible, offer themselves for re-election. In addition, pursuant to article 83(3) of the Articles, Ms. Huang Yumin shall hold office until the next general meeting of the Company and be subject to re-election. As such, Ms. Mo Wei and Ms. Huang Yumin shall retire at the 2018 AGM and being eligible, will offer herself for re-election at the 2018 AGM.

No Director proposed for re-election at the 2018 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 24 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 2017, 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 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%

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 2017, 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 2017, 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
Donghai International Financial Holdings Company Limited	Long	Security interest in Shares	244,800,000	50.90%
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 2017, 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 32 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 32 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 32 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 non-compete undertaking 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 2017, the remaining life of the Share Option Scheme was approximately 6 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 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:

				Number of Share Options					
Category	Date of grant	Exercise price (HK$)	Exercisable period	As at 1 January 2017	Granted	Exercised	Cancelled	Lapsed	As at 31 December 2017
Directors									
Yuan Mei Rong	7 October 2015	3.56	7 October 2016 to 6 October 2021	–	–	–	–	–	–
	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
Zhang Longgen[1]	7 October 2015	3.56	7 October 2016 to 6 October 2021	–	–	–	–	–	–
	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
Employees [2]									
In aggregate	7 October 2015	3.56	7 October 2016 to 6 October 2021	–	–	–	–	–	–
	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				2,100,000	–	–	–	(1,400,000)	700,000

Notes:

(1) Following his resignation as an independent non-executive Director on 29 September 2017, the share option held by Mr. Zhang Longgen lapsed on the same date.

(2) Following the employee's resignation during the Year, the share option held by the employee lapsed during the Year.

As at 31 December 2017, the total number of shares available for issue pursuant to exercisable options under the Share Option Scheme is 400,000, representing 0.08% 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 ended 31 December 2017, 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 and Ms. Yuan Mei Rong, an executive Director, were not able to attend the 2017 AGM held on 31 May 2017.

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 26 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 ended 31 December 2017 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.

SIGNIFICANT EVENTS AFTER THE REPORT PERIOD

There was 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 2018 AGM. A resolution for the re-appointment of Elite Partners CPA Limited as auditors of the Company is to be proposed at the 2018 AGM.

On behalf of the Board

Kwok Kin Sun
Chairman

Hong Kong
26 March 2018

INDEPENDENT AUDITOR'S REPORT

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 119, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 2017. 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
Business combination and impairment assessment of goodwill and intangible assets	
As at 31 December 2017, the Group had goodwill of approximately RMB72,456,000 which relates to the acquisition of Chameleon Venture Limited and its subsidiaries ("Chameleon Group") (see Note 27 to the consolidated financial statements). Also, the Group had intangible assets of approximately RMB217,000,000 arising from the acquisition of Chameleon Group which relate to the "Distribution network" as disclosed in Note 17 to the consolidated financial statements. During the year ended 31 December 2017, the Group had not recognised impairment loss of goodwill and intangible assets. For the purpose of the initial recognition of intangible assets in business combination and impairment assessment of goodwill and intangible assets, the Group appointed an independent external valuer to assess the fair value of the identifiable net assets of Chameleon Group at initial recognition and the recoverable amount of the CGU at the end of the reporting period. We had identified business combination and impairment assessment of goodwill and intangible assets as a key audit matter because significant management judgement was required to determine the key assumptions including estimated future income, operating margins and discount rate, etc. and the amounts involved were significant.	Our major audit procedures in relation to the business combination and impairment assessment of goodwill and intangible assets included the following: — We tested the purchase price allocations in which we especially focused on the valuation of the identifiable assets of Chameleon Group and the related fair value adjustments. — We evaluated the timing and appropriateness of the accounting treatment and the consideration of the acquisition based on the contractual agreement. — We discussed with management as to whether there was any indicator of impairment. — We obtained cash flow forecasts relating to the CGU prepared by management and approved by the directors of the Company. — We discussed with management and independent external valuer engaged by the Company in relation to the methodology, basis and assumptions used in arriving at the forecasts (e.g. estimated sales growth rate and discount rate etc.) to see whether the methodology and assumptions used were reasonable and appropriate. — We checked, on a sample basis, the accuracy and reliance of the input data used. — We evaluated the competency of the independent external valuer taking into account its experience and qualifications.

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 2017, the Group had trade receivables (before impairment) of RMB464,794,000. For the year ended 31 December 2017, the Group recognised impairment losses on trade receivables of approximately RMB88,922,000 which had been outstanding for over 360 days, representing approximately 19% of the total trade receivables as at 31 December 2017. Details of the Group's trade receivables were as set out in note 20 to the consolidated financial statements. 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
26 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	**2017** **RMB'000**	2016 RMB'000
Revenue	5	**1,129,418**	1,185,830
Cost of sales		**(750,846)**	(764,189)
Gross profit		**378,572**	421,641
Other income and other gains or losses	6	**(4,609)**	6,216
Selling and distribution expenses		**(104,433)**	(76,162)
Administrative and other operating expenses		**(205,593)**	(136,209)
Profit from operations		**63,937**	215,486
Finance costs	7(a)	**(21,400)**	(22,271)
Profit before taxation	7	**42,537**	193,215
Share of loss of an associate		**(2,000)**	–
Income tax	8	**(18,411)**	(61,626)
Profit for the year		**22,126**	131,589
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")		**8,872**	(15,038)
Total comprehensive income for the year		**30,998**	116,551
Earnings per share (RMB cents)			
— Basic and diluted	11	**4.60**	27.41

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	12	**247,327**	264,929
Construction in progress	13	**343,314**	255,727
Prepayment for construction in progress		**150,000**	–
Goodwill	14	**72,456**	–
Investment properties	15	**23,743**	24,930
Lease prepayments	16	**260,238**	267,347
Intangible assets	17	**201,561**	2,978
Deposit for acquisition of intangible assets		**12,916**	9,045
Investment in associate	18	**–**	–
Deferred tax assets	25(a)	**52,050**	29,820
		1,363,605	854,776
Current assets			
Inventories	19	**52,210**	58,169
Trade and other receivables	20	**286,082**	438,068
Pledged bank deposits	21	**67,886**	58,200
Fixed deposits held at bank with original maturity over three months	22(a)	**7,755**	52,200
Cash and cash equivalents	22	**502,107**	842,872
		916,040	1,449,509
Current liabilities			
Trade, bills and other payables	23	**253,367**	217,782
Bank borrowings	24	**482,992**	606,499
Current taxation		**3,548**	22,624
		739,907	846,905
Net current assets		**176,133**	602,604
Total assets less current liabilities		**1,539,738**	1,457,380
Non-current liabilities			
Deferred tax liabilities	25(a)	**87,469**	36,440
Net assets		**1,452,269**	1,420,940

The notes on pages 65 to 119 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Capital and reserves			
Share capital	*29(b)*	**3,819**	3,819
Reserves	*29(c)*	**1,448,450**	1,417,121
Total equity		**1,452,269**	1,420,940

Approved and authorised for issue by the board of directors on 26 March 2018.

Kwok Kin Sun
Chairman

Kwok Hon Fung
Director

The notes on pages 65 to 119 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	Share capital RMB'000 *Note 29(b)*	Share premium RMB'000 *Note 29(c)(i)*	Statutory reserve RMB'000 *Note 29(c)(ii)*	Capital reserve RMB'000 *Note 29(c)(iii)*	Exchange reserve RMB'000 *Note 29(c)(iv)*	Share-based payment reserve RMB'000 *Note 29(c)(v)*	Retained profits RMB'000	Total equity RMB'000
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	*29(c)(iv)*	–	–	–	–	(15,038)	–	–	(15,038)
Total comprehensive income		–	–	–	–	(15,038)	–	131,589	116,551
Appropriation to statutory reserve	*29(c)(ii)*	–	–	21,677	–	–	–	(21,677)	–
Dividends paid in respect of previous year	*29(a)*	–	(88,604)	–	–	–	–	–	(88,604)
Equity-settled share-based payments for employees	*29(c)(v)*	–	–	–	–	–	985	–	985
Lapse of share options	*29(c)(v)*	–	–	–	–	–	(82)	82	–
Issue of shares under share option scheme	*29(c)(v)*	8	3,378	–	–	–	(518)	–	2,868
At 31 December 2016 and 1 January 2017		**3,819**	**136,871**	**115,485**	**39,023**	**(24,677)**	**649**	**1,149,770**	**1,420,940**
Changes in equity for 2017:									
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**22,126**	**22,126**
Other comprehensive income for the year	*29(c)(iv)*	**-**	**-**	**-**	**-**	**8,872**	**-**	**-**	**8,872**
Total comprehensive income		**-**	**-**	**-**	**-**	**8,872**	**-**	**22,126**	**30,998**
Appropriation to statutory reserve	*29(c)(ii)*	**-**	**-**	**11,911**	**-**	**-**	**-**	**(11,911)**	**-**
Equity-settled share-based payments for employees	*29(c)(v)*	**-**	**-**	**-**	**-**	**-**	**331**	**-**	**331**
Lapse of share options	*29(c)(v)*	**-**	**-**	**-**	**-**	**-**	**(633)**	**633**	**-**
At 31 December 2017		**3,819**	**136,871**	**127,396**	**39,023**	**(15,805)**	**347**	**1,160,618**	**1,452,269**

The notes on pages 65 to 119 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Operating activities			
Cash generated from operations	*22(b)*	**341,100**	483,199
Income tax paid		**(62,938)**	(79,996)
Net cash generated from operating activities		**278,162**	403,203
Investing activities			
Payment for the purchase of property, plant and equipment and intangible assets		**(9,637)**	(855)
Payment for the deposit for acquisition of intangible assets		**(3,871)**	(9,045)
Payments of construction in progress		**(87,587)**	(143,711)
Prepayment for construction in progress		**(150,000)**	–
Payment of acquisition of subsidiaries		**(262,374)**	–
Proceeds from disposal of property, plant and equipment		**1,016**	901
Decrease in fixed deposit held at banks with original maturity over three months		**44,445**	90,482
Increase in pledged bank deposits		**(9,686)**	(11,100)
Interest received		**4,025**	4,636
Capital injection in an associate		**(2,000)**	–
Net cash used in investing activities		**(475,669)**	(68,692)
Financing activities			
Proceeds from bank borrowings		**393,800**	450,317
Repayment of bank borrowings		**(515,658)**	(348,000)
Interest paid		**(21,400)**	(22,271)
Exercise of share option		**–**	2,868
Dividends paid		**–**	(88,604)
Net cash used in financing activities		**(143,258)**	(5,690)
Net increase in cash and cash equivalents		**(340,765)**	328,821
Cash and cash equivalents at 1 January		**842,872**	514,051
Cash and cash equivalents at 31 December	*22(a)*	**502,107**	842,872

The notes on pages 65 to 119 form part of these financial statements.

(Expressed in Renminbi unless otherwise indicated)

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 2017, 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 2017. 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.

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014–2016 Cycle

The amendments to IAS 7 require an entity to make disclosures that aim to enable users of financial statements to evaluate changes in liabilities arising from financing activities. Reconciliations of various types of the Group's financing liabilities is disclosed in Notes 24 to the consolidated financial statements. Other than such additional disclosures, the application of the amendments has not had any material effect on the consolidated financial statements.

The amendments to IAS 12 clarify when unrealised losses on a debt instrument measured at fair value would give rise to a deductible temporary difference and how to evaluate whether sufficient future taxable profits are available to utilise a deductible temporary difference. The application of the amendments has not had any material effect on the consolidated financial statements.

Annual improvements to IFRSs (2014–2016 cycle) include an amendment to IFRS 12 that clarifies that, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5 *Non-current Assets held for Sale and Discontinued operations*, it is not required to disclose summarised financial information for that subsidiary, joint venture or associate, as required by IFRS 12 *Disclosure of Interests in Other Entities*.

(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	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[3]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle[2]

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 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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.

(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 (Continued)

IFRS 9 Financial Instruments (Continued)

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.

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

(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 (Continued)

IFRS 15 Revenue from Contracts with Customers and the clarifications to IFRS 15 (Continued)

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.

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.

(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 (Continued)

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: the original liability is derecognised. The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date. Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments and hence the Directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Amendments to IFRS 4 Insurance Contracts

Amendments to IFRS 4 are not applicable to the Group as the Company or its subsidiaries are not engaged in insurance business.

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.

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)

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that an entity should transfer a property to, or from, investment property when, and only when, there is a change in use. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The amendments emphasize that a change in management's intentions for the use of a property, in isolation, does not provide evidence of a change in use. Further, the amendments clarify that the list of circumstances set out in paragraph 57 of IAS 40 are examples only.

The amendments require an entity to apply the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments (i.e. the date of initial application). At the date of initial application, an entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

The Directors of the Company do not anticipate any impact as the Group did not have any transfers in the past.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The Interpretation concludes that the date of the transaction for the abovementioned purpose is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Directors of the Company do not anticipate that the application of the Interpretation will have a material impact on the Group's consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

The Directors of the Company do not anticipate that the application of the Interpretation will have a material impact on the Group's consolidated financial statements.

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 2017 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 consolidated financial statements is the historical cost basis.

The preparation of the consolidated 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 35.

(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 33), an investment in a subsidiary is stated at cost less impairment losses.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) 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.

(f) 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.

(g) 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.

(h) 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 36–39 years.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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.

(j) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(i) Impairment of trade and other receivables (Continued)

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.

(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).

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

- ***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.

(k) Inventories

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

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

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

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

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, 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.

(m) Interest-bearing borrowings

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

(n) Trade and other payables

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Cash and cash equivalents

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

(p) Employee benefits

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

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

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in 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).

(q) Income tax

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

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.

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)

(r) 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.

(s) Revenue recognition

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

(i) Sale of goods

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)

(t) Translation of foreign currencies

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

(u) 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.

(v) 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.

(w) Dividends

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

(Expressed in Renminbi unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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.

(Expressed in Renminbi unless otherwise indicated)

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	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Segment revenue:				
Contract revenue from external customers	**1,129,418**	1,185,830	**1,129,418**	1,185,830
Segment results	**378,572**	421,641	**378,572**	421,641
Other revenue and unallocated losses/gains			**(4,609)**	6,216
Corporate and other unallocated expenses			**(310,026)**	(212,371)
Finance costs			**(21,400)**	(22,271)
Profit before taxation			**42,537**	193,215
Share loss of an associate			**(2,000)**	–
Taxation			**(18,411)**	(61,626)
Profit for the year			**22,126**	131,589

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT INFORMATION (Continued)

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

Segment assets and liabilities

	Menswear		Consolidated	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Segment assets	**1,564,511**	1,815,523	**1,564,511**	1,815,523
Unallocated assets *(note)*			**715,134**	488,762
Total assets			**2,279,645**	2,304,285
Segment liabilities	**695,865**	689,196	**695,865**	689,196
Unallocated liabilities *(note)*			**131,511**	194,149
Total liabilities			**827,376**	883,345

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

(a) Geographical information

The following table present the Group's geographical information in terms of revenue for the years ended 31 December 2017 and 2016.

	2017	2016
	RMB'000	RMB'000
China	**910,210**	1,134,901
US	**3,267**	–
Hong Kong	**215,941**	50,929
	1,129,418	1,185,830

(b) Non-current assets

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 non-current assets are located in the mainland China.

Information about major customers

Revenue from one of the Group's customers, amounting to RMB215,941,000 (2016:Nil) accounted for over 10% of the Group's total revenue.

(Expressed in Renminbi unless otherwise indicated)

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:

	2017 RMB'000	2016 RMB'000
Men's trousers	**603,237**	649,508
Men's tops	**495,544**	501,785
Accessories	**4,697**	7,882
Fabrics	**25,940**	26,655
	1,129,418	1,185,830

No customer with whom transaction has exceeded 10% of the Group's revenue for the year ended 31 December 2017. Details of concentrations of credit risk arising from customers are set out in note 30(a).

6 OTHER INCOME AND OTHER GAINS OR LOSSES

	2017 RMB'000	2016 RMB'000
Interest income	**4,025**	4,636
Rental income from investment properties less direct outgoings	**1,475**	1,537
Government grants	**295**	751
Net foreign exchange loss	**(4,116)**	(1,392)
(Loss)/gain on disposal of property, plant and equipment	**(6,502)**	524
Others	**214**	160
	(4,609)	6,216

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

(Expressed in Renminbi unless otherwise indicated)

7 PROFIT BEFORE TAXATION

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

		2017 RMB'000	2016 RMB'000
(a)	Finance costs:		
	Interest on bank borrowings	**21,400**	22,271
(b)	Staff costs (including directors' remuneration):		
	Contributions to defined contribution retirement plans *(note 26)*	**2,026**	2,351
	Salaries, wages and other benefits	**136,737**	133,911
	Equity-settled share-based payment expenses for employees *(note 28)*	**331**	985
		139,094	137,247
(c)	Other items:		
	Amortisation of lease prepayments	**7,109**	7,109
	Amortisation of intangible assets	**18,417**	334
	Depreciation of property, plant and equipment	**19,760**	19,666
	Depreciation of investment properties	**1,187**	1,187
	Auditors' remuneration	**1,730**	1,629
	Research and developments expenses *(note (i))*	**19,189**	16,585
	Cost of inventories *(note (ii))*	**750,846**	764,189
	Allowance for doubtful debts	**167,881**	105,955
	Operating lease payment	**726**	716
	Reversal of allowance for doubtful debts	**(78,959)**	(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 RMB102,515,000 of staff costs, depreciation and amortisation charges for the year ended 31 December 2017 (2016: RMB104,983,000), which are also included in the respective amounts disclosed in note 7(b).

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:

	2017 RMB'000	2016 RMB'000
Current tax		
Provision for PRC enterprises income tax for the year	**43,862**	70,826
Deferred tax credit *(note 25)*	**(25,451)**	(9,200)
	18,411	61,626

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 2017 and 31 December 2016.

(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:

	2017 RMB'000	2016 RMB'000
Profit before taxation	**42,537**	193,215
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	**13,002**	51,449
PRC dividend withholding tax *(note 25(a))*	**1,300**	7,000
Effect of non-deductible expenses	**1,841**	311
Effect of tax losses not recognised	**2,268**	2,825
Effect of temporary differences not recognised	**–**	41
Actual tax expense	**18,411**	61,626

(Expressed in Renminbi unless otherwise indicated)

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 2017

	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	2017 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	81	581
Sub-total	–	3,100	30	–	3,130	81	3,211
Independent Non-executive Directors							
Mr. Cheung Chiu Tung	110	–	–	–	110	40	150
Mr. Poon Yick Pang Philip	190	–	10	–	200	–	200
Mr. Zhang Longgen *(note (iii))*	142	–	–	–	142	32	174
Mr. Shen Li *(note (iv))*	22	–	–	–	22	–	22
Sub-total	464	–	10	–	474	72	546
Total	464	3,100	40	–	3,604	153	3,757

(Expressed in Renminbi unless otherwise indicated)

9 DIRECTORS' REMUNERATION (Continued)

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 (v))*	107	–	–	–	107	59	166
Mr. Zhang Longgen	171	–	–	–	171	89	260
Mr. Cheung Chiu Tung	100	–	–	–	100	89	189
Mr. Poon Yick Pang Philip *(note (vi))*	65	–	3	–	68	–	68
Sub-total	443	–	3	–	446	237	683
Total	443	3,100	33	–	3,576	414	3,990

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. Zhang Longgen resigned as the independent non-executive director of the Company on 29 September 2017.

(iv) Mr. Shen Li was appointed as the independent non-executive director of the Company on 29 September 2017 and resigned on 1 February 2018.

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

(vi) Mr. Poon Yick Pang 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 (2016: Nil).

(Expressed in Renminbi unless otherwise indicated)

10 INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2016: three) are directors whose remuneration is disclosed in note 9 above. The aggregate of the emoluments in respect of the remaining two individuals for 2017 (2016: two) are as follows:

	2017 **RMB'000**	2016 RMB'000
Salaries and other emoluments	**1,329**	1,684
Discretionary bonuses	**22**	1,530
Retirement scheme contributions	**13**	20
Share-based payments for employees	**–**	571
	1,364	3,805

The emoluments of the two individuals (2016: two) with the highest emoluments fall within the following bands:

	2017 **Number of individuals**	2016 Number of individuals
Nil to HK$1,000,000	**2**	1
HK$1,000,000 to HK$2,000,000	**–**	–
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 RMB22,126,000 (2016: RMB131,589,000) and the weighted average number of issued ordinary shares of 480,900,000 (2016: 480,027,689 shares) during the year ended 31 December 2017, calculated as follows:

	Weighted average number of ordinary shares	
	2017	2016
Weighted average number of ordinary shares at 1 January	**480,900,000**	480,000,000
Effect of share options	**–**	27,689
Weighted average number of ordinary shares at 31 December	**480,900,000**	480,027,689

(b) Diluted earnings per share

The computation of diluted earnings per share for the year assumed the exercise of outstanding share options of the Company since the exercise price of the share options was lower than the average market price during the year of 2017, calculated as follows:

	Weighted average number of ordinary shares
	2017
Weighted average number of ordinary shares at 1 January	**480,900,000**
Effect of share option	**170,685**
Weighted average number of ordinary shares at 31 December	**481,070,685**

The computation of diluted earnings per share for 2016 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.

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 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 and 1 January 2017	338,369	110,648	5,793	31,464	486,274
Additions	8,738	768	–	131	9,637
Acquisitions through business combinations	–	–	–	326	326
Disposals	–	(10,911)	(2)	(530)	(11,443)
Exchange adjustment	(20)	–	–	(11)	(31)
At 31 December 2017	347,087	100,505	5,791	31,380	484,763
Accumulated depreciation:					
At 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 and 1 January 2017	99,761	87,553	4,922	29,109	221,345
Acquisitions through business combinations	–	–	–	287	287
Charge for the year	13,943	4,847	166	804	19,760
Written back on disposals	–	(3,418)	(2)	(505)	(3,925)
Exchange adjustment	(19)	–	–	(12)	(31)
At 31 December 2017	113,685	88,982	5,086	29,683	237,436
Net book value:					
At 31 December 2017	233,402	11,523	705	1,697	247,327
At 31 December 2016	238,608	23,095	871	2,355	264,929

(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 RMB233,402,000 (2016: RMB238,608,000) have been pledged to a bank as security for bank borrowings as at 31 December 2017 (see note 24).

(Expressed in Renminbi unless otherwise indicated)

13 CONSTRUCTION IN PROGRESS

	2017	2016
	RMB'000	RMB'000
Cost:		
At 1 January	**255,727**	112,016
Additions	**87,587**	143,711
At 31 December	**343,314**	255,727
Net book value:		
At 31 December	**343,314**	255,727

(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 three commercial buildings and underground car park which targeted to be completed by 2021. The directors of the Company have not finalized how the commercial center will be used.

14 GOODWILL

	2017
	RMB'000
At beginning of the year	**–**
Addition from business combination	**72,456**
At end of the year	**72,456**

The Group performed its annual impairment test for goodwill allocated to the Chameleon Group by comparing its recoverable amount to its carrying amount as at the end of the reporting period. The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations used cash flow projections based on a five-year financial budget approved by management. Cash flows beyond a five-year period approved by management have been extrapolated with an estimated general annual growth of 3%. The discount rate used of 13.1% reflects specific risks related to the relevant segment. Other key assumptions for value in use calculations relate to the estimation of cash inflows/outflows which include budged sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

(Expressed in Renminbi unless otherwise indicated)

15 INVESTMENT PROPERTIES

	2017 RMB'000	2016 RMB'000
Cost:		
At 1 January and 31 December	**35,613**	35,613
Accumulated depreciation:		
At 1 January	**10,683**	9,496
Charge for the year	**1,187**	1,187
At 31 December	**11,870**	10,683
Net book value:		
At 31 December	**23,743**	24,930

(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 2017 was RMB32,700,000 (2016: RMB32,500,000). 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) The investment properties were pledged as security for bank borrowings (see note 24).

(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:

	2017 RMB'000	2016 RMB'000
Within 1 year	**1,537**	1,475
After 1 year but within 5 years	**1,000**	510
	2,537	1,985

(Expressed in Renminbi unless otherwise indicated)

16 LEASE PREPAYMENTS

	2017	2016
	RMB'000	RMB'000
Cost:		
At 1 January and 31 December	**291,497**	291,497
Accumulated amortisation:		
At 1 January	**24,150**	17,041
Charge for the year	**7,109**	7,109
At 31 December	**31,259**	24,150
Net book value:		
At 31 December	**260,238**	267,347

(a) Lease prepayments represented the Group's land use rights on leasehold land located in the mainland China. As at 31 December 2017, the remaining period of the land use rights range from 36 to 39 years.

(b) At 31 December 2017, the lease prepayments with carrying value of RMB260,238,000 (2016: RMB267,347,000) were pledged as security for bank borrowings (see note 24).

(Expressed in Renminbi unless otherwise indicated)

17 INTANGIBLE ASSETS

	ERP System RMB'000	Distribution network RMB'000	Total RMB'000
Cost:			
At 1 January 2016, 31 December 2016 and 1 January 2017	4,429	–	4,429
Acquired in a business combinations	–	217,000	217,000
At 31 December 2017	4,429	217,000	221,429
Accumulated amortisation:			
At 1 January 2016	1,117	–	1,117
Charge for the year	334	–	334
At 31 December 2016 and 1 January 2017	1,451	–	1,451
Charge for the year	334	18,083	18,417
At 31 December 2017	1,785	18,083	19,868
Net book value			
At 31 December 2017	2,644	198,917	201,561
At 31 December 2016	2,978	–	2,978

During the year ended 31 December 2017, acquisitions of intangible asset with amount of RMB217,000,000 acquired through acquisition of Chameleon Group, represent a retail distribution network with 5 years terminal life.

(Expressed in Renminbi unless otherwise indicated)

18 INVESTMENT IN AN ASSOCIATE

Details of the Group's investment in an associate is as follow:

	2017 RMB'000	2016 RMB'000
Cost of investment in an associate	**2,000**	–
Share of post-acquisition loss and other comprehensive expense	**(2,000)**	–
	–	–

Details of the associate of the Group at the end of the reporting period is as below:

Name of associate	Country of establishment	Principal place of business	Proportion of ownership interest	Principal activities
北京寅盛科技發展有限公司	The PRC	The PRC	50%	Development of online fashion platform

	2017 RMB'000
The unrecognised shares of loss of an associate for the period	**(4,406)**
Cumulative unrecognised shares of loss of an associate	**(4,406)**

According to the memorandum and articles of association, all the resolution should be passed by two-third of shareholders/directors, of which the Group owns less than two-third of the voting right. Since the Group does not have absolute controlling power on making any decisions and rights to the net assets of arrangement, it is regarded as associate.

19 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2017 RMB'000	2016 RMB'000
Raw materials	**8,567**	21,347
Work in progress	**5,320**	6,687
Finished goods	**38,323**	30,135
	52,210	58,169

(Expressed in Renminbi unless otherwise indicated)

20 TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**464,794**	542,752
Less: Provision for doubtful debts *(note (b))*	**(208,201)**	(119,279)
Trade and bills receivables *(note (a) and (c))*	**256,593**	423,473
Prepayments to suppliers	**15,892**	3,318
Other deposits, prepayments and receivables	**13,597**	11,277
	286,082	438,068

(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:

	2017 RMB'000	2016 RMB'000
Within 3 months	**203,068**	323,620
More than 3 months but within 6 months	**44,963**	99,853
More than 6 months but within 1 year	**8,562**	–
	256,593	423,473

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 30(a).

20 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(j)(i)).

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

	2017 RMB'000	2016 RMB'000
At 1 January	**119,279**	54,481
Reversal of allowance for doubtful debts recognised in prior years	**(78,959)**	(41,157)
Impairment loss recognised	**167,881**	105,955
At 31 December	**208,201**	119,279

As at 31 December 2017, the Group's trade receivables with net of allowance for doubtful debts of RMB167,881,000 (2016: RMB105,955,000) 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:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**248,031**	423,473
Less than 90 days overdue	**8,562**	–
	256,593	423,473

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.

21 PLEDGED BANK DEPOSITS

As at 31 December 2016 and 2017, 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 24). The pledged bank deposits will be released upon the settlement of relevant bank borrowings and were reclassified as current assets.

(Expressed in Renminbi unless otherwise indicated)

22 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS HELD AT BANKS

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

	2017 RMB'000	2016 RMB'000
Fixed deposit held at bank with original maturity within three months	**11,531**	6,000
Cash at bank and in hand	**490,576**	836,872
Cash and cash equivalents in the consolidated statements of financial position and consolidated cash flow statement	**502,107**	842,872
Fixed deposits held at bank with original maturity over three months	**7,755**	52,200
	509,862	895,072

At 31 December 2017, cash and cash equivalents in the mainland China amounted to RMB509,013,000 (2016: RMB891,035,000). 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	2017 RMB'000	2016 RMB'000
Profit before taxation		**42,537**	193,215
Adjustments for:			
— Depreciation of property, plant and equipment	*7(c)*	**19,760**	19,666
— Depreciation of investment properties	*7(c)*	**1,187**	1,187
— Amortisation of intangible assets	*7(c)*	**18,417**	334
— Amortisation of lease prepayments	*7(c)*	**7,109**	7,109
— Interest expense	*7(a)*	**21,400**	22,271
— Interest income	*6*	**(4,025)**	(4,636)
— Loss/(Gain) on disposal of property, plant and equipment and lease prepayments	*6*	**6,502**	(524)
— Equity-settled share-based payments for employees	*7(b)*	**331**	985
— Foreign exchange loss/(gain), net		**7,122**	(5,199)
— Allowance for doubtful debts	*7(c)*	**167,881**	105,955
— Reversal of allowance for doubtful debts	*7(c)*	**(78,959)**	(41,157)
Changes in working capital:			
— Decrease in inventories		**20,204**	5,400
— Decrease in trade and other receivables		**120,389**	194,024
— Decrease in trade and other payables		**(8,755)**	(15,431)
Cash generated from operations		**341,100**	483,199

(Expressed in Renminbi unless otherwise indicated)

23 TRADE, BILLS AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payable	**31,059**	73,235
Bills payable	**82,620**	32,000
Receipts in advance	**–**	3,420
Others payables	**40,388**	35,990
Final payment for acquisition of subsidiaries	**29,282**	–
Accruals	**70,018**	73,137
	253,367	217,782

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

	2017 RMB'000	2016 RMB'000
Within 1 month or on demand	**37,214**	42,776
After than 1 month but within 3 months	**19,695**	62,459
Over 3 months but within 6 months	**36,770**	–
Over 6 months but within 1 year	**20,000**	–
	113,679	105,235

24 BANK BORROWINGS

(a) As at 31 December 2017, the bank borrowings were repayable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year or on demand	**482,992**	606,499
After 1 year but within 2 years	**–**	–
	482,992	606,499

(Expressed in Renminbi unless otherwise indicated)

24 BANK BORROWINGS (Continued)

(b) Analysed as follows:

	2017 RMB'000	2016 RMB'000
Bank borrowings		
— secured	**438,992**	506,182
— unsecured	**44,000**	100,317
	482,992	606,499

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

	2017 RMB'000	2016 RMB'000
Property, plant and equipment *(note 12(b))*	**233,402**	238,608
Investment properties *(note 15(c))*	**23,743**	24,930
Lease prepayments *(note 16(b))*	**260,238**	267,347
Pledge bank deposits *(note 21)*	**67,886**	58,200
	585,269	589,085

As at 31 December 2017 and 31 December 2016 certain bank borrowings were guaranteed by Mr. Kwok Kin Sun, who is the ultimate controlling party of the Group.

(d) Key terms and movements of the interest-bearing borrowings:

Bank loans (secured and unsecured)

	2017 RMB'000	2016 RMB'000
Movement of bank loans and bank overdrafts is as follows:		
As at 1 January	**606,499**	494,276
Proceeds from new bank loans	**393,800**	450,317
Repayments	**(515,658)**	(348,000)
Foreign exchange adjustment	**(1,649)**	9,906
As at 31 December	**482,992**	606,499

(Expressed in Renminbi unless otherwise indicated)

24 BANK BORROWINGS (Continued)

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

	2017 RMB'000	2016 RMB'000
Facility amount	961,757	759,857
Utilised facilities amount in respect of bank borrowings	482,992	606,499

Certain of the Group's banking borrowings amounted to RMB349,800,000 (2016: RMB350,000,000) 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 2017 and 31 December 2016, none of the covenants relating to drawn down facilities had been breached.

25 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	Intangible assets recognised at the dates of business combinations RMB'000	Impairment on trade receivable RMB'000	Total RMB'000
At 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 and 1 January 2017	(36,440)	–	29,820	(6,620)
Acquisitions through business combinations	–	(54,250)	–	(54,250)
(Charged)/credited to consolidated statement of profit or loss and other comprehensive income	(1,300)	4,521	22,230	25,451
At 31 December 2017	(37,740)	(49,729)	52,050	(35,419)

(Expressed in Renminbi unless otherwise indicated)

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

(a) Deferred tax assets and liabilities recognised: (Continued)

(ii) Reconciliation to the consolidated statement of financial position

	2017	2016
	RMB'000	RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**52,050**	29,820
Deferred tax liabilities recognised in the consolidated statement of financial position	**(87,469)**	(36,440)

(b) Deferred tax assets not recognised

At 31 December 2017, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB57,682,000 (2016: RMB41,269,000), of which RMB28,457,000 (2016: RMB19,413,000) 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 2017, deferred tax liabilities relating to the undistributed profits of the Company's PRC subsidiaries of RMB967,540,000 (2016: RMB882,140,000) 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.

26 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.

27 ACQUISITION OF SUBSIDIARIES

Chameleon Ventures Limited and its subsidiary ("Chameleon Group")

On 12 July 2017, Xinghan Global Investment Limited (''Xinghan Global"), a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party for the acquisition of 100% of the issued share capital of Chameleon Group at a cash consideration of HK$340,000,000 (RMB292,825,000).Chameleon Group is principally engaged in the menwear retail in Beijing. The acquisition of Chameleon Group was completed on 31 July 2017.

The identifiable assets acquired and liabilities assumed of the acquiree as at the date of acquisition were as follows:

	RMB'000
Net assets acquired:	
Property, plant and equipment	39
Intangible assets	217,000
Cash and bank equivalents	1,169
Trade and other receivables	57,211
Inventories	14,245
Trade and other payables	(15,045)
Deferred tax liabilities	(54,250)
Total identifiable net assets at fair value	220,369
Cash consideration	292,825
Less: Fair value of net assets acquired	(220,369)
Goodwill *(Note14)*	72,456

	RMB'000
Net cash outflow arising on acquisition:	
Cash consideration paid	263,543
Less: cash and cash equivalents acquired	(1,169)
	262,374

Included in the acquisition of Chameleon Group, there was a contingent consideration arrangement pursuant to which the acquirer is required to pay the final payment of HK$34,000,000 (RMB29,282,000) by cash if Chameleon Group's profit after tax as at year ended 31 December 2017 meet RMB26,000,000. If such condition is met ,the additional cash consideration is payable within ten working days. In the opinion of the management of the Group, after taking into account the past performance of the Chameleon Group and market condition, consider that Chameleon Group could meet the contingent arrangement and the Group will have to pay the final payment in the future. The fair value of such contingent liability was valued by International Valuation Limited, independent qualified valuer not connected to the Group, by discount back to the estimated at the date of the acquisition amounted to RMB29,282,000.

(Expressed in Renminbi unless otherwise indicated)

27 ACQUISITION OF SUBSIDIARIES (Continued)

	RMB'000
Consideration transferred:	
Cash paid during the year	263,543
Contingent consideration arrangement	29,282
	292,825

Impact of the acquisition on the result of the Group

Included in the Group's profit for the year was RMB10,596,000 generated by Chameleon Group since the date of acquisition. The Group's revenue for the year included RMB74,906,000 generated by Chameleon Group since the date of acquisition.

If the business combination been effected on 1 January 2017, the revenue of the Group from continuing operation would have been RMB161,751,000,and the profit for the year from continuing operations would have been RMB26,781,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operation of the group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future result.

28 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)

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

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

	2017 Weighted average exercise price	**2017** Number of options	2016 Weighted average exercise price	2016 Number of options
Outstanding at the beginning of the year	**HK$3.56**	**2,100,000**	HK$3.56	3,300,000
Granted during the year	**–**	**–**	–	–
Lapsed during the year	**HK$3.56**	**(1,400,000)**	HK$3.56	(300,000)
Exercised during the year	**HK$3.56**	**–**	HK$3.56	(900,000)
Outstanding at the end of the year	**HK$3.56**	**700,000**	HK$3.56	2,100,000
Exercisable at the end of the year	**HK$3.56**	**400,000**	HK$3.56	100,000

During the year ended 31 December 2017, Nil share options were granted and 400,000 (2016: 100,000) of share options became exercisable as at 31 December 2017.

The share options outstanding as at 31 December 2017 had an exercise price of HK$3.56 (2016: HK$3.56) and a weighted average remaining contractual life of 4.5 (2016: 3.8) years.

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

(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%

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.

29 CAPITAL, RESERVE AND DIVIDENDS

(a) Dividends

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

	2017	2016
	RMB'000	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

(Expressed in Renminbi unless otherwise indicated)

29 CAPITAL, RESERVE AND DIVIDENDS (Continued)

(b) Share capital

Authorised and issued share capital

	2017 Number of shares	2017 Amount HK$'000	2016 Number of shares	2016 Amount HK$'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

	2017 Number of shares	2017 Amount HK$'000	2017 Amount RMB'000	2016 Number of shares	2016 Amount RMB'000	2016 Amount HK$'000
Issued and fully paid:						
At 1 January	**480,900,000**	**4,809**	**3,819**	480,000,000	4,800	3,811
Issue of shares under share option scheme *(note 28)*	**–**	**–**	**–**	900,000	9	8
	480,900,000	**4,809**	**3,819**	480,900,000	4,809	3,819

(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.

(Expressed in Renminbi unless otherwise indicated)

29 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. RMB Nil (2016: RMB518,000) has been transferred from the share-based reserve to the share premium account during the year of 2017.

— 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(p)(ii).

(d) Distributable reserve

At 31 December 2017, the aggregate amount of reserves (including share premium and accumulated losses) available for distribution to the shareholders of the Company was HK$108,725,000 (2016: HK$116,983,000).

(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 2017 were 33% (2016: 37%).

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

30 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 2017, 6% of the total trade receivables were due from the Group's largest customer (2016: 11%), and 16% of the total trade receivables were due from the Group's five largest customers (2016: 26%).

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 20.

(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.

(Expressed in Renminbi unless otherwise indicated)

30 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 2017				
Current liabilities				
Bank borrowings	**495,594**	**–**	**495,594**	**482,992**
Trade, bills and other payables	**253,367**	**–**	**253,367**	**253,367**
	748,961	**–**	**748,961**	**736,359**
As at 31 December 2016				
Current liabilities				
Bank borrowings	632,046	–	632,046	606,499
Trade, bills and other payables	217,782	–	217,782	217,782
	849,828	–	849,828	824,281

(Expressed in Renminbi unless otherwise indicated)

30 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.

	2017		2016	
	Effective interest rate	**Amount RMB'000**	Effective interest rate	Amount RMB'000
Fixed rate borrowings:				
Bank borrowings	**4.98%**	**393,800**	4.61%	414,000
Variable rate borrowings:				
Bank borrowings	**2.64%**	**89,192**	2.16%	192,499
Total bank borrowings		**482,992**		606,499
Net fixed rate borrowings as a percentage of total borrowings		**82%**		68%

(ii) Sensitivity analysis

At 31 December 2017, 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 RMB892,000 (2016: RMB1,925,000). 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 2016.

30 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)	
	2017	2016
	United States Dollars	United States Dollars
	RMB'000	RMB'000
Cash and cash equivalent	**31,301**	18

(ii) Sensitivity analysis

The following table gives a sensitivity analysis that shows the effect on the Group's profit or loss if there is an increase or a decrease in the foreign exchange rates for US dollars:

Foreign currency	**2017**		2016	
	Appreciation (Depreciation) (%)	**Increase/ (decrease) in profit after tax and retained profits RMB'000**	Appreciation (Depreciation) (%)	Increase/ (decrease) in profit after tax and retained profits RMB'000
US dollars	**5%**	**1,565**	5%	1

(e) Fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2017 and 31 December 2016.

(Expressed in Renminbi unless otherwise indicated)

31 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of construction in progress as at 31 December 2017 that were not provided for in the consolidated financial statements were as follows:

	2017 **RMB'000**	2016 RMB'000
Contracted for	**199,259**	186,711

(b) Operating leases

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

	2017 **RMB'000**	2016 RMB'000
Within 1 year	**1,591**	692
After 1 year but within 2 years	**834**	115
	2,425	807

None of the leases include contingent rentals.

32 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:

	2017 **RMB'000**	2016 RMB'000
Short-term employee benefits	**5,561**	7,059
Retirement scheme contributions	**60**	60
Share-based payments for employees	**121**	985
	5,742	8,104

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

(Expressed in Renminbi unless otherwise indicated)

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Investment in a subsidiary		**–**	–
Current assets			
Other receivables		**121**	143
Amounts due from subsidiaries		**196,489**	216,316
Cash and cash equivalents		**134**	125
		196,744	216,584
Current liabilities			
Short-term borrowing		**–**	36,317
Accrual and other payables		**1,631**	1,682
Amounts due to subsidiaries		**104,574**	67,271
		106,205	105,270
Net current assets		**90,539**	111,314
Total assets less current liabilities		**90,539**	111,314
Net assets		**90,539**	111,314
Capital and reserves			
Share capital	*29(b)*	**3,819**	3,819
Reserves	*29(c)*	**86,720**	107,495
Total equity		**90,539**	111,314

Approved and authorised for issue by the board of directors on 26 March 2018.

Kwok Kin Sun
Chairman

Kwok Hon Fung
Director

(Expressed in Renminbi unless otherwise indicated)

33 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 29(b)	Share premium RMB'000 Note 29(c)(i)	Exchange reserve RMB'000 Note 29(c)(iv)	Share-based payment reserve RMB'000 Note 29(c)(v)	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2016		3,811	222,097	9,975	264	(39,165)	196,982
Total comprehensive income for the year		–	–	8,364	–	(9,281)	(917)
Dividends approved respect of the previous year	29(a)	–	(88,604)	–	–	–	(88,604)
Share-based payments for employees	29(c)(v)	–	–	–	985	–	985
Lapse of share options	29(c)(v)	–	–	–	(82)	82	–
Issue of shares under share option scheme	29(c)(v)	8	3,378	–	(518)	–	2,868
At 31 December 2016 and 1 January 2017		3,819	136,871	18,339	649	(48,364)	111,314
Changes in equity for 2017							
Total comprehensive income for the year		**-**	**-**	**(13,570)**	**-**	**(7,536)**	**(21,106)**
Share-based payments for employees	29(c)(v)	**-**	**-**	**-**	**331**	**-**	**331**
Lapse of share options	29(c)(v)	**-**	**-**	**-**	**(633)**	**633**	**-**
At 31 December 2017		**3,819**	**136,871**	**4,769**	**347**	**(55,267)**	**90,539**

(Expressed in Renminbi unless otherwise indicated)

34 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 2017 Direct	2017 Indirect	2016 Direct	2016 Indirect	Principal activities
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	–	**-**	**100%**	– *(note iv)*	100%	Trading of menswear
Chameleon Ventures Limited (嘉龍投資有限公司)	BVI	US$1	**-**	**100%**	–	–	Investment holding
Asia Advance Inc Limited (雋煌有限公司)	Hong Kong	HK$100	**-**	**100%**	–	–	Investment holding
Quanzhou Baoying Fashion Co., Ltd. *(note (i) and (ii))* (泉州百盈服飾有限公司)	PRC	–	**-**	**100%**	– *(note v)*	–	Investment holding
Beijing Haoyin Clothing Co., Ltd. *(note (i) and (ii))* (北京浩垠服飾有限公司)	PRC	RMB5,000,000	**-**	**100%**	–	–	Trading of menswear

(Expressed in Renminbi unless otherwise indicated)

34 PARTICULARS OF INVESTMENTS IN SUBSIDIARIES (Continued)

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 2017.

(v) This subsidiaries were established in 2017, the capital have not been paid up as at 31 December 2017.

35 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.

(Expressed in Renminbi unless otherwise indicated)

35 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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.

36 APPROVAL OF THE CONSOLIDATION FINANCIAL STATEMENTS

The consolidation financial statements were approved and authorised for issue by the board of directors on 26 March 2018.

FIVE YEARS SUMMARY

	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Revenue	1,452,811	1,672,410	1,873,709	1,185,830	**1,129,418**
Profit from operations	345,335	411,299	434,824	215,486	**63,937**
Finance costs	(24,749)	(24,214)	(22,667)	(22,271)	**(21,400)**
Profit before taxation	320,586	387,085	412,157	193,215	**42,537**
Share loss of an associate	–	–	–	–	**(2,000)**
Income tax	(82,042)	(116,451)	(123,490)	(61,626)	**(18,411)**
Profit for the year	238,544	270,634	288,667	131,589	**22,126**
Earnings per share (RMB cents)					
Basic	66	65	60	27	**5**
Diluted	66	65	60	27	**5**
Assets and liabilities					
Non-current assets	579,492	710,126	760,731	854,776	**1,363,605**
Current assets	759,505	1,164,730	1,417,052	1,449,509	**916,040**
Current liabilities	627,422	616,018	612,927	846,905	**739,907**
Net current (liabilities)/assets	132,083	548,712	804,125	602,604	**176,133**
Total assets less current liabilities	711,575	1,258,838	1,564,856	1,457,380	**1,539,738**
Non-current liabilities	129,175	14,240	175,716	36,440	**87,469**
NET ASSETS	582,400	1,244,598	1,389,140	1,420,940	**1,452,269**
Capital and reserves					
Share Capital	11	3,811	3,811	3,819	**3,819**
Reserves	582,389	1,240,787	1,385,329	1,417,121	**1,448,450**
Total equity	582,400	1,244,598	1,389,140	1,420,940	**1,452,269**